

# **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Registered in England - 1122485

Registered Office

The Pearl Centre,  
Lynch Wood,  
Peterborough,  
PE2 6FY

**Annual FSA Insurance Returns for the year ended  
31st December 2005**



(Appendices 9.1 , 9.3 , 9.4 , 9.6 )

# PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED

Year ended 31st December 2005

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**Statement of solvency - long-term insurance business**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

Solo solvency calculation

Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

R2	1122485	GL	31	12	2005	£000
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	As at end of this financial year	As at end of the previous year
	1	2

**Capital resources**

Capital resources arising within the long-term insurance fund	11		8420
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	43179	31791
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	43179	40211

**Guarantee Fund**

Guarantee Fund requirement	21	2030	2087
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	41149	38124

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	5572	5129
Resilience capital requirement	32		
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	5572	5129
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	5572	5129
Excess (deficiency) of available capital resources to cover 50% of MCR	37	40393	37647
Excess (deficiency) of available capital resources to cover 75% of MCR	38	39000	36364

**Enhanced capital requirement**

With-profits insurance capital component	39		
Enhanced capital requirement	40	5572	5129

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	5572	5129
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	37607	35082

**Contingent liabilities**

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

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

..... **I W Laughlin** **Managing Director**

..... **J S Moss** **Director**

..... **G S Felston** **Director**

**31st March 2006**



## Components of capital resources

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	1122485	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4			

## Core tier one capital

Permanent share capital	11		53750	53750	53750
Profit and loss account and other reserves	12		(6778)	(6778)	(13791)
Share premium account	13		252	252	252
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		47224	47224	40211

## Tier one waivers

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

## Other tier one capital

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

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	31		47224	47224	40211
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
<b>Total tier one capital after deductions (31-37)</b>	39		47224	47224	40211

## Components of capital resources

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	<b>R3</b>	<b>1122485</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>
	General insurance business <b>1</b>	Long-term insurance business <b>2</b>	Total as at the end of this financial year <b>3</b>			Total as at the end of the previous year <b>4</b>	

## Tier two capital

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

**Components of capital resources**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	<b>R3</b>	<b>1122485</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>
	General insurance Business <b>1</b>	Long-Term insurance Business <b>2</b>	Total as at the end of this financial year <b>3</b>	Total as at the end of the previous year <b>4</b>			

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		47224	47224	40211	
Inadmissible assets other than intangibles and own shares	<b>73</b>					
Assets in excess of market risk and counterparty limits	<b>74</b>		4045	4045		
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		43179	43179	40211	

**Available capital resources for PRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		43179	43179	40211	
Available capital resources for 50% MCR requirement	<b>82</b>		43179	43179	40211	
Available capital resources for 75% MCR requirement	<b>83</b>		43179	43179	40211	

**Financial engineering adjustments**

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

## Analysis of admissible assets

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1122485</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>1</b>
<b>Investments</b>						As at the end of this financial year 1	As at the end of the previous year 2	
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
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		8955		13000
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		7500		5429
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				3863
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54		19825		4613
	More than one month withdrawal			55		4848		3022
Other financial investments				56				



## Analysis of admissible assets

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1122485</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>1</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				<b>57</b>				
Assets held to match linked liabilities			Index linked	<b>58</b>				
			Property linked	<b>59</b>				
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				<b>60</b>				
Claims outstanding				<b>61</b>				
Provision for unexpired risks				<b>62</b>				
Other				<b>63</b>				
<b>Debtors and salvage</b>								
Direct insurance business			Policyholders	<b>71</b>				
			Intermediaries	<b>72</b>				
Salvage and subrogation recoveries				<b>73</b>				
Reinsurance			Accepted	<b>74</b>				
			Ceded	<b>75</b>				
Dependants			Due in 12 months or less	<b>76</b>				
			Due in more than 12 months	<b>77</b>				
Other			Due in 12 months or less	<b>78</b>				
			Due in more than 12 months	<b>79</b>				
<b>Other assets</b>								
Tangible assets				<b>80</b>				
Deposits not subject to time restriction on withdrawal with approved institutions				<b>81</b>		<b>2593</b>		<b>1577</b>
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>		<b>71</b>		<b>662</b>
Deferred acquisition costs				<b>85</b>				
Other prepayments and accrued income				<b>86</b>		<b>25</b>		
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>		<b>43817</b>		<b>32166</b>

