

# **Phoenix Pensions Limited**

**(Formerly Britannic Retirement Solutions Limited)**

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

**31 December 2007**

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

# PHOENIX PENSIONS LIMITED

Year Ended 31st December 2007

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

Global business

Financial year ended **31 December 2007**

Solo solvency calculation

|  | Company<br>registration<br>number | GL/<br>UK/<br>CM | day       | month   | year      | Units   |             |
|--|-----------------------------------|------------------|-----------|---|-----------|---|-------------|
|  | <b>R2</b>                         | <b>3649535</b>   | <b>GL</b> | <b>31</b>                                       | <b>12</b> | <b>2007</b>                                   | <b>£000</b> |
|  |                                   |                  |           | <b>As at end of<br/>this financial<br/>year</b> |           | <b>As at end of<br/>the previous<br/>year</b> |             |
|  |                                   |                  |           | <b>1</b>  |           | <b>2</b>                                      |             |

**Capital resources**

|   |           |        |      |
|---|-----------|--------|------|
| Capital resources arising within the long-term insurance fund   | <b>11</b> | 50001  |      |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | <b>12</b> | 310035 | 3000 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12)       | <b>13</b> | 360036 | 3000 |

**Guarantee fund**

|  |           |        |      |
|--|-----------|--------|------|
| Guarantee fund requirement   | <b>21</b> | 50255  | 2139 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | <b>22</b> | 309781 | 861  |

**Minimum capital requirement (MCR)**

|  |           |        |      |
|--|-----------|--------|------|
| Long-term insurance capital requirement                                | <b>31</b> | 150765 |      |
| Resilience capital requirement   | <b>32</b> |        |      |
| Base capital resources requirement                                     | <b>33</b> | 2231   | 2139 |
| Individual minimum capital requirement                                 | <b>34</b> | 150765 | 2139 |
| Capital requirements of regulated related undertakings                 | <b>35</b> |        |      |
| Minimum capital requirement (34+35)                                    | <b>36</b> | 150765 | 2139 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | <b>37</b> | 284654 | 1930 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | <b>38</b> | 246962 | 1396 |

**Enhanced capital requirement**

|  |           |        |  |
|--|-----------|--------|--|
| With-profits insurance capital component | <b>39</b> |        |  |
| Enhanced capital requirement             | <b>40</b> | 150765 |  |

**Capital resources requirement (CRR)**

|  |           |        |      |
|--|-----------|--------|------|
| Capital resources requirement (greater of 36 and 40)   | <b>41</b> | 150765 | 2139 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | <b>42</b> | 209271 | 861  |

**Contingent liabilities**

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

**Covering Sheet to Form 2**

**Form 2**

Name of insurer      **Phoenix Pensions Limited**

Global business

Financial year ended      **31 December 2007**

..... G L Singleton      **Chief Executive**

..... R P Stockton      **Director**

..... M J Merrick      **Director**

**Date: 26 March 2008**

**Components of capital resources**Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2007**

|  | Company<br>registration<br>number | GL/<br>UK/<br>CM                 | day                                | month   | year  | Units       |             |
|--|-----------------------------------|----------------------------------|------------------------------------|---|---|-------------|-------------|
|  | <b>R3</b>                         | <b>3649535</b>                   | <b>GL</b>                          | <b>31</b>   | <b>12</b>   | <b>2007</b> | <b>£000</b> |
|  |                                   | General<br>insurance<br>business | Long-term<br>insurance<br>business | Total as at<br>the end of<br>this financial<br>year | Total as at<br>the end of<br>the previous<br>year |             |             |
|  |                                   | <b>1</b>                         | <b>2</b>                           | <b>3</b>  | <b>4</b>  |             |             |

**Core tier one capital**

|   |           |  |        |        |          |
|---|-----------|--|--------|--------|----------|
| Permanent share capital                       | <b>11</b> |  | 3000   | 3000   | 120000   |
| Profit and loss account and other reserves    | <b>12</b> |  | 191899 | 191899 | (117000) |
| Share premium account                         | <b>13</b> |  |        |        |          |
| Positive valuation differences                | <b>14</b> |  | 210760 | 210760 |          |
| Fund for future appropriations                | <b>15</b> |  |        |        |          |
| Core tier one capital in related undertakings | <b>16</b> |  |        |        |          |
| Core tier one capital (sum of 11 to 16)       | <b>19</b> |  | 405659 | 405659 | 3000     |

**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> |  | 405659 | 405659 | 3000 |
| Investments in own shares   | <b>32</b> |  |        |        |      |
| Intangible assets   | <b>33</b> |  |        |        |      |
| 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> |  |        |        |      |
| <b>Total tier one capital after deductions (31-37)</b>              | <b>39</b> |  | 405659 | 405659 | 3000 |

**Components of capital resources**Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2007**

|           | Company<br>registration<br>number | GL/<br>UK/<br>CM                 | day month year                     |   |   | Units       |
|-----------|-----------------------------------|----------------------------------|------------------------------------|---|---|-------------|
| <b>R3</b> | <b>3649535</b>                    | <b>GL</b>                        | <b>31</b>                          | <b>12</b>   | <b>2007</b>                                       | <b>£000</b> |
|           |                                   | General<br>insurance<br>business | Long-term<br>insurance<br>business | Total as at<br>the end of<br>this financial<br>year | Total as at<br>the end of<br>the previous<br>year |             |
|           |                                   | <b>1</b>                         | <b>2</b>                           | <b>3</b>  | <b>4</b>  |             |

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Phoenix Pensions Limited**

Global business

Financial year ended **31 December 2007**

| Company registration number | GL/UK/CM       | day month year             |                              |  | Units                                    |             |
|-----------------------------|----------------|----------------------------|------------------------------|--|--|-------------|
| <b>R3</b>                   | <b>3649535</b> | <b>GL</b>                  | <b>31</b>                    | <b>12</b>                                  | <b>2007</b>                              | <b>£000</b> |
|                             |                | General insurance business | Long-term insurance business | Total as at the end of this financial year | Total as at the end of the previous year |             |
|                             |                | <b>1</b>                   | <b>2</b>                     | <b>3</b>                                   | <b>4</b>                                 |             |

**Total capital resources**

|   |           |  |        |        |      |
|---|-----------|--|--------|--------|------|
| Positive adjustments for regulated non-insurance related undertakings | <b>71</b> |  |        |        |      |
| <b>Total capital resources before deductions (39+69+71)</b>           | <b>72</b> |  | 405659 | 405659 | 3000 |
| Inadmissible assets other than intangibles and own shares             | <b>73</b> |  | 45623  | 45623  |      |
| Assets in excess of market risk and counterparty limits               | <b>74</b> |  |        |        |      |
| 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> |  | 360036 | 360036 | 3000 |

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

|  |           |  |        |        |      |
|--|-----------|--|--------|--------|------|
| Available capital resources for guarantee fund requirement | <b>81</b> |  | 360036 | 360036 | 3000 |
| Available capital resources for 50% MCR requirement        | <b>82</b> |  | 360036 | 360036 | 3000 |
| Available capital resources for 75% MCR requirement        | <b>83</b> |  | 360036 | 360036 | 3000 |

**Financial engineering adjustments**

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

**Analysis of admissible assets**Name of insurer **Phoenix Pensions Limited**

Global business

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

| Company registration number | GL/UK/CM       | day       | month     | year      | Units                                   | Category of assets                    |          |
|-----------------------------|----------------|-----------|-----------|-----------|---|---------------------------------------|----------|
| <b>R13</b>                  | <b>3649535</b> | <b>GL</b> | <b>31</b> | <b>12</b> | <b>2007</b>                             | <b>£000</b>                           | <b>1</b> |
|                             |                |           |           |           | <b>As at end of this financial year</b> | <b>As at end of the previous year</b> |          |
|                             |                |           |           |           | <b>1</b>                                | <b>2</b>                              |          |
| 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>                      | 312897    | 3000 |
| Rights under derivative contracts  | <b>44</b>                      |           |      |
| Fixed interest securities  | Approved                       | <b>45</b> |      |
|  | Other                          | <b>46</b> |      |
| Variable interest securities   | Approved                       | <b>47</b> |      |
|  | Other                          | <b>48</b> |      |
| Participation in investment pools  | <b>49</b>                      |           |      |
| Loans secured by mortgages   | <b>50</b>                      |           |      |
| Loans to public or local authorities and nationalised industries or undertakings | <b>51</b>                      |           |      |
| Loans secured by policies of insurance issued by the company                     | <b>52</b>                      |           |      |
| Other loans  | <b>53</b>                      |           |      |
| Bank and approved credit & financial institution deposits                        | One month or less withdrawal   | <b>54</b> |      |
|  | More than one month withdrawal | <b>55</b> |      |
| Other financial investments  | <b>56</b>                      |           |      |
| Deposits with ceding undertakings  | <b>57</b>                      |           |      |
| Assets held to match linked liabilities  | Index linked                   | <b>58</b> |      |
|  | Property linked                | <b>59</b> |      |



**Analysis of admissible assets**Name of insurer **Phoenix Pensions Limited**

Global business

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

| Company registration number | GL/UK/CM       | day       | month     | year      | Units                                   | Category of assets                    |          |
|-----------------------------|----------------|-----------|-----------|-----------|---|---------------------------------------|----------|
| <b>R13</b>                  | <b>3649535</b> | <b>GL</b> | <b>31</b> | <b>12</b> | <b>2007</b>                             | <b>£000</b>                           | <b>1</b> |
|                             |                |           |           |           | <b>As at end of this financial year</b> | <b>As at end of the previous year</b> |          |
|                             |                |           |           |           | <b>1</b>                                | <b>2</b>                              |          |

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

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

**Other assets**

|   |           |     |  |
|---|-----------|-----|--|
| Tangible assets   | <b>80</b> |     |  |
| Deposits not subject to time restriction on withdrawal with approved institutions | <b>81</b> | 299 |  |
| 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> |     |  |
| Deferred acquisition costs (general business only)                                | <b>85</b> |     |  |
| Other prepayments and accrued income  | <b>86</b> |     |  |

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

|   |           |        |      |
|---|-----------|--------|------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | <b>89</b> | 313196 | 3000 |
|---|-----------|--------|------|

**Analysis of admissible assets**Name of insurer **Phoenix Pensions Limited**

Global business

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

| Company registration number | GL/UK/CM | day | month | year | Units                            | Category of assets             |   |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|---|
| R13                         | 3649535  | GL  | 31    | 12   | 2007                             | £000                           | 1 |
|                             |          |     |       |      | As at end of this financial year | As at end of the previous year |   |
|                             |          |     |       |      | 1                                | 2                              |   |

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

|   |     |        |      |
|---|-----|--------|------|
| Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)  | 91  | 313196 | 3000 |
| Admissible assets in excess of market and counterparty limits   | 92  |        |      |
| Inadmissible assets directly held   | 93  |        |      |
| Capital resources requirement deduction of regulated related undertakings   | 94  |        |      |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings  | 95  |        |      |
| Inadmissible assets of regulated related insurance undertakings   | 96  |        |      |
| Book value of related ancillary services undertakings   | 97  |        |      |
| Other differences in the valuation of assets (other than for assets not valued above)   | 98  |        |      |
| Deferred acquisition costs excluded from line 89  | 99  |        |      |
| Reinsurers' share of technical provisions excluded from line 89   | 100 |        |      |
| Other asset adjustments (may be negative)   | 101 | (155)  |      |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101) | 102 | 313041 | 3000 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance   | 103 |        |      |

