

# London Life Limited

Registered in England - No. 1179800

Registered Office

The Pearl Centre  
Lynch Wood  
Peterborough  
PE2 6FY

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



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

# London Life Limited

Year ended 31st December 2005

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# London Life Limited

Year ended 31st December 2005

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**Statement of solvency - long-term insurance business**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	1179800	GL	31	12	2005	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

**Capital resources**

Capital resources arising within the long-term insurance fund	11	119217	69676
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	160455	113004
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	279672	182680

**Guarantee Fund**

Guarantee Fund requirement	21	26986	29058
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	252686	153622

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	80957	87175
Resilience capital requirement	32	6589	22680
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	87546	109855
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	87546	109855
Excess (deficiency) of available capital resources to cover 50% of MCR	37	220880	127753
Excess (deficiency) of available capital resources to cover 75% of MCR	38	198993	100289

**Enhanced capital requirement**

With-profits insurance capital component	39	47652	12439
Enhanced capital requirement	40	135198	122294

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	135198	122294
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	144474	60386

**Contingent liabilities**

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

Name of insurer      **London Life Limited**

Global business

Financial year ended      **31st December 2005**

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

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

.....      **W R Treen**      **Director**

**Date: 31st March 2006**

## Components of capital resources

Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	1179800	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			Total as at the end of the previous year 4	

## Core tier one capital

Permanent share capital	11		18800	18800	18800
Profit and loss account and other reserves	12		149355	149355	141230
Share premium account	13				
Positive valuation differences	14		90631	90631	33964
Fund for future appropriations	15		18710	18710	
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		277496	277496	193994

## Tier one waivers

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

## Other tier one capital

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

<b>Total tier one capital before deductions</b> (19+24+25+26+27+28)	31		277496	277496	193994
Investments in own shares	32				
Intangible assets	33		12843	12843	8000
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		12843	12843	8000
<b>Total tier one capital after deductions</b> (31-37)	39		264653	264653	185994

## Components of capital resources

Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	1179800	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			Total as at the end of the previous year 4	

## Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>				
Fixed term preference shares	51				
Other tier two instruments	52		17810	17810	
Lower tier two capital in related undertakings	53				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>		17810	17810	
<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>		17810	17810	
Excess tier two capital	62				
Further excess lower tier two capital	63				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		17810	17810	

**Components of capital resources**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	1179800	GL	31	12	2005	£000
	General insurance Business 1	Long-Term insurance Business 2	Total as at the end of this financial year 3			Total as at the end of the previous year 4	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	71					
<b>Total capital resources before deductions (39+69+71)</b>	72		282463		282463	185994
Inadmissible assets other than intangibles and own shares	73		2791		2791	3314
Assets in excess of market risk and counterparty limits	74					
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76					
Deductions of ineligible surplus capital	77					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	79		279672		279672	182680

**Available capital resources for PRU tests**

Available capital resources for guarantee fund requirement	81		279672		279672	182680
Available capital resources for 50% MCR requirement	82		264653		264653	182680
Available capital resources for 75% MCR requirement	83		264653		264653	182680

**Financial engineering adjustments**

Implicit items	91					
Financial reinsurance - ceded	92					
Financial reinsurance - accepted	93					
Outstanding contingent loans	94		88663		88663	43189
Any other charges on future profits	95					
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	96		88663		88663	43189



**Calculation of general insurance capital requirement - premiums amount and brought forward amount**
Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

R11	1179800	GL	31	12	2005	£000
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			This financial year 1	Previous year 2	
Gross premiums written		11	214	370	
Premium taxes and levies (included in line 11)		12			
Premiums receivable net of taxes and levies (11-12)		13	214	370	
Premiums for classes 11, 12 or 13 (included in line 13)		14			
Premiums for "actuarial health insurance" (included in line 13)		15	214	370	
<b>Sub-total A</b> (13 + 1/2 14 - 2/3 15)		16	71	123	
Gross premiums earned		21	313	328	
Premium taxes and levies (included in line 21)		22			
Premiums earned net of taxes and levies (21-22)		23	313	328	
Premiums for classes 11, 12 or 13 (included in line 23)		24			
Premiums for "actuarial health insurance" (included in line 23)		25	313	328	
<b>Sub-total H</b> (23 + 1/2 24 - 2/3 25)		26	104	109	
<b>Sub-total I</b> (higher of sub-total A and sub-total H)		30	104	123	
<b>Adjusted Sub-total I</b> if financial year is not a 12 month period to produce an annual figure		31			
Division of gross adjusted premiums amount: sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	19	22	
	Excess (if any) over 50M EURO x 0.02	33			
<b>Sub-total J</b> (32-33)		34	19	22	
Claims paid in period of 3 financial years		41	1496	1397	
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis	42			
	For insurance business accounted for on an accident year basis	43	4029	4574	
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis	44			
	For insurance business accounted for on an accident year basis	45	3973	3973	
<b>Sub-total C</b> (41+42+43-44-45)		46	1552	1998	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	11	11	
<b>Sub-total D</b> (46-47)		48	1541	1987	
<b>Reinsurance ratio</b> (Sub-total D / sub-total C or, if more, 50% or, if less, 100%)		49	99.29	99.45	
<b>Premiums amount</b> Sub-total J x reinsurance ratio		50	19	22	
Provisions for claims outstanding (before discounting and net of reinsurance)		51	3984	4421	
<b>Brought forward amount</b> (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		52	52	26	
Greater of lines 50 and 52		53	52	26	

**General insurance business : Calculation of general insurance capital requirement - claims amount and result**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

		Company registration number	GL/UK/CM	Period ended			Units
		R12	GL	day	month	year	£000
		1179800	GL	31	12	2005	£000
				This financial year 1		Previous year 2	
Reference period (No. of months) See PRU7.2.63R		11		36		36	
Claims paid in reference period		21		1496		1397	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22					
	For insurance business accounted for on an accident year basis	23		4029		4574	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24					
	For insurance business accounted for on an accident year basis	25		3973		3973	
Claims incurred in reference period (21+22+23-24-25)		26		1552		1998	
Claims incurred for classes 11, 12 or 13 (included in 26)		27					
Claims incurred for "actuarial health insurance" (included in 26)		28		1552		1998	
<b>Sub-total E</b> (26 + 1/2 27 - 2/3 28)		29		517		666	
<b>Sub-total F</b> - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31		172		222	
Division of sub-total F (gross adjusted claims amount)	X 0.26	32		45		58	
	Excess (if any) over 35M EURO x 0.03	33					
<b>Sub-total G</b> (32 - 33)		39		45		58	
<b>Claims amount</b> Sub-total G x reinsurance ratio (11.49)		41		45		58	
Higher of <b>premiums amount</b> and <b>brought forward amount</b> (11.53)		42		52		26	
<b>General insurance capital requirement</b> (higher of lines 41 and 42)		43		52		58	