**Analysis of admissible assets**

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	1122485	GL	31	12	2005	£000	1

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	43817	32166
Assets in excess of market and counterparty limits	92	4045	
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
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 (B1 to 100)	101	47862	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	8955	13000
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## Analysis of admissible assets

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1122485</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>10</b>
<b>Investments</b>						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41		60		430
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		36525		31511
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				16444
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54		553		9101
	More than one month withdrawal			55		10716		4114
Other financial investments				56				

## Analysis of admissible assets

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1122485</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>10</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities			Index linked	58				
			Property linked	59		384457		337984
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
<b>Debtors and salvage</b>								
Direct insurance business			Policyholders	71		29		18
			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		1512		620
			Due in more than 12 months	79				
<b>Other assets</b>								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		1276		2794
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		296		116
Deferred acquisition costs				85				
Other prepayments and accrued income				86		56		1
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		435480		403133



**Analysis of admissible assets**

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

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

Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		day	month	year			
R13	1122485	GL	31	12	2005	£000	10

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	435480	403133
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	82010	
Other asset adjustments (may be negative)	100		
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	517490	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	218	151
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**Long term insurance business liabilities and margins**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**Fund **Total long term insurance business**

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	423185	376826
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13		8420
Long term insurance business fund carried forward (11 to 13)	14	423185	385246
Claims outstanding	Gross amount	15	1734
	Reinsurers' share	16	
	Net (15-16)	17	1734
Provisions	Taxation	21	
	Other	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	2
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	5
	Other	38	10129
Accruals and deferred income	39	427	16050
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	12295	17887
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	435480	403133
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	9968	15596
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	384457	337984
Total liabilities (11+12+49)	71	435480	394713
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	82010	
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	517490	

**Liabilities (other than long term insurance business)**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

R15	Company registration number 1122485	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2005	

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

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers		31	
Creditors	Direct insurance business	41	
	Reinsurance accepted	42	
	Reinsurance ceded	43	
Debenture loans	Secured	44	
	Unsecured	45	
Amounts owed to credit institutions		46	
Creditors	Taxation	47	220
	Recommended dividend	48	
	Other	49	632
Accruals and deferred income		51	6
Total (19 to 51)		59	638
Provision for "reasonably foreseeable adverse variations"		61	
Cumulative preference share capital		62	
Subordinated loan capital		63	
Total (59 to 63)		69	638

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	632	153
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Reinsurers' share of DAC	81	
Amounts deducted from technical provisions for discounting	82	
Other adjustments (may be negative)	83	
Capital and reserves	84	47224
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	47862



**Profit and loss account (non-technical account)**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**

R16	Company registration number 1122485	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2005	

			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	14978	
Investment income	Income	14	817	668
	Value re-adjustments on investments	15		72
	Gains on the realisation of investments	16	175	
Investment charges	Investment management charges, including interest	17	24	21
	Value re-adjustments on investments	18	193	
	Loss on the realisation of investments	19		7
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	(124)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	15629	712
Tax on profit or loss on ordinary activities		31	196	220
Profit or loss on ordinary activities after tax (29-31)		39	15433	492
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	15433	492
Dividends (paid and proposed)		51		
Profit or loss retained for the financial year (49-51)		59	15433	492



**Long-term insurance business : Revenue account**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Name and number of fund/Summary **Total long term insurance business**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	15593	19658
Investment income receivable before deduction of tax	12	13689	10720
Increase (decrease) in the value of non-linked assets brought into account	13	(38)	(202)
Increase (decrease) in the value of linked assets	14	52280	29712
Other income	15		
<b>Total income</b>	<b>19</b>	<b>81524</b>	<b>59888</b>
<b>Expenditure</b>			
Claims incurred	21	23190	37568
Expenses payable	22	2812	2622
Interest payable before deduction of tax	23	1587	7
Taxation	24	1018	4740
Other expenditure	25		
Transfer to (from) non technical account	26	14978	
<b>Total expenditure</b>	<b>29</b>	<b>43585</b>	<b>44937</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	37939	14951
Fund brought forward	49	385246	370295
Fund carried forward (39+49)	59	423185	385246