**Analysis of admissible assets**Name of insurer **Phoenix Pensions Limited**

Global business

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

| Company registration number | GL/UK/CM | day | month | year | Units                            | Category of assets             |    |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13                         | 3649535  | GL  | 31    | 12   | 2007                             | £000                           | 10 |
|                             |          |     |       |      | As at end of this financial year | As at end of the previous year |    |
|                             |          |     |       |      | 1                                | 2                              |    |
| Land and buildings          |          |     | 11    |      |                                  |                                |    |

**Investments in group undertakings and participating interests**

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

**Other financial investments**

|  |                                |        |         |
|--|--------------------------------|--------|---------|
| Equity shares  | 41                             |        |         |
| Other shares and other variable yield participations                             | 42                             |        |         |
| Holdings in collective investment schemes  | 43                             | 216534 |         |
| Rights under derivative contracts  | 44                             | 26263  |         |
| Fixed interest securities  | Approved                       | 45     | 1524074 |
|  | Other                          | 46     | 1726502 |
| Variable interest securities   | Approved                       | 47     |         |
|  | Other                          | 48     | 46666   |
| Participation in investment pools  | 49                             |        |         |
| Loans secured by mortgages   | 50                             | 26103  |         |
| Loans to public or local authorities and nationalised industries or undertakings | 51                             |        |         |
| Loans secured by policies of insurance issued by the company                     | 52                             |        |         |
| Other loans  | 53                             |        |         |
| Bank and approved credit & financial institution deposits                        | One month or less withdrawal   | 54     |         |
|  | More than one month withdrawal | 55     | 6851    |
| Other financial investments  | 56                             |        |         |
| Deposits with ceding undertakings  | 57                             |        |         |
| Assets held to match linked liabilities  | Index linked                   | 58     | 259076  |
|  | Property linked                | 59     |         |

**Analysis of admissible assets**Name of insurer **Phoenix Pensions Limited**

Global business

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

| Company registration number | GL/UK/CM       | day       | month     | year      | Units                                   | Category of assets                    |           |
|-----------------------------|----------------|-----------|-----------|-----------|---|---------------------------------------|-----------|
| <b>R13</b>                  | <b>3649535</b> | <b>GL</b> | <b>31</b> | <b>12</b> | <b>2007</b>                             | <b>£000</b>                           | <b>10</b> |
|                             |                |           |           |           | <b>As at end of this financial year</b> | <b>As at end of the previous year</b> |           |
|                             |                |           |           |           | <b>1</b>                                | <b>2</b>                              |           |

**Reinsurers' share of technical provisions**

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

**Debtors and salvage**

|                                    |                            |           |       |
|------------------------------------|----------------------------|-----------|-------|
| Direct insurance business          | Policyholders              | <b>71</b> |       |
|                                    | 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> | 14958 |
|                                    | 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> | 6471  |
| 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> | 74219 |
| Deferred acquisition costs (general business only)                                | <b>85</b> |       |
| Other prepayments and accrued income  | <b>86</b> |       |

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

|   |           |         |
|---|-----------|---------|
| Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87) | <b>89</b> | 3927717 |
|---|-----------|---------|

**Analysis of admissible assets**Name of insurer **Phoenix Pensions Limited**

Global business

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

| Company registration number | GL/UK/CM | day | month | year | Units                            | Category of assets             |    |
|-----------------------------|----------|-----|-------|------|----------------------------------|--------------------------------|----|
| R13                         | 3649535  | GL  | 31    | 12   | 2007                             | £000                           | 10 |
|                             |          |     |       |      | As at end of this financial year | As at end of the previous year |    |
|                             |          |     |       |      | 1                                | 2                              |    |

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

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

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

Global business

Financial year ended **31 December 2007**Total business **10 Total business**Units **£000**

| As at end of<br>this financial<br>year<br>1 | As at end of<br>the previous<br>year<br>2 |
|---|---|
|---|---|

|  |                           |           |       |
|--|---------------------------|-----------|-------|
| Mathematical reserves, after distribution of surplus                                     | <b>11</b>                 | 3769117   |       |
| 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>                 | 50001     |       |
| Long term insurance business fund carried forward (11 to 13)                             | <b>14</b>                 | 3819118   |       |
| 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>                 | 391       |       |
| Creditors  | Direct insurance business | <b>31</b> |       |
|  | Reinsurance accepted      | <b>32</b> | 49087 |
|  | Reinsurance ceded         | <b>33</b> |       |
| Debenture loans  | Secured                   | <b>34</b> |       |
|  | Unsecured                 | <b>35</b> | 1607  |
| Amounts owed to credit institutions  | <b>36</b>                 |           |       |
| Creditors  | Taxation                  | <b>37</b> |       |
|  | Other                     | <b>38</b> | 50105 |
| Accruals and deferred income   | <b>39</b>                 | 7409      |       |
| Provision for "reasonably foreseeable adverse variations"                                | <b>41</b>                 |           |       |
| Total other insurance and non-insurance liabilities (17 to 41)                           | <b>49</b>                 | 108599    |       |
| Excess of the value of net admissible assets   | <b>51</b>                 |           |       |
| Total liabilities and margins  | <b>59</b>                 | 3927717   |       |

|  |           |      |  |
|--|-----------|------|--|
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance | <b>61</b> | 1607 |  |
| 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> | 3877716  |  |
| Increase to liabilities - DAC related  | <b>72</b> |          |  |
| Reinsurers' share of technical provisions  | <b>73</b> | 41513    |  |
| Other adjustments to liabilities (may be negative)   | <b>74</b> | 208092   |  |
| Capital and reserves and fund for future appropriations  | <b>75</b> | (115137) |  |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75) | <b>76</b> | 4012184  |  |

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

Global business

Financial year ended **31 December 2007**

|            | Company<br>registration<br>number | GL/<br>UK/<br>CM | day   | month     | year        | Units                                     |
|------------|-----------------------------------|------------------|---|-----------|-------------|---|
| <b>R15</b> | <b>3649535</b>                    | <b>GL</b>        | <b>31</b>                                   | <b>12</b> | <b>2007</b> | <b>£000</b>                               |
|            |                                   |                  | As at end of<br>this financial<br>year<br>1 |           |             | As at end of<br>the previous<br>year<br>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<br>loans  | Secured                   | <b>44</b> |  |      |
|   | Unsecured                 | <b>45</b> |  |      |
| Amounts owed to credit institutions                       |                           | <b>46</b> |  |      |
| Creditors   | Taxation                  | <b>47</b> |  | 3005 |
|   | Foreseeable dividend      | <b>48</b> |  |      |
|   | Other                     | <b>49</b> |  | 155  |
| Accruals and deferred income                              |                           | <b>51</b> |  |      |
| Total (19 to 51)  |                           | <b>59</b> |  | 3160 |
| 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> |  | 3160 |

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

|  |           |  |        |      |
|--|-----------|--|--------|------|
| Amounts deducted from technical provisions for discounting   | <b>82</b> |  |        |      |
| Other adjustments (may be negative)  | <b>83</b> |  | (155)  |      |
| Capital and reserves   | <b>84</b> |  | 310036 | 3000 |
| Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84) | <b>85</b> |  | 313041 | 3000 |

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

Global business

Financial year ended **31 December 2007**

|  |  | Company<br>registration<br>number | GL/<br>UK/<br>CM | day                    | month     | year             | Units       |
|--|--|-----------------------------------|------------------|------------------------|-----------|------------------|-------------|
|  |  | <b>R16</b>                        | <b>GL</b>        | <b>31</b>              | <b>12</b> | <b>2007</b>      | <b>£000</b> |
|  |  |                                   |                  | This financial<br>year |           | Previous<br>year |             |
|  |  |                                   |                  | 1                      | 2         |                  |             |
| Transfer (to)/from the<br>general insurance business<br>technical account                      | From Form 20   |                                   | <b>11</b>        |                        |           |                  |             |
|  | Equalisation provisions                              |                                   | <b>12</b>        |                        |           |                  |             |
| Transfer from the long term insurance business<br>revenue account                              |  |                                   | <b>13</b>        |                        |           |                  |             |
| Investment income  | Income   |                                   | <b>14</b>        |                        |           | 123              | 2094        |
|  | Value re-adjustments on<br>investments               |                                   | <b>15</b>        |                        |           | 10094            |             |
|  | Gains on the realisation of<br>investments           |                                   | <b>16</b>        |                        |           | 3                |             |
| Investment charges   | Investment management<br>charges, including interest |                                   | <b>17</b>        |                        |           | 167              | 45          |
|  | Value re-adjustments on<br>investments               |                                   | <b>18</b>        |                        |           |                  |             |
|  | Loss on the realisation of<br>investments            |                                   | <b>19</b>        |                        |           |                  | 1091        |
| Allocated investment return transferred to the general<br>insurance business technical account |  |                                   | <b>20</b>        |                        |           |                  |             |
| Other income and charges (particulars to be specified<br>by way of supplementary note)         |  |                                   | <b>21</b>        |                        |           |                  | (62511)     |
| Profit or loss on ordinary activities before tax<br>(11+12+13+14+15+16-17-18-19-20+21)         |  |                                   | <b>29</b>        |                        |           | 10053            | (61553)     |
| Tax on profit or loss on ordinary activities   |  |                                   | <b>31</b>        |                        |           | 3016             | 294         |
| Profit or loss on ordinary activities after tax (29-31)  |  |                                   | <b>39</b>        |                        |           | 7037             | (61847)     |
| Extraordinary profit or loss (particulars to be specified<br>by way of supplementary note)     |  |                                   | <b>41</b>        |                        |           |                  |             |
| Tax on extraordinary profit or loss  |  |                                   | <b>42</b>        |                        |           |                  |             |
| Other taxes not shown under the preceding items  |  |                                   | <b>43</b>        |                        |           |                  |             |
| Profit or loss for the financial year (39+41-(42+43))  |  |                                   | <b>49</b>        |                        |           | 7037             | (61847)     |
| Dividends (paid or foreseeable)  |  |                                   | <b>51</b>        |                        |           |                  |             |
| Profit or loss retained for the financial year (49-51)   |  |                                   | <b>59</b>        |                        |           | 7037             | (61847)     |



**Analysis of derivative contracts**Name of insurer **Phoenix Pensions Limited**

Global business

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

|                                 |                           | Company<br>registration<br>number    | GL/<br>UK/<br>CM | day month year |                                    |           | Units       | Category<br>of<br>assets |           |
|---------------------------------|---------------------------|--------------------------------------|------------------|----------------|------------------------------------|-----------|-------------|--------------------------|-----------|
|                                 |                           | <b>R17</b>                           | <b>3649535</b>   | <b>GL</b>      | <b>31</b>                          | <b>12</b> | <b>2007</b> | <b>£000</b>              | <b>10</b> |
|                                 |                           | As at the end of this financial year |                  |                | As at the end of the previous year |           |             |                          |           |
|                                 |                           | Assets                               |                  | Liabilities    |                                    | Assets    |             | Liabilities              |           |
|                                 |                           | <b>1</b>                             |                  | <b>2</b>       |                                    | <b>3</b>  |             | <b>4</b>                 |           |
| <b>Derivative contracts</b>     |                           |                                      |                  |                |                                    |           |             |                          |           |
| Futures contracts               | Fixed-interest securities | <b>11</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Equity shares             | <b>12</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Land                      | <b>13</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Currencies                | <b>14</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Other                     | <b>15</b>                            |                  |                |                                    |           |             |                          |           |
| Options                         | Fixed-interest securities | <b>21</b>                            | 1522             |                |                                    |           |             |                          |           |
|                                 | 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>                            | 24741            | 44439          |                                    |           |             |                          |           |
|                                 | Equity shares             | <b>32</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Land                      | <b>33</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Currencies                | <b>34</b>                            |                  |                |                                    |           |             |                          |           |
|                                 | Other                     | <b>35</b>                            |                  |                |                                    |           |             |                          |           |
| Adjustment for variation margin |                           | <b>41</b>                            |                  |                |                                    |           |             |                          |           |
| Total (11 to 41)                |                           | <b>49</b>                            | 26263            | 44439          |                                    |           |             |                          |           |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total Business**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Income**

|  |           |                |              |
|--|-----------|----------------|--------------|
| Earned premiums  | 11        | 3533771        | 49266        |
| Investment income receivable before deduction of tax                       | 12        | 86274          | 63399        |
| Increase (decrease) in the value of non-linked assets brought into account | 13        | 71638          | (59529)      |
| Increase (decrease) in the value of linked assets                          | 14        |                | (32)         |
| Other income   | 15        | 221527         | 352          |
| <b>Total income</b>  | <b>19</b> | <b>3913210</b> | <b>53457</b> |