**Analysis of admissible assets**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>1</b>
<b>Investments</b>					As at the end of this financial year 1	As at the end of the previous year 2		
Land and buildings				<b>11</b>				
<b>Investments in group undertakings and participating interests</b>								
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>		<b>250</b>		<b>250</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>				
<b>Other financial investments</b>								
Equity shares				<b>41</b>		<b>25</b>		<b>31</b>
Other shares and other variable yield participations				<b>42</b>				
Holdings in collective investment schemes				<b>43</b>		<b>45510</b>		<b>651</b>
Rights under derivative contracts				<b>44</b>				
Fixed interest securities	Approved			<b>45</b>				<b>8400</b>
	Other			<b>46</b>				<b>20600</b>
Variable interest securities	Approved securities			<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>		<b>53788</b>		<b>60094</b>
	More than one month withdrawal			<b>55</b>		<b>56504</b>		<b>22623</b>
Other financial investments				<b>56</b>				

**Analysis of admissible assets**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>1</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				<b>57</b>				
Assets held to match linked liabilities		Index linked		<b>58</b>				
		Property linked		<b>59</b>				
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				<b>60</b>				
Claims outstanding				<b>61</b>				
Provision for unexpired risks				<b>62</b>				
Other				<b>63</b>				
<b>Debtors and salvage</b>								
Direct insurance business		Policyholders		<b>71</b>				
		Intermediaries		<b>72</b>				
Salvage and subrogation recoveries				<b>73</b>				
Reinsurance		Accepted		<b>74</b>				
		Ceded		<b>75</b>				
Dependants		Due in 12 months or less		<b>76</b>				
		Due in more than 12 months		<b>77</b>				
Other		Due in 12 months or less		<b>78</b>		<b>1639</b>		<b>4905</b>
		Due in more than 12 months		<b>79</b>				
<b>Other assets</b>								
Tangible assets				<b>80</b>				
Deposits not subject to time restriction on withdrawal with approved institutions				<b>81</b>		<b>4247</b>		
Cash in hand				<b>82</b>				
Other assets (particulars to be specified by way of supplementary note)				<b>83</b>				
Accrued interest and rent				<b>84</b>		<b>1494</b>		<b>308</b>
Deferred acquisition costs				<b>85</b>				
Other prepayments and accrued income				<b>86</b>		<b>10</b>		
Deductions from the aggregate value of assets				<b>87</b>				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				<b>89</b>		<b>163467</b>		<b>117862</b>

**Analysis of admissible assets**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	1179800	GL	31	12	2005	£000	1

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	163467	117862
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	8000	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(4236)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	167231	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	1639	2217
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**Analysis of admissible assets**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1179800	GL	31	12	2005	£000	10
<b>Investments</b>						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28		17545		17545
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41		7235		8585
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		158552		57553
Rights under derivative contracts				44		20521		3363
Fixed interest securities	Approved			45		1138697		1246606
	Other			46		577633		608136
Variable interest securities	Approved securities			47		48942		16553
	Other			48		71050		58769
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		4214		4839
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54		751		956
	More than one month withdrawal			55				23892
Other financial investments				56				

**Analysis of admissible assets**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
			day	month	year				
	R13	1179800	GL	31	12	2005	£000	10	
							As at the end of this financial year 1	As at the end of the previous year 2	
Deposits with ceding undertakings				57					
Assets held to match linked liabilities		Index linked		58		58961		55442	
		Property linked		59		438568		435988	
<b>Reinsurers' share of technical provisions</b>									
Provision for unearned premiums				60					
Claims outstanding				61					
Provision for unexpired risks				62					
Other				63					
<b>Debtors and salvage</b>									
Direct insurance business		Policyholders		71		2787		3211	
		Intermediaries		72					
Salvage and subrogation recoveries				73					
Reinsurance		Accepted		74					
		Ceded		75		4929			
Dependants		Due in 12 months or less		76					
		Due in more than 12 months		77					
Other		Due in 12 months or less		78		20124		65571	
		Due in more than 12 months		79					
<b>Other assets</b>									
Tangible assets				80					
Deposits not subject to time restriction on withdrawal with approved institutions				81		682		2517	
Cash in hand				82					
Other assets (particulars to be specified by way of supplementary note)				83					
Accrued interest and rent				84		28489		33233	
Deferred acquisition costs				85					
Other prepayments and accrued income				86		758			
Deductions from the aggregate value of assets				87					
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		2600438		2642759	

**Analysis of admissible assets**

Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

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

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	1179800	GL	31	12	2005	£000	10
					As at the end of this financial year	As at the end of the previous year	
					1	2	

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	2600438	2642759
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	7635	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	104595	
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	2712668	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	423	13688
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**Analysis of admissible assets**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **With Profit Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1179800	GL	31	12	2005	£000	15
<b>Investments</b>						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41		7235		8585
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		106976		53091
Rights under derivative contracts				44		20521		3363
Fixed interest securities	Approved			45		873162		990932
	Other			46		351029		351976
Variable interest securities	Approved securities			47				
	Other			48		44339		51005
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		4214		4839
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				10739
Other financial investments				56				

## Analysis of admissible assets

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **With Profit Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>15</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				<b>57</b>				
Assets held to match linked liabilities		Index linked		<b>58</b>				
		Property linked		<b>59</b>				
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				<b>60</b>				
Claims outstanding				<b>61</b>				
Provision for unexpired risks				<b>62</b>				
Other				<b>63</b>				
<b>Debtors and salvage</b>								
Direct insurance business		Policyholders		<b>71</b>		<b>2785</b>		<b>3211</b>
		Intermediaries		<b>72</b>				
Salvage and subrogation recoveries				<b>73</b>				
Reinsurance		Accepted		<b>74</b>				
		Ceded		<b>75</b>		<b>4929</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>		<b>50535</b>		<b>53837</b>
		Due in more than 12 months		<b>79</b>				
<b>Other assets</b>								
Tangible assets				<b>80</b>				
Deposits not subject to time restriction on withdrawal with approved institutions				<b>81</b>		<b>385</b>		<b>2485</b>
Cash in hand				<b>82</b>				
Other assets (particulars to be specified by way of supplementary note)				<b>83</b>				
Accrued interest and rent				<b>84</b>		<b>16192</b>		<b>21150</b>
Deferred acquisition costs				<b>85</b>				
Other prepayments and accrued income				<b>86</b>		<b>513</b>		
Deductions from the aggregate value of assets				<b>87</b>				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				<b>89</b>		<b>1482815</b>		<b>1555213</b>