**Long term insurance business : Analysis of premiums**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Total business/subfund **Total long term insurance business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11		10724		10724	13552
Single premiums	12		9375		9375	9379
<b>Reinsurance - external</b>						
Regular premiums	13					
Single premiums	14					
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16		4506		4506	3273
<b>Net of reinsurance</b>						
Regular premiums	17		10724		10724	13552
Single premiums	18		4869		4869	6106
<b>Total</b>						
Gross	19		20099		20099	22931
Reinsurance	20		4506		4506	3273
Net	21		15593		15593	19658

## Long term insurance business : Analysis of claims

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Total business/subfund **Total long term insurance business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11		1070		1070	1184
Disability periodic payments	12					
Surrender or partial surrender	13		16102		16102	32840
Annuity payments	14		2222		2222	1333
Lump sums on maturity	15		6018		6018	3544
<b>Total</b>	<b>16</b>		<b>25412</b>		<b>25412</b>	<b>38901</b>
<b>Reinsurance - external</b>						
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>					
<b>Reinsurance - intra-group</b>						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		2222		2222	1333
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>2222</b>		<b>2222</b>	<b>1333</b>
<b>Net of reinsurance</b>						
Death or disability lump sums	41		1070		1070	1184
Disability periodic payments	42					
Surrender or partial surrender	43		16102		16102	32840
Annuity payments	44					
Lump sums on maturity	45		6018		6018	3544
<b>Total</b>	<b>46</b>		<b>23190</b>		<b>23190</b>	<b>37568</b>

**Long term insurance business : Analysis of expenses**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Total business/subfund **Total long term insurance business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14		2812		2812	2622
Management - other	15					
<b>Total</b>	<b>16</b>		<b>2812</b>		<b>2812</b>	<b>2622</b>
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44		2812		2812	2622
Management - other	45					
<b>Total</b>	<b>46</b>		<b>2812</b>		<b>2812</b>	<b>2622</b>



## Long term insurance business : Linked funds balance sheet

Name of insurer PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED

Total business

Financial year ended 31st December 2005

Units £000

		Financial year	Previous year
		1	2
<b>Internal linked funds (excluding cross investment)</b>			
Directly held assets (excluding collective investment schemes)	11	17998	
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	371771	
<b>Total assets (excluding cross investment) (11+12+13)</b>	14	389769	
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	203	
<b>Total net assets (14-15-16-17)</b>	18	389566	
<b>Directly held linked assets</b>			
Value of directly held linked assets	21		
<b>Total</b>			
Value of directly held linked assets and units held (18+21)	31	389566	
Surplus units	32	5109	
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	34	384457	

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

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business

Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Value of total creation of units	11	10661	16755
Investment income attributable to the funds before deduction of tax	12	11590	8224
Increase (decrease) in the value of investments in the financial year	13	52280	29712
Other income	14		
<b>Total income</b>	19	74531	54691
<b>Expenditure</b>			
Value of total cancellation units	21	35129	31094
Charges for management	22		
Charges in respect of tax on investment income	23	(16)	148
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
<b>Total expenditure</b>	29	35113	31242
Increase (decrease) in funds in financial year (19-29)	39	39418	23449
Internal linked fund brought forward	49	350148	326699
Internal linked funds carried forward (39 + 49)	59	389566	350148

**Long term insurance business : Summary of new business**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business

Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Number of new policyholders/scheme members for direct insurance business</b>						
Regular premium business	11					
Single premium business	12		456		456	
<b>Total</b>	13		456		456	
<b>Amount of new regular premiums</b>						
Direct insurance business	21		118		118	
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	24		118		118	
<b>Amount of new single premiums</b>						
Direct insurance business	25		9375		9375	
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	28		9375		9375	

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Long term insurance business : Analysis of new business

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
725	Individual pensions property linked		118		4869
400	Annuity non-profit (CPA)			456	4506



**Long term insurance business : Non-linked assets**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**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
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12		323	13	4.12	
Other fixed interest securities	13		169	5	3.22	
Variable interest securities	14					
UK listed equity shares	15	60	2668	72	2.69	
Non-UK listed equity shares	16		1570	23	1.47	
Unlisted equity shares	17					
Other assets	18	50963	46293	1930	4.17	
<b>Total</b>	19	51023	51023	2043	4.01	
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
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>	29					
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