**Expenditure**

|  |           |              |              |
|--|-----------|--------------|--------------|
| Claims incurred                              | 21        | 79003        | 87599        |
| Expenses payable                             | 22        | 3562         | 2598         |
| Interest payable before the deduction of tax | 23        | 12913        | 1660         |
| Taxation                                     | 24        | (2993)       | (691)        |
| Other expenditure                            | 25        | 1607         | 5121         |
| Transfer to (from) non technical account     | 26        |              |              |
| <b>Total expenditure</b>                     | <b>29</b> | <b>94092</b> | <b>96286</b> |

|   |    |         |           |
|---|----|---------|-----------|
| Business transfers - in                                     | 31 |         |           |
| Business transfers - out                                    | 32 |         | 1209402   |
| Increase (decrease) in fund in financial year (19-29+31-32) | 39 | 3819118 | (1252232) |
| Fund brought forward  | 49 |         | 1252232   |
| Fund carried forward (39+49)                                | 59 | 3819118 |           |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total Business**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

|                  |    |  |         |        |         |       |
|------------------|----|--|---------|--------|---------|-------|
| Regular premiums | 11 |  |         |        |         | 1191  |
| Single premiums  | 12 |  | 3350194 | 183577 | 3533771 | 48075 |

**Reinsurance - external**

|                  |    |  |  |  |  |  |
|------------------|----|--|--|--|--|--|
| Regular premiums | 13 |  |  |  |  |  |
| Single premiums  | 14 |  |  |  |  |  |

**Reinsurance - intra-group**

|                  |    |  |  |  |  |  |
|------------------|----|--|--|--|--|--|
| Regular premiums | 15 |  |  |  |  |  |
| Single premiums  | 16 |  |  |  |  |  |

**Net of reinsurance**

|                  |    |  |         |        |         |       |
|------------------|----|--|---------|--------|---------|-------|
| Regular premiums | 17 |  |         |        |         | 1191  |
| Single premiums  | 18 |  | 3350194 | 183577 | 3533771 | 48075 |

**Total**

|             |    |  |         |        |         |       |
|-------------|----|--|---------|--------|---------|-------|
| Gross       | 19 |  | 3350194 | 183577 | 3533771 | 49266 |
| Reinsurance | 20 |  |         |        |         |       |
| Net         | 21 |  | 3350194 | 183577 | 3533771 | 49266 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total Business**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

|                                |           |  |       |       |       |
|--------------------------------|-----------|--|-------|-------|-------|
| Death or disability lump sums  | 11        |  |       |       |       |
| Disability periodic payments   | 12        |  |       |       |       |
| Surrender or partial surrender | 13        |  |       |       |       |
| Annuity payments               | 14        |  | 79003 | 79003 | 87599 |
| Lump sums on maturity          | 15        |  |       |       |       |
| <b>Total</b>                   | <b>16</b> |  | 79003 | 79003 | 87599 |

**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        |  |       |       |       |
| Disability periodic payments   | 42        |  |       |       |       |
| Surrender or partial surrender | 43        |  |       |       |       |
| Annuity payments               | 44        |  | 79003 | 79003 | 87599 |
| Lump sums on maturity          | 45        |  |       |       |       |
| <b>Total</b>                   | <b>46</b> |  | 79003 | 79003 | 87599 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total Business**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

**Gross**

|                          |           |  |      |      |      |
|--------------------------|-----------|--|------|------|------|
| Commission - acquisition | 11        |  |      |      |      |
| Commission - other       | 12        |  |      |      |      |
| Management - acquisition | 13        |  |      |      |      |
| Management - maintenance | 14        |  | 3562 | 3562 | 2598 |
| Management - other       | 15        |  |      |      |      |
| <b>Total</b>             | <b>16</b> |  | 3562 | 3562 | 2598 |

**Reinsurance - external**

|                          |           |  |  |  |  |
|--------------------------|-----------|--|--|--|--|
| Commission - acquisition | 21        |  |  |  |  |
| Commission - other       | 22        |  |  |  |  |
| Management - acquisition | 23        |  |  |  |  |
| Management - maintenance | 24        |  |  |  |  |
| Management - other       | 25        |  |  |  |  |
| <b>Total</b>             | <b>26</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        |  | 3562 | 3562 | 2598 |
| Management - other       | 45        |  |      |      |      |
| <b>Total</b>             | <b>46</b> |  | 3562 | 3562 | 2598 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business  
 Financial year ended **31 December 2007**  
 Units **£000**

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

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

|                          |           |  |  |  |  |
|--------------------------|-----------|--|--|--|--|
| Regular premium business | 11        |  |  |  |  |
| Single premium business  | 12        |  |  |  |  |
| <b>Total</b>             | <b>13</b> |  |  |  |  |

**Amount of new regular  
premiums**

|                           |           |  |  |  |  |
|---------------------------|-----------|--|--|--|--|
| Direct insurance business | 21        |  |  |  |  |
| External reinsurance      | 22        |  |  |  |  |
| Intra-group reinsurance   | 23        |  |  |  |  |
| <b>Total</b>              | <b>24</b> |  |  |  |  |

**Amount of new single  
premiums**

|                           |           |  |         |        |         |       |
|---------------------------|-----------|--|---------|--------|---------|-------|
| Direct insurance business | 25        |  |         |        | (160)   |       |
| External reinsurance      | 26        |  |         |        |         |       |
| Intra-group reinsurance   | 27        |  | 3350194 | 183577 | 3533771 | 48235 |
| <b>Total</b>              | <b>28</b> |  | 3350194 | 183577 | 3533771 | 48075 |

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

Name of insurer

**Phoenix Pensions Limited**

Total business

Financial year ended

**31 December 2007**

Units

**£000**

UK Pension / Reinsurance accepted intra-group

| Product code number | Product description                          | Regular premium business                 |                    | Single premium business                  |                    |
|---------------------|--|--|--------------------|--|--------------------|
|                     |  | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1                   | 2  | 3  | 4                  | 5  | 6                  |
| 315                 | Individual deposit administration non-profit |  |                    |  | 71945              |
| 320                 | Group deposit administration non-profit      |  |                    |  | 53081              |
| 390                 | Deferred annuity non-profit                  |  |                    |  | 179512             |
| 400                 | Annuity non-profit (CPA)                     |  |                    |  | 2153186            |
| 405                 | Annuity non-profit (CPA impaired life)       |  |                    |  | 632522             |
| 440                 | Additional reserves non-profit OB            |  |                    |  | 13231              |
| 905                 | Index linked annuity (CPA)                   |  |                    |  | 246717             |
|                     |  |  |                    |  |                    |
|                     |  |  |                    |  |                    |
|                     |  |  |                    |  |                    |
|                     |  |  |                    |  |                    |
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|                     |  |  |                    |  |                    |
|                     |  |  |                    |  |                    |

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

Name of insurer **Phoenix Pensions Limited**

Total business

Financial year ended **31 December 2007**

Units **£000**

Overseas/ Reinsurance accepted intra-group

| Product code number | Product description         | Regular premium business                 |                    | Single premium business                  |                    |
|---------------------|-----------------------------|--|--------------------|--|--------------------|
|                     |                             | Number of policyholders / scheme members | Amount of premiums | Number of policyholders / scheme members | Amount of premiums |
| 1                   | 2                           | 3  | 4                  | 5  | 6                  |
| 390                 | Deferred annuity non-profit |  |                    |  | 207                |
| 395                 | Annuity non-profit (PLA)    |  |                    |  | 602                |
| 400                 | Annuity non-profit (CPA)    |  |                    |  | 182768             |
|                     |                             |  |                    |  |                    |
|                     |                             |  |                    |  |                    |
|                     |                             |  |                    |  |                    |
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|                     |                             |  |                    |  |                    |



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

Name of insurer **Phoenix Pensions Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2007**  
 Units **£000**

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

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

|                                    |           |                |                |               |             |  |
|------------------------------------|-----------|----------------|----------------|---------------|-------------|--|
| Land and buildings                 | 11        |                |                |               |             |  |
| Approved fixed interest securities | 12        | 1541453        | 1541453        | 69626         | 4.52        |  |
| Other fixed interest securities    | 13        | 1775487        | 1775487        | 111640        | 6.29        |  |
| Variable interest securities       | 14        | 48244          | 48244          | 1134          | 2.35        |  |
| UK listed equity shares            | 15        |                |                |               |             |  |
| Non-UK listed equity shares        | 16        |                |                |               |             |  |
| Unlisted equity shares             | 17        |                |                |               |             |  |
| Other assets                       | 18        | 303457         | 303457         | 12436         | 4.10        |  |
| <b>Total</b>                       | <b>19</b> | <b>3668641</b> | <b>3668641</b> | <b>194836</b> | <b>5.31</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 : Fixed and variable interest assets**

Name of insurer **Phoenix Pensions Limited**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2007**  
 Units **£000**

|   |           | Value of assets<br>1 | Mean term<br>2 | Yield before<br>adjustment<br>3 | Yield after<br>adjustment<br>4 |
|---|-----------|----------------------|----------------|---------------------------------|--------------------------------|
| <b>UK Government approved fixed interest securities</b> | <b>11</b> | 1365119              | 13.38          | 4.52                            | 4.52                           |
| <b>Other approved fixed interest securities</b>         | <b>21</b> | 176334               | 10.13          | 4.52                            | 4.41                           |
| <b>Other fixed interest securities</b>                  |           |                      |                |                                 |                                |
| AAA/Aaa   | <b>31</b> | 165429               | 6.72           | 5.57                            | 5.49                           |
| AA/Aa   | <b>32</b> | 278123               | 6.74           | 5.98                            | 5.81                           |
| A/A   | <b>33</b> | 922368               | 10.25          | 6.05                            | 5.78                           |
| BBB/Baa   | <b>34</b> | 388847               | 8.83           | 6.56                            | 5.79                           |
| BB/Ba   | <b>35</b> | 20713                | 4.69           | 21.44                           | 16.29                          |
| B/B   | <b>36</b> |                      |                |                                 |                                |
| CCC/Caa   | <b>37</b> |                      |                |                                 |                                |
| Other (including unrated)                               | <b>38</b> | 7                    |                |                                 |                                |
| <b>Total other fixed interest securities</b>            | <b>39</b> | 1775487              | 9.00           | 6.29                            | 5.88                           |
| <b>Approved variable interest securities</b>            | <b>41</b> |                      |                |                                 |                                |
| <b>Other variable interest securities</b>               | <b>51</b> | 48244                | 15.62          | 2.35                            | 1.87                           |
| <b>Total (11+21+39+41+51)</b>                           | <b>61</b> | 3365184              | 10.93          | 5.42                            | 5.19                           |