**Analysis of admissible assets**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **With Profit Fund**

R13	Company registration number 1179800	GL/UK/CM GL	Period ended			Units £000	Category of assets 15
			day	month	year		
			31	12	2005		

As at the end of this financial year 1	As at the end of the previous year 2
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**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	1482815	1555213
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	7635	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	84503	
Other asset adjustments (may be negative)	100	(9573)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	1565380	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	47244	10447
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**Analysis of admissible assets**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Life Non Profit**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	1179800	GL	31	12	2005	£000	12
<b>Investments</b>						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		10983		1623
Rights under derivative contracts				44				
Fixed interest securities	Approved			45		38188		39115
	Other			46		10814		11826
Variable interest securities	Approved securities			47		634		310
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54		659		796
	More than one month withdrawal			55				2859
Other financial investments				56				

**Analysis of admissible assets**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Life Non Profit**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>12</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				<b>57</b>				
Assets held to match linked liabilities		Index linked		<b>58</b>		<b>184</b>		<b>156</b>
		Property linked		<b>59</b>		<b>17661</b>		<b>17441</b>
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				<b>60</b>				
Claims outstanding				<b>61</b>				
Provision for unexpired risks				<b>62</b>				
Other				<b>63</b>				
<b>Debtors and salvage</b>								
Direct insurance business		Policyholders		<b>71</b>				
		Intermediaries		<b>72</b>				
Salvage and subrogation recoveries				<b>73</b>				
Reinsurance		Accepted		<b>74</b>				
		Ceded		<b>75</b>				
Dependants		Due in 12 months or less		<b>76</b>				
		Due in more than 12 months		<b>77</b>				
Other		Due in 12 months or less		<b>78</b>		<b>1816</b>		<b>3196</b>
		Due in more than 12 months		<b>79</b>				
<b>Other assets</b>								
Tangible assets				<b>80</b>				
Deposits not subject to time restriction on withdrawal with approved institutions				<b>81</b>		<b>82</b>		
Cash in hand				<b>82</b>				
Other assets (particulars to be specified by way of supplementary note)				<b>83</b>				
Accrued interest and rent				<b>84</b>		<b>828</b>		<b>1031</b>
Deferred acquisition costs				<b>85</b>				
Other prepayments and accrued income				<b>86</b>		<b>36</b>		
Deductions from the aggregate value of assets				<b>87</b>				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				<b>89</b>		<b>81885</b>		<b>78353</b>

**Analysis of admissible assets**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Life Non Profit**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	1179800	GL	31	12	2005	£000	12

As at the end of this financial year 1	As at the end of the previous year 2
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**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	81885	78353
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	19880	
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	101765	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	1549	3185
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## Analysis of admissible assets

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Pensions Non Profit**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
R13	1179800	GL	31	12	2005	£000	13
<b>Investments</b>						As at the end of this financial year 1	As at the end of the previous year 2
Land and buildings			11				
<b>Investments in group undertakings and participating interests</b>							
UK insurance dependants	shares		21				
	debts and loans		22				
Other insurance dependants	shares		23				
	debts and loans		24				
Non-insurance dependants	shares		25				
	debts and loans		26				
Other group undertakings	shares		27				
	debts and loans		28		17545		17545
Participating interests	shares		29				
	debts and loans		30				
<b>Other financial investments</b>							
Equity shares			41				
Other shares and other variable yield participations			42				
Holdings in collective investment schemes			43		40593		2839
Rights under derivative contracts			44				
Fixed interest securities	Approved		45		227347		216559
	Other		46		215790		244334
Variable interest securities	Approved securities		47		48309		16243
	Other		48		26711		7764
Participation in investment pools			49				
Loans secured by mortgages			50				
Loans to public or local authorities and nationalised industries or undertakings			51				
Loans secured by policies of insurance issued by the company			52				
Other loans			53				
Bank and approved credit & financial institution deposits	One month or less withdrawal		54		92		160
	More than one month withdrawal		55				10294
Other financial investments			56				

## Analysis of admissible assets

Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Pensions Non Profit**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>1179800</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>13</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58		58777		55286
		Property linked		59		420907		418547
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
<b>Debtors and salvage</b>								
Direct insurance business		Policyholders		71		3		
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74				
		Ceded		75				
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		2286		8538
		Due in more than 12 months		79				
<b>Other assets</b>								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		214		32
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		11469		11052
Deferred acquisition costs				85				
Other prepayments and accrued income				86		210		
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		1070253		1009193



**Analysis of admissible assets**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Pensions Non Profit**

R13	Company registration number 1179800	GL/UK/CM GL	Period ended			Units £000	Category of assets 13
			day	month	year		
			31	12	2005		

As at the end of this financial year 1	As at the end of the previous year 2
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**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	1070253	1009193
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99	212	
Other asset adjustments (may be negative)	100	(24942)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	1045523	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	2247	56
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**Long term insurance business liabilities and margins**Name of insurer **London Life Limited**

Global business

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

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	2397192	2445765
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12	274	411
Balance of surplus/(valuation deficit)	13	73358	42149
Long term insurance business fund carried forward (11 to 13)	14	2470824	2488325
Claims outstanding	Gross amount	15	7771
	Reinsurers' share	16	
	Net (15-16)	17	7771
Provisions	Taxation	21	
	Other	22	26
Deposits received from reinsurers	23	42512	43142
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	37454
	Other	38	13802
Accruals and deferred income	39		19
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	101565	126907
Excess of the value of net admissible assets	51	28049	27527
Total liabilities and margins	59	2600438	2642759
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	5624	16066
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	438568	436179
Total liabilities (11+12+49)	71	2499031	2573083
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	104595	
Other adjustments to liabilities (may be negative)	74	90332	
Capital and reserves and fund for future appropriations	75	18710	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	2712668	

**Long term insurance business liabilities and margins**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Fund **Life With Profit**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	500833	555720
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12	274	411
Balance of surplus/(valuation deficit)		13	41742	34224
Long term insurance business fund carried forward (11 to 13)		14	542849	590355
Claims outstanding	Gross amount	15	3208	3693
	Reinsurers' share	16		
	Net (15-16)	17	3208	3693
Provisions	Taxation	21		
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	37454	8538
	Other	38	5033	18290
Accruals and deferred income		39		7
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	45695	30528
Excess of the value of net admissible assets		51	28049	27527
Total liabilities and margins		59	616593	648410

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2676	3684
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	546802	586659
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

**Long term insurance business liabilities and margins**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Fund **Pension With Profit**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	808372	819122
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	3616	3700
Long term insurance business fund carried forward (11 to 13)		14	811988	822822
Claims outstanding	Gross amount	15	4563	6859
	Reinsurers' share	16		
	Net (15-16)	17	4563	6859
Provisions	Taxation	21		
	Other	22		
Deposits received from reinsurers		23	42512	43142
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	7159	33968
Accruals and deferred income		39		12
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	54234	83981
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	866222	906803
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	3806	6841
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	862606	903103
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76		