## Long term insurance business : Summary of mathematical reserves

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Total business/subfund **Total long term insurance business**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11					
Form 51 - non-profit	12		47058		47058	42491
Form 52	13					
Form 53 - linked	14		384457		384457	337984
Form 53 - non-linked	15		73522		73522	71907
Form 54 - linked	16					
Form 54 - non-linked	17		158		158	152
<b>Total</b>	18		505195		505195	452534
<b>Reinsurance - external</b>						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	28					
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32		47058		47058	42491
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35		34794		34794	33065
Form 54 - linked	36					
Form 54 - non-linked	37		158		158	152
<b>Total</b>	38		82010		82010	75708
<b>Net of reinsurance</b>						
Form 51 - with-profits	41					
Form 51 - non-profit	42					
Form 52	43					
Form 53 - linked	44		384457		384457	337984
Form 53 - non-linked	45		38728		38728	38842
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	48		423185		423185	376826

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

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business / subfund **Total long term insurance business**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)	6282	3270		n/a	n/a	n/a	47058

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

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business / subfund **Total long term insurance business**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
400	Annuity non-profit (CPA)		3270		n/a	n/a	n/a	47058



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

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business / subfund **Total long term insurance business**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	70034	396919	12674	396790	384457	73522	457979

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Long term insurance business : Valuation summary of property linked contracts

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business / subfund **Total long term insurance business**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						34794	34794

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business / subfund **Total long term insurance business**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	6	6				158	158

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total business / subfund **Total long term insurance business**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity		6				158	158



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

(Sheet 1)

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Retirement Managed	14 - individual pension - other managed fund	353736	Individual Ser 3	1	3.154	3.702	17.37

**Long term insurance business : distribution of surplus**Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**Total business/subfund **Total long term insurance business**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Valuation result</b>			
Fund carried forward	11	423185	385246
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	14978	
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	438163	385246
Mathematical reserves	21	423185	376826
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	14978	8420
<b>Composition of Surplus</b>			
Balance brought forward	31	8420	4156
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	6558	4264
Total	39	14978	8420
<b>Distribution of Surplus</b>			
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	14978	
Total distributed surplus (46+47)	48	14978	
Surplus carried forward	49		8420
Total (48+49)	59	14978	8420
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

## Long term insurance capital requirement

Name of insurer **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

Global business

Financial year ended **31st December 2005**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
<b>Insurance death risk capital component</b>						
Classes I, II and IX	11	0.1%				
Classes I, II and IX	12	0.15%				
Classes I, II and IX	13	0.3%				
Classes III, VII and VIII	14	0.3%	12463	12463	1.00	37
<b>Total</b>	15		12463	12463		37
<b>Insurance health risk capital component</b>						
Class IV and supplementary classes 1 and 2	21					
<b>Insurance expense risk capital component</b>						
Classes I, II and IX	31	1%	47216		0.85	401
Classes III, VII and VIII (investment risk)	32	1%	73523	38729	0.85	625
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	112371	112371	1.00	1124
Classes III, VII and VIII (other)	34	25%				306
Class IV	35	1%				
Class V	36	1%				
Class VI	37	1%				
<b>Total</b>	38					2456
<b>Insurance market risk capital component</b>						
Classes I, II and IX	41	3%	47216		0.85	1204
Classes III, VII and VIII (investment risk)	42	3%	73523	38729	0.85	1875
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	112371	112371		
Classes III, VII and VIII (other)	44	0%	272085	272085		
Class IV	45	3%				
Class V	46	0%				
Class VI	47	3%				
<b>Total</b>	48		505195	423185		3079
<b>Long term insurance capital requirement</b>	51					5572
						5129



## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED

##### Global Business

Financial year ended 31st December 2005

##### Appendix 9.1

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

	2005 £'000	2004 £'000
Net admissible assets:		
Form 13 line 89 (other than long term business)	43,817	32,166
Form 13 line 89 (long term business)	435,480	403,133
Less Form 14 lines 11, 12 and 49	(435,480)	(394,713)
Less Form 15 line 69	(638)	(375)
Total capital resources after deductions	43,179	40,211

##### \*1305\* Counterparty limits

##### \*1311\*

- (a) The principal investments of the insurer are holdings in authorised collective schemes and deposits. The investment guidelines operated by the insurer limit exposure to any one approved counterparty in respect of deposits to 20% of the business amount (10% of the business amount in respect of exposure other than short term deposits).
- (b) The investment guidelines permit exposure to counterparties that are not approved counterparties subject to a non-approved counterparty being rated P-1 by Moody's, an independent rating agency. The guidelines operated by the insurer limit exposure to any one non-approved counterparty to 5% of the business amount. The loan to Pearl Assurance plc referred to in 1306 & 1312 has been approved by the directors.
- (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 eleven 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 insurer provided a £13 million (2004: £13 million) loan to its parent undertaking, Pearl Assurance plc. Nine of the remaining cases, where the total amount of the exposure was £35 million were deposits held with approved credit institutions. In the one remaining case the exposure was £39 million, the assets held which gave rise to the exposure were holdings in authorised collective investment schemes.