**Long-term insurance business : Summary of mathematical reserves**Name of insurer **Phoenix Pensions Limited**Total business **10 Total business**Financial year ended **31 December 2007**

Units

**£000**

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

**Gross**

|                        |           |  |         |        |         |
|------------------------|-----------|--|---------|--------|---------|
| Form 51 - with-profits | 11        |  |         |        |         |
| Form 51 - non-profit   | 12        |  | 3345893 | 198749 | 3544642 |
| Form 52                | 13        |  |         |        |         |
| Form 53 - linked       | 14        |  |         |        |         |
| Form 53 - non-linked   | 15        |  |         |        |         |
| Form 54 - linked       | 16        |  | 261608  |        | 261608  |
| Form 54 - non-linked   | 17        |  | 4380    |        | 4380    |
| <b>Total</b>           | <b>18</b> |  | 3611881 | 198749 | 3810630 |

**Reinsurance - external**

|                        |           |  |       |  |       |
|------------------------|-----------|--|-------|--|-------|
| Form 51 - with-profits | 21        |  |       |  |       |
| Form 51 - non-profit   | 22        |  | 38981 |  | 38981 |
| Form 52                | 23        |  |       |  |       |
| Form 53 - linked       | 24        |  |       |  |       |
| Form 53 - non-linked   | 25        |  |       |  |       |
| Form 54 - linked       | 26        |  | 2531  |  | 2531  |
| Form 54 - non-linked   | 27        |  |       |  |       |
| <b>Total</b>           | <b>28</b> |  | 41513 |  | 41513 |

**Reinsurance - intra-group**

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

**Net of reinsurance**

|                        |           |  |         |        |         |
|------------------------|-----------|--|---------|--------|---------|
| Form 51 - with-profits | 41        |  |         |        |         |
| Form 51 - non-profit   | 42        |  | 3306912 | 198749 | 3505661 |
| Form 52                | 43        |  |         |        |         |
| Form 53 - linked       | 44        |  |         |        |         |
| Form 53 - non-linked   | 45        |  |         |        |         |
| Form 54 - linked       | 46        |  | 259076  |        | 259076  |
| Form 54 - non-linked   | 47        |  | 4380    |        | 4380    |
| <b>Total</b>           | <b>48</b> |  | 3570368 | 198749 | 3769117 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total business**  
 Financial year ended **31 December 2007**  
 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                               |
| 315                 | Individual deposit administration non-profit |  | 1103              | 283                              |                        |                           |                   | 77565                           |
| 320                 | Group deposit administration non-profit      |  | 14247             | 179                              |                        |                           |                   | 57227                           |
| 390                 | Deferred annuity non-profit                  |  | 20725             | 5                                |                        |                           |                   | 193534                          |
| 400                 | Annuity non-profit (CPA)                     |  | 162515            |                                  |                        |                           |                   | 2321374                         |
| 405                 | Annuity non-profit (CPA impaired life)       |  | 57275             |                                  |                        |                           |                   | 681929                          |
| 440                 | Additional reserves non-profit OB            |  |                   |                                  |                        |                           |                   | 14265                           |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total business**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

| Product code number | Product description                    | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|--|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1                   | 2                                      | 3  | 4                 | 5                                | 6                      | 7                         | 8                 | 9                               |
| 400                 | Annuity non-profit (CPA)               |  |                   |                                  |                        |                           |                   | 2277                            |
| 405                 | Annuity non-profit (CPA impaired life) |  |                   |                                  |                        |                           |                   | 36704                           |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |
|                     |  |  |                   |                                  |                        |                           |                   |                                 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total business**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 Overseas / Gross

| Product code number | Product description         | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|-----------------------------|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1                   | 2                           | 3  | 4                 | 5                                | 6                      | 7                         | 8                 | 9                               |
| 390                 | Deferred annuity non-profit |  | 26                |                                  |                        |                           |                   | 224                             |
| 395                 | Annuity non-profit (PLA)    |  | 38                |                                  |                        |                           |                   | 652                             |
| 400                 | Annuity non-profit (CPA)    |  | 13675             |                                  |                        |                           |                   | 197873                          |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
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|                     |                             |  |                   |                                  |                        |                           |                   |                                 |
|                     |                             |  |                   |                                  |                        |                           |                   |                                 |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total business**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Pension / Gross

| <b>Product code number</b> | <b>Product description</b> | <b>Number of policyholders / scheme members</b> | <b>Amount of benefit</b> | <b>Amount of annual office premiums</b> | <b>Nominal value of units</b> | <b>Discounted value of units</b> | <b>Other liabilities</b> | <b>Amount of mathematical reserves</b> |
|----------------------------|----------------------------|---|--------------------------|---|-------------------------------|----------------------------------|--------------------------|--|
| <b>1</b>                   | <b>2</b>                   | <b>3</b>  | <b>4</b>                 | <b>5</b>                                | <b>6</b>                      | <b>7</b>                         | <b>8</b>                 | <b>9</b>                               |
| 905                        | Index linked annuity (CPA) |   | 11083                    |   | 261608                        | 261608                           | 4380                     | 265988                                 |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |
|                            |                            |   |                          |   |                               |                                  |                          |  |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total business**  
 Financial year ended **31 December 2007**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

| Product code number | Product description        | Number of policyholders / scheme members | Amount of benefit | Amount of annual office premiums | Nominal value of units | Discounted value of units | Other liabilities | Amount of mathematical reserves |
|---------------------|----------------------------|--|-------------------|----------------------------------|------------------------|---------------------------|-------------------|---------------------------------|
| 1                   | 2                          | 3  | 4                 | 5                                | 6                      | 7                         | 8                 | 9                               |
| 905                 | Index linked annuity (CPA) |  |                   |                                  | 2531                   | 2531                      |                   | 2531                            |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |
|                     |                            |  |                   |                                  |                        |                           |                   |                                 |



**Long-term insurance business : Index linked business**Name of insurer **Phoenix Pensions Limited**

Total business

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

| Type of assets and liabilities   | Name of index link<br>1 | Value of assets or liabilities<br>2 | Gross derivative value<br>3 |
|----------------------------------|-------------------------|-------------------------------------|-----------------------------|
| Approved Index Linked Securities | RPI                     | 223865                              |                             |
| Other Index Linked Securities    | RPI                     | 35211                               |                             |
|                                  |                         |                                     |                             |
|                                  |                         |                                     |                             |
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|                                  |                         |                                     |                             |
|                                  |                         |                                     |                             |
|                                  |                         |                                     |                             |
| <b>Total assets</b>              |                         | 259076                              |                             |
| <b>Total liabilities</b>         |                         |                                     |                             |
| <b>Net total assets</b>          |                         | 259076                              |                             |

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **Phoenix Pensions Limited**Total business **10 Total business**Financial year ended **31 December 2007**Units **£000**

| Product group<br>1                               | Net mathematical reserves<br>2 | Net valuation interest rate<br>3 | Gross valuation interest rate<br>4 | Risk adjusted yield on matching assets<br>5 |
|--|--------------------------------|----------------------------------|------------------------------------|---|
| UK Pension NP Form 51 Annuities in Payment       | 2964321                        |                                  | 4.80                               | 5.17  |
| UK Pension NP Form 51 Other                      | 328325                         |                                  | 3.80                               | 4.27  |
| UK Pension NP Form 54 Annuities in Payment       | 4380                           |                                  | 1.20                               | 1.73  |
| Overseas Pension NP Form 51 Annuities in Payment | 198525                         |                                  | 4.20                               | 4.45  |
| Overseas Pension NP Form 51 Other                | 224                            |                                  | 3.80                               | 4.27  |
| UK Pension NP Form 51 Additional Reserves        | 14265                          |                                  |                                    | 1.73  |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
|  |                                |                                  |                                    |   |
| <b>Total</b>                                     | 3510041                        |                                  |                                    |   |

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

Name of insurer **Phoenix Pensions Limited**  
 Total business **10 Total business**  
 Financial year ended **31 December 2007**  
 Units **£000**

| Financial year<br>1 | Previous year<br>2 |
|---------------------|--------------------|
|---------------------|--------------------|

**Valuation result**

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

**Composition of surplus**

|   |    |       |         |
|---|----|-------|---------|
| Balance brought forward                   | 31 |       | 26762   |
| Transfer from non-technical account       | 32 |       |         |
| Transfer from other funds / parts of fund | 33 |       | (32673) |
| Surplus arising since the last valuation  | 34 | 50001 | 5911    |
| Total                                     | 39 | 50001 |         |

**Distribution of surplus**

|   |    |       |  |
|---|----|-------|--|
| Bonus paid in anticipation of a surplus     | 41 |       |  |
| Cash bonuses                                | 42 |       |  |
| Reversionary bonuses                        | 43 |       |  |
| Other bonuses                               | 44 |       |  |
| Premium reductions                          | 45 |       |  |
| Total allocated to policyholders (41 to 45) | 46 |       |  |
| Net transfer out of fund / part of fund     | 47 |       |  |
| Total distributed surplus (46+47)           | 48 |       |  |
| Surplus carried forward                     | 49 | 50001 |  |
| Total (48+49)                               | 59 | 50001 |  |

**Percentage of distributed surplus allocated to policyholders**

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

**Long-term insurance capital requirement**Name of insurer **Phoenix Pensions Limited**

Global business

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

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

**Insurance death risk capital component**

|                              |           |       |     |     |      |   |
|------------------------------|-----------|-------|-----|-----|------|---|
| Life protection reinsurance  | 11        | 0.0%  |     |     |      |   |
| Classes I (other), II and IX | 12        | 0.1%  |     |     | 1.00 |   |
| Classes I (other), II and IX | 13        | 0.15% |     |     |      |   |
| Classes I (other), II and IX | 14        | 0.3%  | 236 | 236 |      | 1 |
| Classes III, VII and VIII    | 15        | 0.3%  |     |     |      |   |
| <b>Total</b>                 | <b>16</b> |       | 236 | 236 |      | 1 |

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

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

**Insurance expense risk capital component**

|  |           |     |         |         |      |       |
|--|-----------|-----|---------|---------|------|-------|
| Life protection and permanent health reinsurance   | 31        | 0%  |         |         |      |       |
| Classes I (other), II and IX                       | 32        | 1%  | 3544642 | 3505661 | 0.99 | 35057 |
| Classes III, VII and VIII (investment risk)        | 33        | 1%  | 265988  | 263456  | 0.99 | 2635  |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 34        | 1%  |         |         |      |       |
| Classes III, VII and VIII (other)                  | 35        | 25% |         |         |      |       |
| Class IV (other)                                   | 36        | 1%  |         |         |      |       |
| Class V  | 37        | 1%  |         |         |      |       |
| Class VI   | 38        | 1%  |         |         |      |       |
| <b>Total</b>                                       | <b>39</b> |     |         |         |      | 37691 |

**Insurance market risk capital component**

|  |           |    |         |         |      |        |
|--|-----------|----|---------|---------|------|--------|
| Life protection and permanent health reinsurance   | 41        | 0% |         |         |      |        |
| Classes I (other), II and IX                       | 42        | 3% | 3544642 | 3505661 | 0.99 | 105170 |
| Classes III, VII and VIII (investment risk)        | 43        | 3% | 265988  | 263456  | 0.99 | 7904   |
| Classes III, VII and VIII (expenses fixed 5 yrs +) | 44        | 0% |         |         |      |        |
| Classes III, VII and VIII (other)                  | 45        | 0% |         |         |      |        |
| Class IV (other)                                   | 46        | 3% |         |         |      |        |
| Class V  | 47        | 0% |         |         |      |        |
| Class VI   | 48        | 3% |         |         |      |        |
| <b>Total</b>                                       | <b>49</b> |    | 3810630 | 3769117 |      | 113074 |

|  |           |  |  |  |  |        |
|--|-----------|--|--|--|--|--------|
| <b>Long term insurance capital requirement</b> | <b>51</b> |  |  |  |  | 150765 |
|--|-----------|--|--|--|--|--------|

## APPENDIX 9.4

### PHOENIX PENSIONS LIMITED (Previously Britannic Retirement Solutions Limited)

#### Abstract of Valuation Report

#### 1. INTRODUCTION

##### (1) Valuation Date

The valuation relates to 31 December 2007.