**Long term insurance business liabilities and margins**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Fund **Life Non Profit**

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	65044	70556
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	4889	994
Long term insurance business fund carried forward (11 to 13)	14	69933	71550
Claims outstanding	Gross amount	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other	22	26 36
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	6712
	Other	38	11926 55
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	11952	6803
Excess of the value of net admissible assets	51		
Total liabilities and margins	59	81885	78353

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	11844	41
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	17661	17632

Total liabilities (11+12+49)	71	76996	77359
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

**Long term insurance business liabilities and margins**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Fund **Pension Non Profit**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus		11	1022943	1000367
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	23111	3231
Long term insurance business fund carried forward (11 to 13)		14	1046054	1003598
Claims outstanding	Gross amount	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21		
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37		
	Other	38	24199	5595
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	24199	5595
Excess of the value of net admissible assets		51		
Total liabilities and margins		59	1070253	1009193
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	23317	5500
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	420907	418547
Total liabilities (11+12+49)		71	1047142	1005962
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73		
Other adjustments to liabilities (may be negative)		74		
Capital and reserves and fund for future appropriations		75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)		76		

**Liabilities (other than long term insurance business)**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

R15	Company registration number 1179800	GL/UK/CM GL	Period ended			Units £000
			day	month	year	
			31	12	2005	
			As at the end of this financial year		1	As at the end of the previous year
						2

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		
	Recommended dividend	48		
	Other	49	3012	4837
Accruals and deferred income		51		21
Total (19 to 51)		59	3012	4858
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	3012	4858

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71	2731	4586
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(3936)	
Capital and reserves	84	168155	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	167231	

**Profit and loss account (non-technical account)**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**

		Company registration number	GL/UK/CM	Period ended			Units	
		R16	1179800	GL	31	12	2005	£000
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20	11						
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13	44949	90674				
Investment income	Income	14	3933	934				
	Value re-adjustments on investments	15		1930				
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17	98	1070				
	Value re-adjustments on investments	18						
	Loss on the realisation of investments	19		1719				
Allocated investment return transferred to the general insurance business technical account		20						
Other income and charges (particulars to be specified by way of supplementary note)		21	(261)	(443)				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	48523	90306				
Tax on profit or loss on ordinary activities		31	1072	41				
Profit or loss on ordinary activities after tax (29-31)		39	47451	90265				
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	47451	90265				
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	47451	90265				



**Analysis of derivative contracts**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Total long term insurance business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	1179800	GL	31	12	2005	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	20521				3363		107
Adjustments for variation margin		41							
Total (11 to 41)		49	20521				3363		107

**Analysis of derivative contracts**Name of insurer **London Life Limited**

Global business

Financial year ended **31st December 2005**Category of assets **With Profit Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	1179800	GL	31	12	2005	£000	15
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
<b>Derivative contracts</b>	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Futures contracts	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Options	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35	20521				3363		107
Contracts for differences	Fixed-interest securities	41							
	Equity shares	42							
	Land	43							
	Currencies	44							
	Other	45							
Adjustments for variation margin		41							
Total (11 to 41)		49	20521				3363		107

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

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 With-profits fund **Life With Profit 3**

	As at end of this financial year <b>1</b>	As at end of the previous year <b>2</b>
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	11	616594	648487
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13		
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in fund	14		
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15		
	Total (11+12-(13+14+15))	19	616594	648487
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	501107	556132
	Regulatory current liabilities of the fund	22	45695	30605
	Total (21+22)	29	546802	586737
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts	31	20650	22707	
Resilience capital requirement in respect of the fund's with-profits insurance contracts	32	1490	8732	
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)	39	568942	618176	
Regulatory excess capital (19-39)	49	47652	30311	

**Realistic excess capital**

Realistic excess capital	51		17872
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	47652	12439
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero; else greater of 61 and zero)	64	47652	12439

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

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 With-profits fund **Pension With Profit 2**

	As at end of this financial year 1	As at end of the previous year 2
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	11	866221	906726
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13	7799	10439
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in fund	14		
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15		
	Total (11+12-(13+14+15))	19	858422	896287
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	800573	808682
	Regulatory current liabilities of the fund	22	54234	83904
	Total (21+22)	29	854807	892586
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts	31	31872	33343	
Resilience capital requirement in respect of the fund's with-profits insurance contracts	32	2381	12822	
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)	39	889060	938751	
Regulatory excess capital (19-39)	49	(30638)	(42464)	

**Realistic excess capital**

Realistic excess capital	51	(3543)	
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	(27095)	(42464)
Face amount of capital instruments attributed to the fund and included in the capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in the capital resources (stressed)	63		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero; else greater of 61 and zero)	64		

**Realistic balance sheet**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 With-profits fund **Life With Profit 3**

	As at end of this financial year <b>1</b>	As at end of the previous year <b>2</b>
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**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	616594	648487
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in the fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in the fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	<b>26</b>	616594	648487
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	616594	648487

**Realistic value of liabilities of fund**

With-profits benefits reserve	<b>31</b>	489885	504446	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>	38316	
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	3446	829
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	3899	42245
	Future costs of non-contractual commitments	<b>42</b>	10532	10003
	Future costs of financial options	<b>43</b>		
	Future costs of smoothing (possibly negative)	<b>44</b>	9161	8658
	Financing costs	<b>45</b>		
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	22552	35489
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	81014	95566
Realistic current liabilities of the fund	<b>51</b>	45695	30604	
Realistic value of liabilities of the fund (31+49+51)	<b>59</b>	616594	630616	

**Realistic balance sheet**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 With-profits fund **Life With Profit 3**

R19	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	1179800	GL	31	12	2005	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	616594	630616
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		3000
Value of relevant assets before applying the most adverse scenario (62+63)	64	616594	633616
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		17871
Realistic excess available capital for fund (29-(59+65))	67		17871
Working capital for for fund (29-59)	68		17871
Working capital ratio for fund (68/29)	69		0.03

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

Additional amount potentially available for inclusion in line 62	81	66855	47181
Additional amount potentially available for inclusion in line 63	82	33824	25266

**Realistic balance sheet**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 With-profits fund **Pension With Profit 2**

	As at end of this financial year 1	As at end of the previous year 2
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**Realistic value of assets available to the fund**

Regulatory value of assets	11	858422	896287
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in the fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	4843	8439
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in the fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	863265	904726
Support arrangement assets	27		
Assets available to the fund (26+27)	29	863265	904726