**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**Global Business**

**Financial year ended 31st December 2005**

**Appendix 9.1 (continued)**

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

**\*1501\***

It is the insurer's policy not to enter into derivative contracts. Therefore a provision for reasonably foreseeable adverse variations is not required.

**\*1402\* Liabilities**

**\*1502\***

- (a) There are no charges over assets.
- (b) There is no potential liability to taxation on capital gains if the insurer disposed of its assets.
- (c) In common with other life companies in the United Kingdom which 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 from detailed file reviews of specific cases and from a statistical review of other outstanding cases, are included in the mathematical reserves.

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. The provision for possible redress included in the mathematical reserves for Phase 1 is £19.7 million (2004: £18.4 million). The provision for possible redress included in the mathematical reserves for Phase 2 cases is £0.3 million (2004: £0.1 million).

The above cost of the provision has fallen on shareholders so other policyholders' benefits have not been affected in any way.

- (d) The insurer has no guarantees, indemnities or other contractual commitments effected other than in the ordinary course of its insurance business in respect of related companies.
- (e) The insurer has no other contingent liabilities.
- (f) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

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

Charges have been incurred during 2005 in respect of consultancy services.

Returns under the Accounts and Statements Rules

Supplementary Notes

PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED

Global Business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

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

In respect of Form 17 Long term insurance business assets and Other than long term insurance business assets, 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**

**PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**Global Business**

**Financial year ended 31st December 2005**

**Appendix 9.3**

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

Since 1 September Pearl Group Services Limited has provided the management and administration services to the insurer. Prior to that the services were provided by PGS 2 Limited (formerly HHG Services Limited). Henderson Global Investors Limited have provided investment management services to the insurer for the whole of the financial year.

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

Throughout the financial year the insurer has provided a £13 million interest free loan, repayable on demand, to its parent undertaking Pearl Assurance plc.

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

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

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

**\*4404\* Surplus units**

The surplus units on Form 44 Line 32 are being held until various minor policy data issues are resolved.

**\*4503\* Charges for Management**

Form 45 is an aggregate revenue account for level 1 funds which are the basic asset funds. Charges for management are deducted at level 2 series and are included in line 21 as part of the "Value of total cancellation of units". The level 2 series is the policyholder liability level.

**\*4900\* Analysis of admissible fixed interest and variable interest securities**

As there are no fixed interest securities or variable interest and variable yield securities in Form 48 requiring analysis, Form 49 has not been included within the return

**Returns under the Accounts and Statements Rules**

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

**PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**Global Business**

**Financial year ended 31st December 2005**

It is the insurer's policy not to enter into derivative contracts and it has not done so during the financial year. There is consequently nothing to disclose under paragraph (1) (b) to (l) of rule 9.29 of the Accounts and Statements Rules.



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

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

#### **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

##### **Global Business**

##### **Financial year ended 31st December 2005**

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were Pearl Assurance plc, which remained a controller at 31st December 2005, together with Henderson Finances (formerly Pearl Group), Henderson Group PLC (formerly HHG PLC), AMP Financial Services Holdings Limited, AMP Holdings Limited, AMP Group Holdings Limited and AMP Limited which ceased to be controllers on 13th April 2005, Pearl Assurance Group Holdings Limited which ceased to be a controller on 12th May 2005 and Pearl Group Limited (formerly Life Company Investor 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 LLP and TDR Capital Nominees Limited which became controllers on 13th April 2005.

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

##### **1. Pearl Assurance plc**

As at 31st December 2005, Pearl Assurance plc owned 100% of the issued share capital of Pearl Assurance (Unit Linked Pensions) Limited and was able to exercise 100% of the voting power at any general meeting.