##### (2) Previous Valuation

The previous valuation under Rule 9.4 related to 31 December 2006.

##### (3) Interim Valuations

No interim valuations (for the purposes of Rule 9.4) have been carried out since 31 December 2006.

#### 2. PRODUCT RANGE

There was no insurance business transacted by the company as at 1 January 2007 following the Part VII transfer of all in force business to Phoenix Life Limited (PLL) on 31 December 2006.

Business written in 2007 was reassured from Phoenix Life Limited (PLL), Scottish Provident Limited, Scottish Mutual Assurance plc and Phoenix Life Assurance Limited.

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

Britannic Assurance PLC (BA)  
Britannic Retirement Solutions Limited (BRS)  
Britannic Unit Linked Assurance Limited (BULA)  
Century Life PLC (CLP)  
Phoenix Assurance limited (PAL)  
Royal and Sun Alliance Linked Insurances Limited(RSALI)  
Swiss Life UK Limited (SLUK)

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

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

Products are described below:

- (a) non-profit immediate annuities.

These are annuities payable regularly for a selected term or until the annuitant's death if sooner. They can be written on a single life, joint life first death or joint life last survivor basis. The annuity can be guaranteed for a certain period, can escalate at a constant rate per annum, and can be with or without proportion or overlap. They can be written as pensions business or as general annuity business. All the reassured contracts are closed to new business apart from increments.

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

- (b) non-profit conventional deferred annuities

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

- (c) non-profit deposit administration deferred annuities.

### **Products originally written in Phoenix Assurance Limited**

Pension Plans are of three types. The Pension Plan for the Self Employed (PPSE) is a deferred annuity contract approved under section 226 of the Income and Corporation Taxes Act 1970. The Executive Pension Plan (EPP) is designed for treatment as an exempt approved scheme as defined in the Finance Act 1970. The Voluntary Pension Plan (VPP) provides additional benefits at retirement for members of approved company pension schemes through voluntary contributions of the member. Under these contracts premiums for retirement benefits are paid into a Pension Account, interest being declared monthly in advance and compounded annually. On death during the deferred period RNI contracts return all the premiums paid into the Pension Account without interest and RWI contracts return the whole of the Pension Account. There is no return on death under the NR contract.

### **Products originally written in Swiss Life UK**

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

### **Products originally written in Century**

#### Guaranteed Accumulation Pension Contract

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

- (i) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy increased by 1.5%.
- (ii) A basic credited rate increased by 1.5%.

For paid-up policies, the credited rate is reduced by 2% and the addition and guaranteed minimum cease to apply.

The policy contains guaranteed annuity rates for the purchase of pensions at retirement. At retirement the Company's current immediate annuity rates can be used, constrained as above, or the account can be used to purchase an annuity in the open market.

#### The Pensions 2000 Range (First Series)

This range consists of four varieties of one underlying group contract capable of exempt approval under Chapter I, Part XIV of the Income and Corporation Taxes Act 1988. Three out of the range are pooled fund arrangements and one is a money purchase arrangement. A charge for the administration of the contract is deducted from the premiums before they are accumulated with interest in an account until retirement.

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

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

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

- (i) A guaranteed minimum rate of interest of 4% per annum throughout the term of the policy. The guaranteed rate is increased for schemes where the level of annual premium exceeds certain thresholds. These thresholds vary according to the year in which the policy was effected, and are increased from year to year in line with the increase in the Retail Price Index over the period between commencement and renewal dates.
- (ii) A credited rate. This rate is increased as described above.

For paid-up policies the credited rate is reduced by 2% and the threshold increases and guaranteed minimum cease to apply.

The basic rates declared depend on the month in which the end of the policy year falls.

The policies contain guaranteed annuity rates for the purchase of pensions at retirement as described for the Guaranteed Accumulation Pension Contract.

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

#### Century Group Deposit Administration

These are group pension contracts designed to secure approval under Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after provision for administration charges and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. There are also guaranteed deferred and immediate annuity rates for the conversion of funds into annuities. Separate life assurance and widows reversionary annuities may be included on a non-profit basis.

#### Century Personal Pension Plans - pre April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Separate life assurance may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

#### Century Personal Pension Plans - post April 1980

These are deferred annuity contracts approved under Section 226 of the Income and Corporation Taxes Act 1970. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Separate life assurance may be included on a non-profit basis. Dividends are guaranteed to be not less than 4% per annum (1% per annum on Initial

Premiums). There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

#### Century Capital Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first year of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There remains an absolute guarantee that bonuses will average at least 4.5% and 1.5% per annum. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

#### Century Executive Pension Plans

These are individual pension contracts designed to secure approval under the Finance Act 1970 as exempt approved arrangements. Benefits are based on the accumulated premiums after deduction of an annual administration charge and with the addition of annual dividends, which are linked to the yield on the Unit Linked Century/OMLA Money Pension Fund. Regular premiums paid during the first two years' of the contract ("Initial Premiums") receive dividends at a lower rate than other premiums. Life Assurance and widows reversionary annuities may be included on a non-profit basis. There are also guaranteed immediate annuity rates for the conversion of funds into annuities at retirement.

### **3. DISCRETIONARY CHARGES AND BENEFITS**

#### **(1) Application of Market Value Reduction**

Not applicable.

#### **(2) Premiums on Reviewable Protection Policies**

Not applicable.



### (3) Non-profit Deposit Administration

#### Products originally written in Swiss Life UK

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

| Account year | Deposit Administration – Standard | Deposit Administration – Dollar Policies |                              |
|--------------|-----------------------------------|--|------------------------------|
|              | Interest per £1,000               | Interest per £1,000 Series 1             | Interest per £1,000 Series 2 |
| 1982         | 128.50                            | -  | -                            |
| 1983         | 121.50                            | -  | -                            |
| 1984         | 120.50                            | -  | -                            |
| 1985         | 121.00                            | -  | -                            |
| 1986         | 118.00                            | 90.00                                    | 80.00                        |
| 1987         | 113.50                            | 90.00                                    | 80.00                        |
| 1988         | 113.50                            | 90.00                                    | 80.00                        |
| 1989         | 114.00                            | 90.00                                    | 80.00                        |
| 1990         | 110.00                            | 90.00                                    | 80.00                        |
| 1991         | 110.00                            | 90.00                                    | 80.00                        |
| 1992         | 100.00                            | 90.00                                    | 80.00                        |
| 1993         | 70.00                             | 90.00                                    | 80.00                        |
| 1994         | 75.00                             | 56.30                                    | 80.00                        |
| 1995         | 70.00                             | 52.50                                    | 80.00                        |
| 1996         | 70.00                             | 46.00                                    | 46.00                        |
| 1997         | 65.00                             | 46.00                                    | 46.00                        |
| 1998         | 50.00                             | 36.00                                    | 36.00                        |
| 1999         | 45.00                             | 38.00                                    | 38.00                        |
| 2000         | 45.00                             | 38.00                                    | 38.00                        |
| 2001         | 45.00                             | 36.00                                    | 36.00                        |
| 2002         | 45.00                             | 36.00                                    | 36.00                        |
| 2003         | 40.00                             | 32.00                                    | 32.00                        |
| 2004         | 43.00                             | 34.40                                    | 34.40                        |
| 2005         | 38.00                             | 30.40                                    | 30.40                        |
| 2006         | 41.00                             | 32.80                                    | 32.80                        |
| 2007         | 43.00                             | 34.40                                    | 34.40                        |

#### Products originally written in Phoenix Assurance Limited

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

| Month     | Interest Rate %p.a. |
|-----------|---------------------|
| January   | 5.36%               |
| February  | 5.38%               |
| March     | 5.48%               |
| April     | 5.48%               |
| May       | 5.48%               |
| June      | 5.48%               |
| July      | 5.73%               |
| August    | 5.73%               |
| September | 5.73%               |
| October   | 5.73%               |
| November  | 5.78%               |
| December  | 5.86%               |

## Products originally written in Century

### Non profit Deposit Administration

The basic rates declared depend on the month in which the end of the policy year falls. The rates declared in the period covered by this return are as follows:

| <b>Month</b> | <b>Interest Rate<br/>%p.a.</b> |
|--------------|--------------------------------|
| January      | 4.00%                          |
| February     | 3.75%                          |
| March        | 3.63%                          |
| April        | 3.50%                          |
| May          | 3.25%                          |
| June         | 3.13%                          |
| July         | 3.00%                          |
| August       | 3.00%                          |
| September    | 3.00%                          |
| October      | 3.00%                          |
| November     | 3.00%                          |
| December     | 3.13%                          |

### The Pensions 2000 Range (First Series)

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

| <b>Month</b> | <b>Interest Rate<br/>%p.a.</b> |
|--------------|--------------------------------|
| January      | 4.00%                          |
| February     | 3.75%                          |
| March        | 3.63%                          |
| April        | 3.50%                          |
| May          | 3.25%                          |
| June         | 3.13%                          |
| July         | 3.00%                          |
| August       | 3.00%                          |
| September    | 3.00%                          |
| October      | 3.00%                          |
| November     | 3.00%                          |
| December     | 3.13%                          |

For pooled funded arrangements the base thresholds (i.e. before increasing in line with the Retail Price Index) are generally as follows:

| <b>Annual premium</b> | <b>Additional Interest</b> |
|-----------------------|----------------------------|
| £4,999 or less        | Nil                        |
| £5,000 to £9,999      | 0.50%                      |
| £10,000 to £49,999    | 1.00%                      |
| £50,000 or over       | 1.50%                      |

For the money purchase arrangements additional interest is credited at the following rates:

| <b>Annual premium</b> | <b>Additional Interest</b> |
|-----------------------|----------------------------|
| £9,999 or less        | Nil                        |
| £10,000 to £49,999    | 0.50%                      |
| £50,000 or over       | 1.00%                      |

This scale of thresholds applies to each of the first five policy years of a scheme. In subsequent years the threshold levels are indexed in line with the Retail Price Index.

**(4) Service Charges on Linked Policies**

Not applicable.

**(5) Benefit Charges on Linked Policies**

Not applicable.

**(6) Accumulating With Profits Charges**

Not applicable.

**(7) Unit Pricing of Internal Linked Funds**

Not applicable.

**(8) Tax Deductions From Internal Linked Funds**

Not applicable.

**(9) Tax Provisions for Internal Linked Funds**

Not applicable.

**(10) Discounts on Unit Purchases**

Not applicable.

**4. VALUATION BASIS**

**(1) Valuation Methods**

Immediate Annuities

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

Deferred Annuities

For all deferred annuity contracts the reserve was calculated using a gross premium method of valuation. Personal Retirement Plans were valued using a cashflow method.