**Realistic value of liabilities of fund**

With-profits benefits reserve	31	567801	577455	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the cost of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	153355	150456
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	16712	15398
	Future costs of smoothing (possibly negative)	44	(14111)	(1003)
	Financing costs	45	74103	42216
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	11800	36299
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	241859	243366	
Realistic current liabilities of the fund	51	54234	83905	
Realistic value of liabilities of the fund (31+49+51)	59	863894	904726	

**Realistic balance sheet**

Name of insurer **London Life Limited**  
 Global business  
 Financial year ended **31st December 2005**  
 With-profits fund **Pension With Profit 2**

R19	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
	1179800	GL	31	12	2005	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	866808	904726
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	866808	904726
Risk capital margin for fund (62-59)	65	2914	
Realistic excess capital for fund (26-(59+65))	66	(3543)	
Realistic excess available capital for fund (29-(59+65))	67	(3543)	
Working capital for for fund (29-59)	68	(629)	
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	93600	65824
Additional amount potentially available for inclusion in line 63	82		



**Long-term insurance business : Revenue account**Name of insurer **London Life Limited**Name and number of fund/Summary **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	83636	88271
Investment income receivable before deduction of tax	12	121895	128644
Increase (decrease) in the value of non-linked assets brought into account	13	93733	49668
Increase (decrease) in the value of linked assets	14	61217	33367
Other income	15		309135
<b>Total income</b>	<b>19</b>	<b>360481</b>	<b>609085</b>
<b>Expenditure</b>			
Claims incurred	21	299587	266568
Expenses payable	22	11202	13931
Interest payable before deduction of tax	23	152	86128
Taxation	24	22091	(3277)
Other expenditure	25		222047
Transfer to (from) non technical account	26	44949	90674
<b>Total expenditure</b>	<b>29</b>	<b>377981</b>	<b>676071</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(17500)	(66986)
Fund brought forward	49	2488324	2555309
Fund carried forward (39+49)	59	2470824	2488323

**Long-term insurance business : Revenue account**Name of insurer **London Life Limited**Name and number of fund/Summary **Life With Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	12287	13168
Investment income receivable before deduction of tax	12	26575	36005
Increase (decrease) in the value of non-linked assets brought into account	13	26191	14549
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>65053</b>	<b>63722</b>
<b>Expenditure</b>			
Claims incurred	21	73644	79599
Expenses payable	22	2621	3613
Interest payable before deduction of tax	23	54	105
Taxation	24	10600	3647
Other expenditure	25	24481	1047
Transfer to (from) non technical account	26	1158	42628
<b>Total expenditure</b>	<b>29</b>	<b>112558</b>	<b>130639</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(47505)	(66917)
Fund brought forward	49	590354	657271
Fund carried forward (39+49)	59	542849	590354

**Long-term insurance business : Revenue account**Name of insurer **London Life Limited**Name and number of fund/Summary **Pension With Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	8736	8979
Investment income receivable before deduction of tax	12	45231	44022
Increase (decrease) in the value of non-linked assets brought into account	13	44579	25988
Increase (decrease) in the value of linked assets	14		
Other income	15	24481	163890
<b>Total income</b>	<b>19</b>	<b>123027</b>	<b>242879</b>
<b>Expenditure</b>			
Claims incurred	21	85381	108092
Expenses payable	22	4597	5101
Interest payable before deduction of tax	23	92	48820
Taxation	24		
Other expenditure	25		136000
Transfer to (from) non technical account	26	43791	11046
<b>Total expenditure</b>	<b>29</b>	<b>133861</b>	<b>309059</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(10834)	(66180)
Fund brought forward	49	822822	889002
Fund carried forward (39+49)	59	811988	822822

**Long-term insurance business : Revenue account**Name of insurer **London Life Limited**Name and number of fund/Summary **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	4461	5004
Investment income receivable before deduction of tax	12	3819	3736
Increase (decrease) in the value of non-linked assets brought into account	13	1200	822
Increase (decrease) in the value of linked assets	14	2405	1642
Other income	15		28239
<b>Total income</b>	<b>19</b>	<b>11885</b>	<b>39443</b>
<b>Expenditure</b>			
Claims incurred	21	7931	8040
Expenses payable	22	601	2638
Interest payable before deduction of tax	23	1	7004
Taxation	24	4969	1766
Other expenditure	25		16000
Transfer to (from) non technical account	26		8500
<b>Total expenditure</b>	<b>29</b>	<b>13502</b>	<b>43948</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1617)	(4505)
Fund brought forward	49	71550	76055
Fund carried forward (39+49)	59	69933	71550

**Long-term insurance business : Revenue account**Name of insurer **London Life Limited**Name and number of fund/Summary **Pension Non Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	58152	61120
Investment income receivable before deduction of tax	12	46270	44882
Increase (decrease) in the value of non-linked assets brought into account	13	21763	8309
Increase (decrease) in the value of linked assets	14	58812	31725
Other income	15		117006
<b>Total income</b>	<b>19</b>	<b>184997</b>	<b>263042</b>
<b>Expenditure</b>			
Claims incurred	21	132631	70837
Expenses payable	22	3383	2579
Interest payable before deduction of tax	23	5	30199
Taxation	24	6522	(8690)
Other expenditure	25		69000
Transfer to (from) non technical account	26		28500
<b>Total expenditure</b>	<b>29</b>	<b>142541</b>	<b>192425</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	42456	70617
Fund brought forward	49	1003598	932981
Fund carried forward (39+49)	59	1046054	1003598

**Long term insurance business : Analysis of premiums**Name of insurer **London Life Limited**Total business/subfund **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11	14699	3859		18558	19272
Single premiums	12	2341	63389		65730	69641
<b>Reinsurance - external</b>						
Regular premiums	13	292	70		362	356
Single premiums	14					
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16		290		290	286
<b>Net of reinsurance</b>						
Regular premiums	17	14407	3789		18196	18916
Single premiums	18	2341	63099		65440	69355
<b>Total</b>						
Gross	19	17040	67248		84288	88913
Reinsurance	20	292	360		652	642
Net	21	16748	66888		83636	88271

**Long term insurance business : Analysis of premiums**Name of insurer **London Life Limited**Total business/subfund **Life With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11	12270			12270	13128
Single premiums	12	188			188	198
<b>Reinsurance - external</b>						
Regular premiums	13	171			171	158
Single premiums	14					
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16					
<b>Net of reinsurance</b>						
Regular premiums	17	12099			12099	12970
Single premiums	18	188			188	198
<b>Total</b>						
Gross	19	12458			12458	13326
Reinsurance	20	171			171	158
Net	21	12287			12287	13168