##### **2. Pearl Group Limited**

As at 31st December 2005, Pearl Group Limited owned 100% of the 'A' and 'B' ordinary shares of Pearl Assurance plc, a company of which Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

##### **3. Sun Capital Investments Limited**

As at 31st December 2005, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **4. Hera Investments One Limited**

As at 31st December 2005, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **5. Xercise Limited**

As at 31st December 2005, 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 Pearl Assurance (Unit Linked Pensions) 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**

#### **PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

##### **Global Business**

**Financial year ended 31st December 2005**

**(continued)**

##### **6. Jambright Limited**

As at 31st December 2005, 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 Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

As at 31<sup>st</sup> December 2005, 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 67.7% of the ordinary shares of Xercise Limited and were able to exercise 67.7% 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 Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **8. TDR Capital Nominees Limited**

As at 31<sup>st</sup> December 2005, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.8% of the ordinary shares of Jambright Limited and were able to exercise 89.8% of the voting power at any general meeting and own 79.7% of the preference shares of both Jambright Limited and Xercise Limited, which carry no voting rights. 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 Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

##### **9. TDR Capital LLP**

As at 31<sup>st</sup> December, 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 and, acted as nominee for the TDR funds, which own 89.8% of the ordinary shares of Jambright Limited and were able to exercise 89.8% of the voting power at any general meeting and own 79.7% of the preference shares of both Jambright Limited and Xercise Limited, which carry no voting rights. 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 Pearl Assurance (Unit Linked Pensions) Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.



**Pearl Assurance (Unit Linked Pensions) Limited**

**Appendix 9.4**

**Abstract of Valuation Report**

**Introduction**

1. (1) The date to which the investigation relates is 31<sup>st</sup> December 2005.
- (2) The date to which the previous investigation under IPRU(INS) rule 9.4 related was 31<sup>st</sup> December 2004.
- (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) There are no such policies.
- (2) There are no such policies.
- (3) There are no such policies.
- (4) Service charges on those linked policies that have variable charges were increased in 2005, in line with changes in National Average Earnings, an increase of 3.2%.
- (5) There are no benefit charges on linked business.
- (6) During the financial year unit management charges on linked business remained unchanged.
- (7) (a) Units are of two types – capital and accumulation. The following method is applied to both types of units.

The creation or cancellation of units in the internal linked funds is done at unrounded bid prices. 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

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.

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.

The assets of the internal linked funds are valued at noon on each working day. If markets move significantly between noon and 4 pm, allowance for this market movement is made.

- (b) The same pricing basis applies to all 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) All the business in the internal linked funds is Pension business, so there are no allowances for tax.
- (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) 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.

- (2) The following table sets out the rates of interest used:

Product Group	2005	2004	Product Code
Immediate Annuities	4.12%	4.59%	400
Linked Business	3.70%	4.00%	725
Immediate Annuities – Index Linked	4.03%	4.59%	905

- (3) Yields on **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.

- (4) The following table sets out the mortality bases used:

Product Code	2005		2004	
	Male	Female	Male	Female
400	95% RMV92 U2005 projected <sup>(1)</sup>	82.5% RFV92 U2005 projected <sup>(1)</sup>	95% RMV92 U2004 projected <sup>(1)</sup>	87.5% RFV92 U2004 projected <sup>(1)</sup>
725	65% AM80	65% AF80	65% AM80	65% AF80
905	95% RMV92 U2005 projected <sup>(1)</sup>	82.5% RFV92 U2005 projected <sup>(1)</sup>	95% RMV92 U2004 projected <sup>(1)</sup>	87.5% RFV92 U2004 projected <sup>(1)</sup>

Note:

- (1) Projected mortality rates use CMIR17 improvement factors.



- (5) There are no products that use a morbidity basis.
- (6) Per policy expenses, investment management fees, and gross unit growth rates before management charges were:

Product Code	Per Policy Expense (£)		Investment Management (% Fund)		Gross Unit Growth Rate (% p.a.)	
	2005	2004	2005	2004	2005	2004
400	44.20	41.10	0.10%	0.09%	N/a	N/a
725	33.90	31.60	0.39%	0.39%	5.0%	5.5%
905	44.20	41.10	0.10%	0.09%	N/a	N/a

The above allow for payments expected to be made to Pearl Group Services Limited under the Management Services Agreement, project expenses, and directly incurred expenses. In addition:

- a reserve of £3.5 million is held against future project costs.
- a reserve of £0.8 million is held for the additional payments due to Pearl Group Services Limited over 2006 and 2007 following the renegotiation of the management services agreement with that company

Inflation of per policy expenses was 3.75% p.a. (2004: 5.00% p.a.).