Any negative reserves arising were individually eliminated by reducing the value of the valuation premiums so as to make the mathematical reserves zero.

For Non Linked Deferred Annuities originally written in Century the premium payment term is an integral number of years and the vesting date is usually the insured's birthday following the end of that period.

*Ex-NELPEN Self Employed Pension Plans, Personal Pension Policies, EPPs, AVCs, Transfer Plan and Group Pension Schemes (including Pensions Management Contracts)*

Under "Guaranteed Growth" contracts, for the "Second Account" or "Main Account" the full accumulated balance is taken and for "First Account" or "Initial Account" the accumulated balance is discounted with mortality and interest. On all "Guaranteed Growth" contracts the accumulated balance at the valuation date is increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary.

For Guaranteed Growth Plans, the valuation method was to take the accumulated balance of the "Second Account/Main Account" plus the discounted balance of the "First Account/Initial Account" plus a reserve for future expenses and mortality. The basic reserves allow for the guaranteed unit growth rates.

Deposit Administration Contracts

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

The liability for Pension Plans originally written by PAL was calculated as:

- (i) the total Pension Accounts; plus
- (ii) an allowance for any death in service benefits provided under the Executive Pension Plan; plus
- (iii) an allowance to provide for investment guarantees; plus
- (iv) an annual per policy expense.

For Deposit Administration contracts and Deferred Annuities by Cash Accumulation which were originally written by Swiss Life UK Limited, the reserve is the discounted value of expected future transfers from the accounts, including bonuses at the current rate. The discounted value of the payments due on surrender of the contract has been used where this produces a higher reserve.

For deposit administration policies originally written by Century, the base reserve for ex-Crown contracts has been taken as the aggregate of the surrender value for each scheme at the valuation date including an allowance for interest from the previous scheme anniversary date to the valuation date. The interest rate used varied by month of scheme renewal and was derived from the average rate of interest earned in the period to the valuation date, including an additional amount to allow for enhancements allowed for certain schemes.

For the guaranteed minimum rate of interest on ex-Crown Deposit Administration business the expected cost of the guarantee for the remaining term of the policy was calculated assuming that interest rates fell by 20% at the valuation date.

For ex-OMLA Personal Pension Plans, Capital Pension Plans and Executive Pension plans, the main fund was taken as the full accumulated balance and for the Initial Premium fund the accumulated balance was discounted with mortality and interest. For all contracts the accumulated balance at the valuation date was increased by interest at the relevant rate at the valuation date to allow for interest accruing since the previous policy anniversary. An additional sterling reserve was calculated using a cash-flow method. The basic reserves allow for the guaranteed unit growth rates.

**(2) Valuation Interest Rates**

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

| <b>Product Group</b>                  | <b>Current Valuation</b> | <b>Previous Valuation</b> |
|---------------------------------------|--------------------------|---------------------------|
| Deferred Annuities                    | 3.80%                    | n/a                       |
| Immediate Annuities (UK Fixed)        | 4.80%                    | n/a                       |
| Immediate Annuities (UK Index Linked) | 1.20%                    | n/a                       |
| Immediate Annuities (Euro)            | 4.20%                    | n/a                       |

### (3) Risk Adjustments

The yields on approved securities were not reduced. The yields on non-approved assets were reduced in accordance with INSPRU 3.1.41(R) by making a deduction from the yield dependent on the credit rating of the security.

For the purpose of reducing the yield for default risk, the starting point for the rating is the lower of the ratings provided by Moody's Investors Service and Standard & Poor's Corporation. The credit rating for each bond was reviewed and reduced further as follows:

- if the spread of an individual bond was wider than the average spread for bonds with a rating two or more rating levels lower, the bond was downgraded to the rating its spread implied
- if the spread of an individual bond was wider than the average spread for bonds one rating level lower but not wider than the spread for bonds rated two levels lower, an individual review applied. Resolution Asset Management considered how likely it was that the individual bond would be downgraded and the rating was adjusted on their advice.

No bond ratings were increased in this review. The deductions for risk are:

| <b>Rating</b> | <b>Deduction (d)</b> |
|---------------|----------------------|
| Sovereign     | 0.00%                |
| AAA           | 0.08%                |
| AA            | 0.12%                |
| A             | 0.24%                |
| BBB           | 0.66%                |
| BB            | 2.54%                |
| B             | 7.22%                |
| CCC           | No value             |
| NR & NA *     | 1.00%                |

\* non-rated and un-rated fixed interest securities

i.e. amended yield is  $y - d$  where  $y$  is the unadjusted yield

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

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

The margins in the valuation interest rate are apparent from form 57 and include a margin of 15 basis points to allow for the uncertainty surrounding credit spreads. The assets in form 49 are categorised by their published bond rating rather than their adjusted rating as described above.

#### (4) Mortality Basis

The mortality bases used for the valuation were:

| Product Group  | Current Valuation      | Previous Valuation |
|--|------------------------|--------------------|
| <b>Pensions pre-vesting and deposit administration contracts</b> |                        |                    |
| Written in Century   | 60% A6770 plus AIDS    | n/a                |
|  | Females = Males - 3yrs | n/a                |
| Written in PLL excluding Century                                 | 53.4% AM92             | n/a                |
|  | 60.1% AF92             | n/a                |
| <b>Post Retirement Deferred Annuity Mortality</b>                |                        |                    |
| Written in Century   | 70% PMA92 c2020        | n/a                |
|  | 70% PFA92 c2020        | n/a                |
| Written in PLL excluding Century                                 | Modified PMA92         | n/a                |
|  | Modified PFA92         | n/a                |
| <b>Immediate Annuity Mortality</b>                               |                        |                    |
| All business   | Modified PMA92         | n/a                |
|  | Modified PFA92         | n/a                |

The valuation basis takes a percentage of the standard table then applies annual improvement factors together with an age adjustment factor.

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

| Males | 2008  | 2018  | 2028  | 2038  | 2048  | 2058  |
|-------|-------|-------|-------|-------|-------|-------|
| 40    | 1.53% |       |       |       |       |       |
| 50    | 1.95% | 1.78% |       |       |       |       |
| 60    | 2.90% | 2.02% | 2.00% |       |       |       |
| 70    | 3.80% | 2.88% | 2.43% | 2.00% |       |       |
| 80    | 3.16% | 2.85% | 2.68% | 2.20% | 2.00% |       |
| 90    | 1.59% | 1.80% | 2.27% | 2.18% | 1.96% | 1.95% |
| 100   | 1.00% | 1.03% | 1.28% | 1.50% | 1.50% | 1.50% |

| Females | 2008  | 2018  | 2028  | 2038  | 2048  | 2058  |
|---------|-------|-------|-------|-------|-------|-------|
| 40      | 1.32% |       |       |       |       |       |
| 50      | 1.93% | 1.53% |       |       |       |       |
| 60      | 2.45% | 1.95% | 1.80% |       |       |       |
| 70      | 2.89% | 2.43% | 1.98% | 1.80% |       |       |
| 80      | 2.18% | 2.32% | 2.20% | 1.98% | 1.77% |       |
| 90      | 1.10% | 1.53% | 2.00% | 1.96% | 1.93% | 1.48% |
| 100     | 0.78% | 1.00% | 1.05% | 1.50% | 1.48% | 1.25% |

Improvement rates for a cohort are read down the diagonal, i.e. a 60 year old male will experience an improvement rate of 2.9% in 2008 and 2.88% in 2018, when he would be 70.

For business previously written in BRS, the mortality tables used are modified PMA92/PFA92 mortality factors plus longevity improvement factors. For males, the annual rates of improvement follow the CMI R17 basis for calendar years to 2003 and thereafter follow the 'medium cohort' series of improvement factors proposed by the CMI Bureau in October 2002. The CMI R17 factors are used for females for all years.

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

| Age   | Current Year |         | Previous Year |         |
|---|--------------|---------|---------------|---------|
|   | Males        | Females | Males         | Females |
| <b>Written in BA and BULA (non profit fund)</b>                     |              |         |               |         |
| 65  | 23.79        | 29.34   | n/a           | n/a     |
| 75  | 14.37        | 19.20   | n/a           | n/a     |
| <b>Written in BULA (unit linked fund)</b>                           |              |         |               |         |
| 65  | 25.54        | 26.61   | n/a           | n/a     |
| 75  | 15.57        | 16.64   | n/a           | n/a     |
| <b>Written in Century</b>   |              |         |               |         |
| 65  | 23.21        | 25.89   | n/a           | n/a     |
| 75  | 13.73        | 16.05   | n/a           | n/a     |
| <b>Written in Swiss Life UK</b>                                     |              |         |               |         |
| 65  | 24.88        | 26.73   | n/a           | n/a     |
| 75  | 14.93        | 16.23   | n/a           | n/a     |
| <b>Written in Phoenix Life Assurance Limited</b>                    |              |         |               |         |
| 65  | 25.04        | 26.72   | n/a           | n/a     |
| 75  | 15.30        | 16.62   | n/a           | n/a     |
| <b>Written in Scottish Mutual plc or Scottish Provident Limited</b> |              |         |               |         |
| 65  | 23.75        | 26.13   | n/a           | n/a     |
| 75  | 14.09        | 16.17   | n/a           | n/a     |
| <b>Remaining Business Written in PLL excluding BRS</b>              |              |         |               |         |
| 65  | 25.54        | 26.61   | n/a           | n/a     |
| 75  | 15.57        | 16.64   | n/a           | n/a     |

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

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

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

|   | Current Age | Expectation of life from Age | Current Year |         | Previous Year |         |
|---|-------------|------------------------------|--------------|---------|---------------|---------|
|   |             |                              | Males        | Females | Males         | Females |
| <b>Written in PLL excluding Century</b> |             |                              |              |         |               |         |
| Deferred annuities                      | 45          | 65                           | 29.85        | 30.33   | n/a           | n/a     |
|   | 55          | 65                           | 27.84        | 28.57   | n/a           | n/a     |

No prior year comparatives are given as there was no business in force on 31 December 2006.

#### (5) Morbidity Basis

Not applicable:

## (6) Expenses

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

| Product Group          | Per Policy Expense |                    |
|------------------------|--------------------|--------------------|
|                        | Current Valuation  | Previous Valuation |
|                        | £                  | £                  |
| Immediate Annuity      | 26.03              | n/a                |
| Deferred Annuities     | 32.27              | n/a                |
| Deposit administration | 32.27              | n/a                |

## (7) Unit Growth Rates

Not applicable.

## (8) Future Bonus Rates

Not applicable.

## (9) Persistency Assumptions

No allowance for lapses is made in the valuation.

## (10) Other Material Assumptions

### Policies previously written in BRS

A proportion of the mortality risk is reinsured to Hanover Re on a prescribed basis. The reinsurance reserves allow for 90% of the recoveries which would be due under the treaty on the valuation mortality assumptions.

The reinsurance treaty also allows for payments from the reinsurer in respect of administration expenses. Reinsurance reserves are established equal to the present value of the payments expected from the reinsurer.

## (11) Allowance for Derivatives

The fund holds a number of swap contracts. The swap contracts (both assets and liabilities) are incorporated within the fixed interest portfolio for the purposes of determining a valuation rate of interest. Specifically for interest rate swaps we:

- (i) Calculate the cashflows that the swaps will produce if future interest rates are in accordance with the LIBOR forward yield curve at the valuation date.
- (ii) Calculate the cashflows arising from the fixed interest portfolio (excluding swaps) if held to redemption.
- (iii) Find the overall yield on the fixed interest portfolio (excluding swaps) by equating the cashflows in (ii) to the market value of the fixed interest assets (excluding swaps).
- (iv) Find the overall yield on the combined fixed interest and swap portfolio by equating the cashflows in (i) and (ii) to the market value of the swaps plus the fixed interest assets.
- (v) The difference between the yields in (iii) and (iv) shows the impact on yield of folding the swaps in with the fixed interest portfolio.