**Long term insurance business : Analysis of premiums**Name of insurer **London Life Limited**Total business/subfund **Pension With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11		1530		1530	1738
Single premiums	12		7496		7496	7527
<b>Reinsurance - external</b>						
Regular premiums	13					
Single premiums	14					
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16		290		290	286
<b>Net of reinsurance</b>						
Regular premiums	17		1530		1530	1738
Single premiums	18		7206		7206	7241
<b>Total</b>						
Gross	19		9026		9026	9265
Reinsurance	20		290		290	286
Net	21		8736		8736	8979



**Long term insurance business : Analysis of premiums**Name of insurer **London Life Limited**Total business/subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11	2429			2429	2861
Single premiums	12	2153			2153	2266
<b>Reinsurance - external</b>						
Regular premiums	13	121			121	123
Single premiums	14					
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16					
<b>Net of reinsurance</b>						
Regular premiums	17	2308			2308	2738
Single premiums	18	2153			2153	2266
<b>Total</b>						
Gross	19	4582			4582	5127
Reinsurance	20	121			121	123
Net	21	4461			4461	5004

**Long term insurance business : Analysis of premiums**Name of insurer **London Life Limited**Total business/subfund **Pension Non Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11		2329		2329	1545
Single premiums	12		55893		55893	59650
<b>Reinsurance - external</b>						
Regular premiums	13		70		70	75
Single premiums	14					
<b>Reinsurance - Intra-group</b>						
Regular premiums	15					
Single premiums	16					
<b>Net of reinsurance</b>						
Regular premiums	17		2259		2259	1470
Single premiums	18		55893		55893	59650
<b>Total</b>						
Gross	19		58222		58222	61195
Reinsurance	20		70		70	75
Net	21		58152		58152	61120

**Long term insurance business : Analysis of claims**Name of insurer **London Life Limited**Total business/subfund **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11	8902	2851		11753	14000
Disability periodic payments	12	552			552	504
Surrender or partial surrender	13	21030	112341		133371	83594
Annuity payments	14	1892	49939		51831	49785
Lump sums on maturity	15	54327	57352		111679	123154
<b>Total</b>	<b>16</b>	<b>86703</b>	<b>222483</b>		<b>309186</b>	<b>271037</b>
<b>Reinsurance - external</b>						
Death or disability lump sums	21	1352			1352	
Disability periodic payments	22					
Surrender or partial surrender	23	1549			1549	
Annuity payments	24					
Lump sums on maturity	25	2227			2227	
<b>Total</b>	<b>26</b>	<b>5128</b>			<b>5128</b>	
<b>Reinsurance - intra-group</b>						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		4471		4471	4469
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>4471</b>		<b>4471</b>	<b>4469</b>
<b>Net of reinsurance</b>						
Death or disability lump sums	41	7550	2851		10401	14000
Disability periodic payments	42	552			552	504
Surrender or partial surrender	43	19481	112341		131822	83594
Annuity payments	44	1892	45468		47360	45316
Lump sums on maturity	45	52100	57352		109452	123154
<b>Total</b>	<b>46</b>	<b>81575</b>	<b>218012</b>		<b>299587</b>	<b>266568</b>

**Long term insurance business : Analysis of claims**Name of insurer **London Life Limited**Total business/subfund **Life With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11	8030			8030	8732
Disability periodic payments	12					
Surrender or partial surrender	13	18761			18761	21332
Annuity payments	14	6			6	
Lump sums on maturity	15	51975			51975	49535
<b>Total</b>	16	78772			78772	79599
<b>Reinsurance - external</b>						
Death or disability lump sums	21	1352			1352	
Disability periodic payments	22					
Surrender or partial surrender	23	1549			1549	
Annuity payments	24					
Lump sums on maturity	25	2227			2227	
<b>Total</b>	26	5128			5128	
<b>Reinsurance - intra-group</b>						
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>	36					
<b>Net of reinsurance</b>						
Death or disability lump sums	41	6678			6678	8732
Disability periodic payments	42					
Surrender or partial surrender	43	17212			17212	21332
Annuity payments	44	6			6	
Lump sums on maturity	45	49748			49748	49535
<b>Total</b>	46	73644			73644	79599

**Long term insurance business : Analysis of claims**Name of insurer **London Life Limited**Total business/subfund **Pension With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11		1640		1640	2162
Disability periodic payments	12					
Surrender or partial surrender	13		25046		25046	34797
Annuity payments	14		11525		11525	11241
Lump sums on maturity	15		51641		51641	64361
<b>Total</b>	16		89852		89852	112561
<b>Reinsurance - external</b>						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	26					
<b>Reinsurance - intra-group</b>						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		4471		4471	4469
Lump sums on maturity	35					
<b>Total</b>	36		4471		4471	4469
<b>Net of reinsurance</b>						
Death or disability lump sums	41		1640		1640	2162
Disability periodic payments	42					
Surrender or partial surrender	43		25046		25046	34797
Annuity payments	44		7054		7054	6772
Lump sums on maturity	45		51641		51641	64361
<b>Total</b>	46		85381		85381	108092

**Long term insurance business : Analysis of claims**Name of insurer **London Life Limited**Total business/subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11	872			872	1612
Disability periodic payments	12	552			552	504
Surrender or partial surrender	13	2269			2269	1784
Annuity payments	14	1886			1886	2044
Lump sums on maturity	15	2352			2352	2096
<b>Total</b>	16	7931			7931	8040
<b>Reinsurance - external</b>						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	26					
<b>Reinsurance - intra-group</b>						
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>	36					
<b>Net of reinsurance</b>						
Death or disability lump sums	41	872			872	1612
Disability periodic payments	42	552			552	504
Surrender or partial surrender	43	2269			2269	1784
Annuity payments	44	1886			1886	2044
Lump sums on maturity	45	2352			2352	2096
<b>Total</b>	46	7931			7931	8040

**Long term insurance business : Analysis of claims**Name of insurer **London Life Limited**Total business/subfund **Pension Non Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11		1211		1211	1494
Disability periodic payments	12					
Surrender or partial surrender	13		87295		87295	25681
Annuity payments	14		38414		38414	36500
Lump sums on maturity	15		5711		5711	7162
<b>Total</b>	16		132631		132631	70837
<b>Reinsurance - external</b>						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	26					
<b>Reinsurance - intra-group</b>						
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>	36					
<b>Net of reinsurance</b>						
Death or disability lump sums	41		1211		1211	1494
Disability periodic payments	42					
Surrender or partial surrender	43		87295		87295	25681
Annuity payments	44		38414		38414	36500
Lump sums on maturity	45		5711		5711	7162
<b>Total</b>	46		132631		132631	70837