Inflation of service charges was 4.00% p.a. (2004: 4.00% p.a.).

- (7) There is no with profit business.
- (8) Other material basis assumptions:

#### Tax Rates

There is no tax on investment income or unit growth and no relief for tax applied to expenses.

#### Surrender/Lapse/Early Retirement Rates

No allowance is made for surrender, lapse, or early retirement.

#### Paid Up Rates

Product Code	2005	2004
400	N/a	N/a
725	15%, 18%, 22.5%	15%, 18%, 22.5%
905	N/a	N/a

The paid up rates for Product Code 725 are different for different sub-products.

#### Retirement Age

A retirement age of 75 years is assumed for any policy without a specified maturity date.

- (9) No derivative contracts are held.

5. (1) (a) 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 expected annuity rate takes into account the annuity pricing basis and choices of retirement age, tax free cash percentages, escalation rate and guarantee period; it is also calculated using interest rates derived from a properly calibrated model of future risk free yields from the gilts market.

The valuation is calculated at individual policy level and allows for the take up rate of the guarantee and the terms of the guarantee.

- (b) The reserve for the annuity rate guarantee reinsured into Pearl Assurance plc has been determined in accordance with the basis set out below:

Assumption	2005
Take up Rate	100%
Rate of interest	BoE gilts spot curve, capped at 4.1%
Mortality in payment	95% RMV92 projected <sup>(1)</sup> 82.5% RFV92 projected <sup>(1)</sup>
Expected annuity guarantee periods	0 years 40% 5 years 20% 10 years 40%
Tax free lump sum	10% decreasing at 0.25% p.a. to 5% after 20 years
Retirement Rates	See below

Note:

- (1) Projected mortality rates use CMIR17 improvement factors.

#### Retirement Rates

The following proportions of policyholders retiring at each possible retirement age have been assumed:

Age Attained	2005	2004
60	20%	
61	3%	
62	3%	
63	3%	
64	3%	
65	50%	
66	10%	
67	2%	100% <sup>(1)</sup>
68	2%	
69	2%	
70	10%	
71	5%	
72	2%	
73	2%	
74	2%	
75	100%	

Note:

- (1) Or current age, if older

Details of the products concerned are summarised below:

Product Names	Retirement Bonds, Retirement Plans
Product Code	725
Basic Reserve	£81.3 million
Spread of outstanding durations	Gradual run-off, mean term of 13 years
Guarantee Reserve	£34.8 million
GAR (% of fund for 65 year old male)	10%
Increments Allowed?	No
Form of Annuity	Single life, monthly in advance, level annuity, 0, 5 or 10 year guarantee period
Retirement Ages	60-75

- (2) There are no guaranteed surrender or maturity values.
- (3) There are no guaranteed insurability options.
- (4) A reserve has been made for guaranteeing benefits 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 reserve:

- (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 is appropriately determined from recent settlement statistics.

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

<b>Assumption</b>	<b>2005</b>
Rate of interest	0.15% p.a.
Rate of salary inflation (Including an allowance for salary progression)	2% p.a.
Effective rate of revaluation for transfer in deferment	1% p.a.
Net rate of interest for pensions in payment	-0.95% p.a.
Mortality in deferment	65% AM/AF80 ultimate
Mortality in payment	95% RMVC2025 82.5% RFVC2025
Percentage assumed married	100%
Leaving service assumption	Nil



The cost of this reserve is shared equally with Pearl Assurance plc.  
The amount of business involved had a basic reserve of £115 million with additional reserves of £20.9 million. This amount includes an allowance for future expenses and policies where the compensation process is yet to be completed.

### Expense Reserves

6. (1) The aggregate amounts of expense loadings expected to arise during the 12 months from the valuation date are summarised below:

Explicit per policy expense loading	£2.2 million
Explicit allowance for investment management expenses	£1.5 million
Explicit allowance for policy charge income	£5.0 million.

- (2) All provisions for future expenses have been made using explicit methods.
- (3) The amount of maintenance expenses is not significantly different from the maintenance expenses shown at line 14 of Form 43.
- (4) The insurer has been closed to new business for some years. The amount of top-up and incremental business to existing policies is not significant. Any additional expense resulting from such increments is not material and is more than covered by the existing expense provision. Therefore no expense overrun reserve is calculated.
- (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 certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

As Pearl Assurance (Unit Linked Pensions) Limited 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.