The business is backed by assets which include euro denominated bonds together with currency swaps to convert the coupon and redemption proceeds to sterling. To allow for



these steps (i) and (ii) above are amended to project future cashflows in sterling using forward exchange rates.

In addition to the swaps, the assets described in Form 13 contain derivative contracts. These derivative contracts are to manage asset exposure and reduce risk and are appropriately matched. The derivatives do not directly impact the long term insurance liabilities.

## (12) Effect of Basis Changes

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

## 5. OPTIONS AND GUARANTEES

### (1) Guaranteed Annuity Rate Options

Business written in Century contain some Guaranteed Annuity Rate Options. The liabilities for Guaranteed Annuity rate Options (GAOs) were calculated at policy level using a deterministic valuation interest rate. All the policies were significantly in the money at the valuation date and are likely to remain so in the future unless interest rates increase substantially. The value of the GAOs is therefore virtually all intrinsic value, and if a stochastic method had been used, the reserves thus calculated would not be materially different from the values reported.

The main assumptions used to value GAOs were:

- (i) 20% of policies take 25% of their fund as cash at retirement leading to a 95% GAO take-up rate assumption for all outstanding durations;
- (ii) mortality was assumed to be on the same basis as for the underlying policy valuation;
- (iii) an expense allowance of 4% was included for payment expenses post vesting for all classes;
- (iv) a valuation interest rate of 3.85%; and
- (v) the rate of interest used after vesting was 4.75%.

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

| Product                   | Basic Reserve<br>£m | O/S Durn Spread<br>years | Gtee Reserve<br>£m | GAO Rate | Incrs Yes/No | Ann. Form | Ret. Ages |
|---------------------------|---------------------|--------------------------|--------------------|----------|--------------|-----------|-----------|
| Ex-NEL<br>Gteed<br>Growth | 19.3                | 0-27                     | 11.6               | 11.11%   | Yes          | *         | 60-75     |
| Ex-NEL<br>Linked          | 13.1                | 0-23                     | 7.3                | 11.11%   | Yes          | *         | 60-75     |
| Ex-Crown<br>Dep Admin     | 2.5                 | 0-24                     | 0.1                | 10.25%   | Yes          | *         | 60-65     |
| Ex-OMLA<br>Ex-WP          | 8.4                 | 0-19                     | 2.1                | 8.90%    | Yes          | *         | 50-75     |

**(2) Guaranteed Surrender and Unit-linked Maturity Values**

Not applicable

**(3) Guaranteed Insurability Options**

Not applicable.

**(4) Other Guarantees and Options**

None

**6. EXPENSE RESERVES**

**(1) Aggregate Expense Loadings**

The aggregate amount of expense contributions arising during the 12 months following the valuation date from explicit and implicit margins made in the valuation are:

| <b>Homogeneous risk group</b> | <b>Implicit allowances</b> | <b>Explicit allowances (investment)</b> | <b>Explicit allowances (other)</b> | <b>Non-attributable expenses</b> | <b>Total</b> |
|-------------------------------|----------------------------|---|------------------------------------|----------------------------------|--------------|
|                               | <b>£m</b>                  | <b>£m</b>                               | <b>£m</b>                          | <b>£m</b>                        | <b>£m</b>    |
| Immediate annuities           |                            | 3.4                                     | 4.0                                |                                  | 7.4          |
| Deferred Annuities            |                            | 0.2                                     | 0.8                                |                                  | 1.0          |
| Deposit Administration        |                            | 0.1                                     |                                    |                                  | 0.1          |
| All expenses attributable     | 0.0                        | 3.7                                     | 4.8                                | n/a                              | 8.5          |
| Total                         | 0.0                        | 3.7                                     | 4.8                                | 0.0                              | 8.5          |

**(2) Implicit Allowances**

There are no implicit allowances.

**(3) Form 43 Comparison**

The aggregate amount in 6.1 would be reported on line 14 of Form 43. This amount is significantly different from the amount reported on that line in this Return because the Company has been in operation for only six months and a proportion of the business was accepted at the end of 2007.

**(4) New Business Expense Overrun**

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

**(5) Maintenance Expense Overrun**

Expense reserves in accordance with 6(1) are considered to be sufficient to meet the expenses likely to be incurred in the future in fulfilling the existing contracts.

The expense assumptions allow for the standard fees payable under the reinsurance agreements plus a prudent allowance for costs that are not covered by these fees.

**(6) Non-attributable expenses**

Not applicable.

## 7. MISMATCHING RESERVES

### (1) Analysis of Reserves by Currency

The mathematical reserves (other than liabilities for property linked benefits) after distribution of surplus comprise:

| Currency       | Mathematical Reserves | Backed by assets in same currency | Backed by assets in other currency | Mismatching Percentage |
|----------------|-----------------------|-----------------------------------|------------------------------------|------------------------|
|                | £m                    | £m                                | £m                                 |                        |
| Sterling (£)   | 3,570.4               | 3,570.4                           | 0.0                                | 0.00                   |
| Euro (€)       | 197.8                 | 197.8                             | 0.0                                | 0.00                   |
| Other currency | 0.9                   | 0.0                               | 0.9                                | 100.00                 |
| Total          | 3,769.1               | 3,768.2                           | 0.9                                | 0.02                   |

### (2) Other Currency Exposures

Liabilities totalling £0.925m have not been analysed. The proportion of these liabilities which are matched by assets in the same currency is 0%.

### (3) Currency Mismatching Reserve

Almost all of the liabilities have matching assets that are denominated in the same currency. There is therefore minimal currency risk and so no additional currency mismatching reserve is required.

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

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

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

The most onerous stress is stress (a).

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

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

### (6) Resilience Capital Requirement

- There was no requirement for resilience capital in respect of the scenarios described under both (4) and (5).
- Under the most onerous scenario the liabilities for UK business increase by £352.6m and the liabilities for euro-denominated business increase by £17.429m.
- Under the most onerous stress the assets allocated to match such liabilities for UK business increase by £362.5m and the assets for euro-denominated business increase by £17.46m.

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

As PPL is a pure reinsurer no further reserve is required in respect of INSPRU 1.1.34(2)(R).

The size, currency and term of assets in respect of non profit fund are reviewed regularly. The liabilities are backed mainly by fixed interest assets and cash and projections are carried out on appropriate, realistic assumptions and Investment Managers are given rules to control the duration of such assets.

## 8. OTHER SPECIAL RESERVES

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

| Description              | Reserve |
|--------------------------|---------|
|                          | £m      |
| Data Contingency Reserve | 7.8     |
| Litigation Reserve       | 5.9     |

Data contingency reserves for additional expenses which may arise in connection with data errors affecting the long-term business and is calculated having regard to past experience.

## 9. REINSURANCE

### (1) Facultative Reinsurance

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

### (2) Reinsurance Treaties

The required details of the only reinsurance treaty in force at the valuation date are set out below.

#### (d) Hanover Ruechversicherung AG.

- (e) The treaties provide stop loss mortality cover for a proportion of the business reinsured.
- (f) No premiums are payable in respect of the treaties. A repayment of the financing advance of £1.0m was made during the year.
- (g) There is no deposit back arrangement
- (h) The treaty is closed to new business.
- (i) The amount of undischarged obligations of the insurer is £21.5m :

| Treaty | Undischarged obligation £m |
|--------|----------------------------|
| 2000   | 2.0                        |
| 2001   | 7.0                        |
| 2002   | 12.5                       |
| 2003   | 0.0                        |

- (j) The amount of mathematical reserves ceded under the treaties at the valuation date was £41.5m.
- (k) The insurer retains 25% of the mortality risk for the 2000 and 2001 treaties and 50% of the mortality risk for the 2002 and 2003 treaties.
- (l) Hanover Ruechversicherung AG is not authorised to carry on insurance business in the United Kingdom
- (m) The reinsurer is not a connected company of the insurer.
- (n) There are no material contingencies, such as credit risk or legal risk, to which the treaties are subject
- (o) No provision has been made for any liability of the insurer to refund any commission in the event of lapse or surrender of the contract.
- (p) (i) Repayment of the undischarged obligation is contingent on the emergence as surplus of margins in the valuation basis.  
(ii) No provision has been made in the valuation for the amount of the undischarged obligation at the valuation date. The impact of the arrangements on the valuation result is to increase the fund and surplus carried forward by the amount of the undischarged obligation. No allowance has been made for contingencies, such as credit or legal risk, associated with the financing arrangements.

## **10. REVERSIONARY (OR ANNUAL) BONUS**

### **(1) Details of bonus rates**

Not applicable.

## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.1

##### 0204 Change of Company name and ownership

On 3 May 2007, the Company's ordinary shares were transferred from Resolution Life Limited (RLL) to Phoenix Life Limited (PLL), a fellow Group company. From that date, PLL became the immediate parent company.

By written resolution passed on 14 May 2007 and registered pursuant to section 138 of the Companies Act 1985 on 7 June the issued share capital of the Company was reduced from £120.0m to £3.0m (see Form 2 line 11).

On 8 June 2007, the Company changed its name from Britannic Retirement Solutions Limited to Phoenix Pensions Limited.

On 18 June, the Company received a capital contribution of £300.0m from PLL. On 22 June 2007, the Company's shareholder fund agreed to a subordinated loan facility granted by the PLL non-profit fund for £170.0m of which £nil was drawn down as at the balance sheet date.

On 30 June 2007, the Company's non-profit fund received a contingent loan of £200.0m from the PLL non-profit fund.

Also, on 30 June 2007, the Company entered into a reinsurance agreement with PLL under which a block of immediate pension annuity business was transferred from PLL to the Company. A premium of £2.2bn was received on the same date. In December 2007, further blocks of immediate and deferred annuity business were reassured to the Company from PLL and other fellow group companies. Total premiums received in the year amounted to £3,533.8m. Further details are provided in Forms 41, 46 and 47.

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

|   | 2007<br>£'000  | 2006<br>£'000 |
|---|----------------|---------------|
| Total other than long term insurance business assets -<br>Form 13 line 89 | 313,196        | 3,000         |
| Total long term insurance business assets – Form 13<br>line 89            | 3,927,717      | -             |
| Less Liabilities – Form 14 lines 11, 12 and 49                            | 3,877,717      | -             |
| Less Liabilities – Form 15 line 69  | 3,160          | -             |
| Net admissible assets   | <u>360,036</u> | <u>3,000</u>  |
| Capital resources after deductions – Form 3 line 79                       | <u>360,036</u> | <u>3,000</u>  |

##### 0306 Financial reinsurance - ceded

On 30 June 2007, the Company received a loan from Hanover Re for £21.5m. After interest payments and capital repayments made in accordance with the terms of the agreement there is an amount of £21,141,000 (see Form 3 line 92) outstanding at the end of the financial year which has been utilised to support the long term insurance business fund. There is no reinsurance offset.

## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.1 (continued)

##### 0308 Contingent Loan

On 30 June 2007, the Company's non-profit fund received a contingent loan of £200.0m from the Phoenix Life Limited's non-profit fund. At the financial year end and in accordance with the terms of the contingent loan agreement, interest of £7,409,000 has been accrued (see Form 14 line 39) and £1,607,000 (see Form 14 line 35) is due to be repaid back to Phoenix Life Limited leaving a balance of £198,393,000 (see Form 3 line 94) which has been utilised by the Company to support the long term insurance business fund.