**Long term insurance business : Analysis of expenses**Name of insurer **London Life Limited**Total business/subfund **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	3229	8033		11262	13931
Management - other	15					
<b>Total</b>	16	3229	8033		11262	13931
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24	7	1		8	
Management - other	25					
<b>Total</b>	26	7	1		8	
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34		52		52	
Management - other	35					
<b>Total</b>	36		52		52	
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	3222	7980		11202	13931
Management - other	45					
<b>Total</b>	46	3222	7980		11202	13931



**Long term insurance business : Analysis of expenses**Name of insurer **London Life Limited**Total business/subfund **Life With Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	2621			2621	3613
Management - other	15					
<b>Total</b>	16	2621			2621	3613
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	26					
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	36					
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	2621			2621	3613
Management - other	45					
<b>Total</b>	46	2621			2621	3613

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

Name of insurer **London Life Limited**

Total business/subfund **Pension With Profit**

Financial year ended **31st December 2005**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14		4649		4649	5101
Management - other	15					
<b>Total</b>	16		4649		4649	5101
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	26					
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34		52		52	
Management - other	35					
<b>Total</b>	36		52		52	
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44		4597		4597	5101
Management - other	45					
<b>Total</b>	46		4597		4597	5101

**Long term insurance business : Analysis of expenses**Name of insurer **London Life Limited**Total business/subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14	608			608	2638
Management - other	15					
<b>Total</b>	16	608			608	2638
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24	7			7	
Management - other	25					
<b>Total</b>	26	7			7	
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	36					
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44	601			601	2638
Management - other	45					
<b>Total</b>	46	601			601	2638

**Long term insurance business : Analysis of expenses**Name of insurer **London Life Limited**Total business/subfund **Pension Non Profit**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12					
Management - acquisition	13					
Management - maintenance	14		3384		3384	2579
Management - other	15					
<b>Total</b>	<b>16</b>		<b>3384</b>		<b>3384</b>	<b>2579</b>
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24		1		1	
Management - other	25					
<b>Total</b>	<b>26</b>		<b>1</b>		<b>1</b>	
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42					
Management - acquisition	43					
Management - maintenance	44		3383		3383	2579
Management - other	45					
<b>Total</b>	<b>46</b>		<b>3383</b>		<b>3383</b>	<b>2579</b>

## Long term insurance business : Linked funds balance sheet

Name of insurer **London Life Limited**

Total business

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

		Financial year	Previous year
		<b>1</b>	<b>2</b>
<b>Internal linked funds (excluding cross investment)</b>			
Directly held assets (excluding collective investment schemes)	11	40398	87485
Directly held assets in collective investment schemes of connected companies	12		
Directly held assets in other collective investment schemes	13	398876	348804
<b>Total assets (excluding cross investment) (11+12+13)</b>	14	439274	436289
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	706	301
<b>Total net assets (14-15-16-17)</b>	18	438568	435988
<b>Directly held linked assets</b>			
Value of directly held linked assets	21		
<b>Total</b>			
Value of directly held linked assets and units held (18+21)	31	438568	435988
Surplus units	32		
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	34	438568	435988

**Long term insurance business : Revenue account for internal linked funds**Name of insurer **London Life Limited**

Total business

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

		Financial year	Previous year
		<b>1</b>	<b>2</b>
<b>Income</b>			
Value of total creation of units	11	39664	65128
Investment income attributable to the funds before deduction of tax	12	14887	11239
Increase (decrease) in the value of investments in the financial year	13	61217	33367
Other income	14	39	
<b>Total income</b>	<b>19</b>	<b>115807</b>	<b>109734</b>
<b>Expenditure</b>			
Value of total cancellation units	21	110377	81755
Charges for management	22	1217	1202
Charges in respect of tax on investment income	23	1185	555
Taxation on realised capital gains	24	367	
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26	81	
<b>Total expenditure</b>	<b>29</b>	<b>113227</b>	<b>83512</b>
Increase (decrease) in funds in financial year (19-29)	39	2580	26222
Internal linked fund brought forward	49	435988	409766
Internal linked funds carried forward (39 + 49)	59	438568	435988

**Long term insurance business : Summary of new business**Name of insurer **London Life Limited**

Total business

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

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Number of new policyholders/scheme members for direct insurance business</b>						
Regular premium business	11					60
Single premium business	12	15	1205		1220	1469
<b>Total</b>	<b>13</b>	<b>15</b>	<b>1205</b>		<b>1220</b>	<b>1529</b>
<b>Amount of new regular premiums</b>						
Direct insurance business	21	17	107		124	259
External reinsurance	22					
Intra-group reinsurance	23					
<b>Total</b>	<b>24</b>	<b>17</b>	<b>107</b>		<b>124</b>	<b>259</b>
<b>Amount of new single premiums</b>						
Direct insurance business	25	2247	63481		65728	69642
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>2247</b>	<b>63481</b>		<b>65728</b>	<b>69642</b>

**Long term insurance business : Analysis of new business**Name of insurer **London Life Limited**

Total business

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

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
390	Deferred annuity non-profit				1825
395	Annuity non-profit (PLA)			15	358
435	Miscellaneous non-profit		6		
505	Life UWP whole life regular premium		3		
700	Life property linked single premium				64
795	Miscellaneous property linked		8		



**Long term insurance business : Analysis of new business**Name of insurer **London Life Limited**

Total business

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

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
155	Conventional pensions endowment with-profits		24		686
165	Conventional deferred annuity with-profits				60
175	Group conventional deferred annuity with-profits				273
200	Annuity with-profits (CPA)			79	3973
400	Annuity non-profit (CPA)			1126	34790
435	Miscellaneous non-profit		30		1222
525	Individual pensions UWP		14		36
725	Individual pensions property linked		39		5450
735	Group money purchase pensions property linked				12388
745	DWP National Insurance rebates property linked				4603

**Long term insurance business : Non-linked assets**Name of insurer **London Life Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12	278783	278783	14973	4.18	
Other fixed interest securities	13	231090	248635	13615	4.87	
Variable interest securities	14	76318	76318	1196	1.71	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	51278	33733	3528	4.50	
<b>Total</b>	19	637469	637469	33312	4.17	
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
Land and buildings	21		69359	3116	3.99	
Approved fixed interest securities	22	874120	881300	42099	4.15	8.33
Other fixed interest securities	23	357516	361400	19731	4.85	11.88
Variable interest securities	24	44734	1506	74	3.44	
UK listed equity shares	25	332	12390	332	2.19	
Non-UK listed equity shares	26		3125	84	1.18	
Unlisted equity shares	27	6903	6903	185	2.59	
Other assets	28	181835	129457	2217	3.44	4.77
<b>Total</b>	29	1465440	1465440	67838	4.22	8.36
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					8.67
Return allocated to non taxable 'asset shares'	32					8.97
Return allocated to taxable 'asset shares'	33					8.54