### Mismatching reserves

7. (1) All the liabilities and assets are denominated in sterling.
- (2) Not applicable.
- (3) Not applicable.



- (4) The more onerous scenario under PRU rule 4.2.16R for assets invested in the United Kingdom and other assets that fall under this rule for the purposes of calculating the resilience capital requirement is described below
- (i) A fall in the market value of equities of at least 10% or, if greater, the lower of:
- (a) a percentage fall in the market value of equities which would produce an earnings yield on the FTSE Actuaries All Share Index equal to 4/3rds of the long-term gilt yield; and
  - (b) a fall in the market value of equities of 25% less the equity market adjustment ratio;
- This resulted in a fall of 10% in asset values.
- (ii) A fall in real estate values of 20% less the real estate market adjustment ratio for an appropriate real estate index;
- There is no real estate.
- (iii) A fall in yields on all fixed interest securities by a percentage point amount equal to 20% of the long-term gilt yield.
- This resulted in a rise of 7.5% in asset values.
- (5) No assets were deemed held in a significant territory.
- (6) (a) The amount of the resilience capital requirement is nil.
- (b) Under the more onerous scenario the long term insurance liabilities rose by £0.4 million.
- (c) Under this scenario, the value of the assets allocated to match these liabilities did not change
- (7) No additional reserve is held.

**Other special reserves**

- (8) There are no other special reserves.

## Reinsurance

9. (1) No reinsurance has been ceded on a facultative basis.

(2) (a) – (k) The treaty reinsurances in force at the valuation date are summarised below.

Reinsurer	Nature and extent of the cover	Premium £m	Amount deposited back £m	Closed to new business ?	Amount of any un-discharged obligation	Mathematical Reserves ceded £m	Retention by the insurer
Pearl Assurance plc	Immediate Annuities in payment and Guaranteed Annuity Rates	£4.5	£Nil	No	£Nil	£82.0	£Nil

- (l) Pearl Assurance plc is authorised to carry on insurance business in the United Kingdom.
- (m) Pearl Assurance (Unit Linked Pensions) Limited is a wholly owned subsidiary of Pearl Assurance plc, which is part of the Pearl Group of companies.
- (n) The treaty is not subject to any material contingencies such as credit or legal risk.
- (o) No reinsurance commission is payable.
- (p) The treaty is not a "financing arrangement".

## Reversionary (or annual) bonus

10. There is no with profit business.

**Returns under the Accounts and Statements Rules**

**Certificate required by rule 9.34**

**Pearl Assurance (Unit Linked Pensions) Limited**

**Global Business**

**Financial year ended 31st December 2005**

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and  
(b) the directors are satisfied that:
  - (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 PRU; 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 directors have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

I W Laughlin  
Managing Director

J S Moss  
Director

G S Felston  
Director

Date: 31st March 2006



**Returns under the Accounts and Statements Rules**

**Independent auditors' report to the directors pursuant to rule 9.35**

**PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**Global business**

**Financial year ended 31st December 2005**

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 and the Integrated Prudential Sourcebook ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000.

- Forms 2, 3, 13 to 16, 40 to 45, 48, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by 9.29 ("the statement"); and
- the valuation report required by rule 9.31(a) ("the valuation report").

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

- Forms 46, 47, 50, 51 and 53 to 55 (including the supplementary notes);
- the statement required by rules 9.30; and
- the certificate signed in accordance with rule 9.34;

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 report) under the provisions of the Rules. Under rule 9.11 the Forms, the statement and the valuation report 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 report prepared in accordance with rule 9.31(a) are required to reflect appropriately the requirements of PRU 7.3.

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



**Returns under the Accounts and Statements Rules**

**Independent auditors' report to the directors pursuant to rule 9.35**

**PEARL ASSURANCE (UNIT LINKED PENSIONS) LIMITED**

**Global business**

**Financial year ended 31st December 2005**

**(continued)**

**Basis of opinion**

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 "Supplementary guidance for auditors of insurers in the United Kingdom" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 31st March 2006. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the statement and the valuation report.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms, the statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with 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 statement and the valuation report fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report appropriately reflect the requirements of PRU 7.3.

Ernst & Young LLP  
Registered Auditor

Date: 31st March 2006

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