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

Form 3 line 14 positive valuation differences analysed as follows:

|  | 2007<br>£'000  |
|--|----------------|
| Outstanding contingent loan (see Form 3 line 94)         | 198,393        |
| Financial reinsurance – ceded (see Form 3 line 92)       | 21,141         |
| FSA prudent reserves released for UK GAAP                | (12,187)       |
| Deferred tax on FSA prudent reserves release for UK GAAP | 3,413          |
| Form 3 line 14 - positive valuation differences          | <u>210,760</u> |

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

|  | 2007<br>£'000  |
|--|----------------|
| Profit and loss account and other reserves – Form 3 line 12 column 3 | 191,899        |
| Profit and loss account and other reserves – Form 3 line 12 column 4 | (117,000)      |
| Movement   | <u>308,899</u> |
| Explained by:  |                |
| Profit or loss retained for the financial year – Form 16 line 59     | 7,037          |
| Capital contribution   | 300,000        |
| Capital reduction  | 117,000        |
| UK GAAP Technical account balance                                    | (115,137)      |
| Other  | (1)            |
|  | <u>308,899</u> |

## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.1 (continued)

##### 1305 and 1319 Counterparty exposures

The investment guidelines operated by the Company for:

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

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

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

##### 1318 Other asset adjustments

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

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

##### 1401 Provision for reasonably foreseeable adverse variations

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

##### 1402 Liabilities

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



## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.1 (continued)

|      |  |                |
|------|--|----------------|
| 1405 | Other adjustments to liabilities                         |                |
|      |  | 2007           |
|      |  | £'000          |
|      | Outstanding contingent loan (see Form 3 line 94)         | 198,393        |
|      | Financial reinsurance – ceded (see Form 3 line 92)       | 21,141         |
|      | FSA prudent reserves released for UK GAAP                | (12,187)       |
|      | Deferred tax on FSA prudent reserves release for UK GAAP | 3,413          |
|      | Reclassification of debtors and creditors                | (2,668)        |
|      | Form 14 line 74  | <u>208,092</u> |

#### 1407 Contingent Loan

The non profit fund of the Company received a £200m contingent loan from Phoenix Life Limited non profit fund on 30 June 2007. Any amounts due to the lender from the borrower shall be repayable solely on a contingent basis and subject to the conditions of the agreement. Interest will accrue at 1% above LIBOR. Any loan and interest payments are only payable when the valuation shows that the long term insurance business assets are more than the “threshold amount” and the valuation shows that there is an emerging surplus. The “threshold amount” represents an amount as set out in INSPRU 1.1.20R plus a capital margin of £50m. As at the end of the financial year, £7.4m has been accrued in the balance sheet and during 2008, £1.6m of the contingent loan will be repaid.

#### 1501 Provision for reasonably foreseeable adverse variations

The other than long term insurance business does not own any assets that would give rise to a provision for reasonably adverse variations.

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

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

## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.1 (continued)

- (e) In the opinion of the directors, there are no other fundamental uncertainties affecting the financial position of the insurer.

1507 Adjustments to liabilities

Other adjustments to liabilities shown in Form 15, line 83 represent reclassification of assets.

1508 Subordinated Loan

The Company's shareholder fund has a £170m subordinated loan facility from PLL shareholder fund, whereby support is provided where it is anticipated that the Company has insufficient capital to meet the "Capital Test". The Capital Test requires there to be sufficient capital to meet 110% of its Individual Capital Assessment (ICA) and 110% of its capital resources requirement as shown on line 41 of Form 2. The loan is repayable at the Company's discretion, giving at least 6 months notice to the lender, to the extent that the Capital Test is met and with the prior consent of the FSA. Interest is due under these loan agreements at LIBOR plus 2%. As at 31 December 2007 the Company had not drawn-down any funds.

1601 Basis of conversion of foreign currency

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

1700 Total other than long term insurance business assets

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

## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.3

#### 4002 Other income and expenditure

| <b>Other income</b>                                 | 2007           | 2006         |
|---|----------------|--------------|
|   | £'000          | £'000        |
| Contingent loan from PLL non profit fund            | 200,000        | -            |
| Financial insurance – ceded loan from Hanover Re    | 21,527         | 352          |
| <b>Total</b>  | <b>221,527</b> | <b>352</b>   |
| <b>Other expenditure</b>                            |                |              |
| Contingent loan repayment to PLL non profit fund    | 1,607          | -            |
| Repayment of financing advance due to Hannover      | -              | 2,621        |
| Reassurance profit share due to Britannic Assurance | -              | 2,500        |
| <b>Total</b>  | <b>1,607</b>   | <b>5,121</b> |

#### 4008 Provision of management services

Management services have been provided during the year by Resolution Management Services Limited and Resolution Asset Management Limited. Both companies are part of the Resolution plc group of companies.

#### 4009 Material connected party transactions

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

During the financial year the Company received the following:

|  | £'000     |
|--|-----------|
| Capital contribution from Phoenix Life Limited (PLL) | 300,000   |
| Contingent loan form PLL                             | 200,000   |
| Premium received from PLL – phase 1 & 3              | 2,517,800 |
| Premium received from Life Division North – phase 3  | 1,016,000 |

During the financial year the Company paid the following:

|                                    |        |
|------------------------------------|--------|
| Annuity claim payments made to PLL | 79,003 |
|------------------------------------|--------|

#### 4702 Approximations used to apportion between product codes

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

#### 4802 Treatment of expected income from defaulted assets

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

## Returns under the Accounts and Statements Rules

### Supplementary notes

#### Phoenix Pensions Limited

#### Global business

#### Financial Year ended 31 December 2007

#### NOTES TO APPENDIX 9.3 (continued)

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

The fund holds a number of securities, the coupon of which changes from a fixed amount to a variable amount from a pre-determined date. The issuer of the security has the option to redeem the bond on that date and information presented assumes that this will be the case. The market value of these stocks at 31<sup>st</sup> December 2007 were 410.9m.

In addition for variable redemption date securities, where the market price exceeds £1 the earliest possible redemption date is assumed to calculate the yield; otherwise the latest possible redemption date is used. The market values are as follows:

|                              |        |
|------------------------------|--------|
| Earliest maturity date       | £0.0m  |
| Latest maturity date         | £56.8m |
| Total Optional maturity date | £56.8m |

4901 Rating agency used for split by credit rating

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

## Returns under the Accounts and Statements Rules

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

#### Phoenix Pensions Limited

##### Global business

##### Financial Year ended 31 December 2007

- (a) The Company has investment guidelines which indicate that derivative contracts are used primarily for the purpose of efficient portfolio management or reduction of investment risks which specify the types of derivative contracts which may be used and indicate the processes to be used in selecting and managing derivative contracts. The guidelines also require regular monitoring and reporting of open positions.
- (b) The guidelines operated by the Company for the use of derivative contracts do not include any provisions for the use of contracts under which the Company has a right or obligation to acquire or dispose of assets which was not, at the time the contract was entered into, reasonably likely to be exercised.
- (c) The Company was not a party to any such contracts of the kind described in b) at any time during the financial year.
- (d) The derivative assets held are valued at market value. There would be no material change in value of any assets on Form 13 if these contracts were closed as at 31 December 2007
- (e) The position under d) would not be different if such options were exercised in such a way as to change the amounts referred to in d) to the maximum extent.
- (f) The position under d) would not have been materially different at any other time during the relevant financial year.
- (g) The maximum loss which would be incurred by the Company in the event of failure by any one other person to fulfil its obligations under these contracts at the end of the financial year under existing and other foreseeable market conditions was £274,372.
- (h) The maximum loss any other time during the relevant financial year was £2,737,564
- (i) The Company did not, at any time during the financial year, hold a derivative contract which required a significant provision to be made for it under INSPRU 3.2.17R or (where appropriate) did not fall within the definition of a permitted derivative contract.
- (j) The Company received £Nil during the year in return for granting rights under derivative contracts.

## Returns under the Accounts and Statements Rules

### Statement on additional information on Controllers required by rule 9.30

#### Phoenix Pensions Limited

##### Global business

##### Financial Year ended 31 December 2007

- (1) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:
  - (a) Phoenix Life Limited (purchased the shares from Resolution Life Limited on 3 May 2007);
  - (b) Resolution Life Limited;
  - (c) Resolution Life Group Limited (ceased to be controller on 17 May 2007);
  - (d) Resolution Plc;
  - (e) Pearl Assurance plc;
  - (f) Pearl Group Limited;
  - (g) Sun Capital Investments Limited;
  - (h) Hera Investments One Limited;
  - (i) Xercise Limited;
  - (j) Jambright Limited;
  - (k) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas;
  - (l) TDR Capital Nominees Limited; and
  - (m) TDR Capital LLP.

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

- (a) Phoenix Life Limited

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

- (b) Resolution Life Limited

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

- (c) Resolution plc

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

- (d) Pearl Assurance plc

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

- (e) Pearl Group Limited

Pearl Group Limited owned 100% of the ordinary share capital of Pearl Assurance plc and 5.79% of the ordinary share capital of Resolution plc, a company of which Phoenix Pensions Limited is a

## Returns under the Accounts and Statements Rules

### Statement on additional information on Controllers required by rule 9.30

#### Phoenix Pensions Limited

##### Global business

##### Financial Year ended 31 December 2007

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

subsidiary undertaking, and was able to exercise 25.92% of the voting power at any general meeting.

(f) Sun Capital Investments Limited

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

(g) Hera Investments One Limited

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

(h) Xercise Limited

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

(i) Jambright Limited

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

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

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

## Returns under the Accounts and Statements Rules

### Statement on additional information on Controllers required by rule 9.30

#### Phoenix Pensions Limited

##### Global business

##### Financial Year ended 31 December 2007

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

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

(k) TDR Capital Nominees Limited

TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Phoenix Pensions Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(l) TDR Capital LLP

TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any

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



**Returns under the Accounts and Statements Rules**

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

**Phoenix Pensions Limited**

**Global business**

**Financial year ended 31 December 2007**

We certify that:

- (1) (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
  - (b) we are satisfied, save as disclosed on the attached note to the certificate, that:
    - (i) throughout the financial year, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
    - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
- (2) (a) in our opinion, premiums for contracts of long-term insurance business entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular to establish adequate mathematical reserves;
  - (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
  - (d) the directors, have in preparing the return, taken and paid due regard to advice from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and

G L Singleton

R P Stockton

M J Merrick

.....  
Chief Executive

.....  
Director

.....  
Director

26 March 2007

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

### **Certificate required by rule 9.34(1)**

#### **Phoenix Pensions Limited**

##### **Global business**

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

#### **Notes to the Directors' Certificate**

1. Rider UiSL Financial Reconciliations

Process and system issues in one of Resolution's outsourcers, UiSL Limited, have generated higher than expected premium and claim suspense account balances when reconciling ledger balances to underlying policy administration systems.

Resolution Management Services is working closely with UiSL Limited to prevent recurrence of this issue and clear the accrued suspense account backlogs.

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

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

#### **Phoenix Pensions Limited**

##### **Global business**

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

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

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

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

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

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

#### **Respective responsibilities of the insurer and its auditors**

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

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

#### **Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 28 March

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

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

#### **Phoenix Pensions Limited**

##### **Global business**

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

2008. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

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

##### **Opinion**

In our opinion:

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

Ernst & Young LLP

Registered Auditor

London

28 March 2008