**Long term insurance business : Non-linked assets**Name of insurer **London Life Limited**Category of assets **With Profit Fund**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12	7800	7800	324	4.15	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
<b>Total</b>	19	7800	7800	324	4.15	
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
Land and buildings	21		69359	3116	3.99	
Approved fixed interest securities	22	874120	881300	42099	4.15	8.33
Other fixed interest securities	23	357516	361400	19731	4.85	11.88
Variable interest securities	24	44734	1506	74	3.44	
UK listed equity shares	25	332	12390	332	2.19	
Non-UK listed equity shares	26		3125	84	1.18	
Unlisted equity shares	27	6903	6903	185	2.59	
Other assets	28	191410	139032	2217	2.40	4.77
<b>Total</b>	29	1475015	1475015	67838	4.12	8.34
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					8.67
Return allocated to non taxable 'asset shares'	32					8.97
Return allocated to taxable 'asset shares'	33					8.54

**Long term insurance business : Non-linked assets**Name of insurer **London Life Limited**Category of assets **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12	38638	38638	2012	4.23	
Other fixed interest securities	13	11115	11115	742	4.98	
Variable interest securities	14	639	639	6	1.54	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	13648	13648	469	3.44	
<b>Total</b>	<b>19</b>	<b>64040</b>	<b>64040</b>	<b>3229</b>	<b>4.16</b>	
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
<b>Total</b>	<b>29</b>					
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

**Long term insurance business : Non-linked assets**Name of insurer **London Life Limited**Category of assets **Pensions Non Profit**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12	232345	232345	12962	4.31	
Other fixed interest securities	13	219975	237520	12873	4.86	
Variable interest securities	14	75679	75679	1190	1.71	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	62570	45025	3059	4.89	
<b>Total</b>	19	590569	590569	30084	4.24	
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
<b>Total</b>	29					
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

**Long term insurance business : Fixed and variable interest assets**Name of insurer **London Life Limited**Category of assets **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
<b>UK government approved fixed interest securities</b>	11	904900	8.17	4.14	4.14
<b>Other approved fixed interest securities</b>	21	255182	10.97	4.33	4.15
<b>Other fixed interest securities</b>					
AAA/Aaa	31	138854	11.05	4.62	4.45
AA/Aa	32	129566	10.13	5.15	4.86
A/A	33	314466	9.73	5.12	4.73
BBB/Baa	34	27150	7.56	6.40	5.16
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	39	610036	10.02	5.07	4.71
<b>Approved variable interest securities</b>	41	49368	8.66	4.34	4.34
<b>Other variable interest securities</b>	51	28456	10.95	5.65	5.17
<b>Total (11+21+39+41+51)</b>	61	1847942	9.22	4.50	4.35

**Long term insurance business : Fixed and variable interest assets**Name of insurer **London Life Limited**Category of assets **With Profit Fund**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
<b>UK government approved fixed interest securities</b>	11	824830	8.27	4.14	4.14
<b>Other approved fixed interest securities</b>	21	64270	13.34	4.32	4.28
<b>Other fixed interest securities</b>					
AAA/Aaa	31	88247	10.54	4.62	4.50
AA/Aa	32	52841	11.19	4.86	4.68
A/A	33	216397	10.24	4.94	4.66
BBB/Baa	34	3915	10.10	5.20	4.64
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	39	361400	10.45	4.85	4.62
<b>Approved variable interest securities</b>	41				
<b>Other variable interest securities</b>	51	1506	12.22	0.44	3.09
<b>Total (11+21+39+41+51)</b>	61	1252006	9.16	4.35	4.28

**Long term insurance business : Fixed and variable interest assets**Name of insurer **London Life Limited**Category of assets **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
<b>UK government approved fixed interest securities</b>	11	34275	8.24	4.14	4.14
<b>Other approved fixed interest securities</b>	21	4362	5.93	4.59	4.30
<b>Other fixed interest securities</b>					
AAA/Aaa	31				
AA/Aa	32	5099	6.01	4.74	4.56
A/A	33	5906	5.84	5.18	4.74
BBB/Baa	34	111	14.34	5.09	3.12
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	39	11116	6.00	4.98	4.64
<b>Approved variable interest securities</b>	41	639	6.98	4.29	4.29
<b>Other variable interest securities</b>	51				
<b>Total (11+21+39+41+51)</b>	61	50392	7.53	4.37	4.27



**Long term insurance business : Fixed and variable interest assets**Name of insurer **London Life Limited**Category of assets **Pensions Non Profit**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
<b>UK government approved fixed interest securities</b>	11	45795	6.20	4.17	4.17
<b>Other approved fixed interest securities</b>	21	186550	10.26	4.33	4.10
<b>Other fixed interest securities</b>					
AAA/Aaa	31	50607	11.95	4.62	4.35
AA/Aa	32	71626	9.65	5.39	5.02
A/A	33	92163	8.80	5.55	4.88
BBB/Baa	34	23124	7.09	6.61	5.25
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
<b>Total other fixed interest securities</b>	39	237520	9.56	5.41	4.85
<b>Approved variable interest securities</b>	41	48729	8.68	4.34	4.34
<b>Other variable interest securities</b>	51	26950	10.88	5.77	5.29
<b>Total (11+21+39+41+51)</b>	61	545544	9.50	4.86	4.51

## Long term insurance business : Summary of mathematical reserves

Name of insurer **London Life Limited**

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

Financial year ended **31st December 2005**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11	502082	856968		1359050	
Form 51 - non-profit	12	52563	566222		618785	
Form 52	13	9912	14825		24737	
Form 53 - linked	14	36471	420907		457378	
Form 53 - non-linked	15	651	8158		8809	
Form 54 - linked	16	184	58777		58961	
Form 54 - non-linked	17					
<b>Total</b>	18	601863	1925857		2527720	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21	11383	6		11389	
Form 51 - non-profit	22	1169	212		1381	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	28	12552	218		12770	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31		73114		73114	
Form 51 - non-profit	32	4975	23111		28086	
Form 52	33					
Form 53 - linked	34	18590			18590	
Form 53 - non-linked	35	91			91	
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	38	23656	96225		119881	
<b>Net of reinsurance</b>						
Form 51 - with-profits	41	490699	783848		1274547	
Form 51 - non-profit	42	46419	542899		589318	
Form 52	43	9912	14825		24737	
Form 53 - linked	44	17881	420907		438788	
Form 53 - non-linked	45	560	8158		8718	
Form 54 - linked	46	184	58777		58961	
Form 54 - non-linked	47					
<b>Total</b>	48	565655	1829414		2395069	

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

Name of insurer **London Life Limited**

Total business/subfund **Life With Profit**

Financial year ended **31st December 2005**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11	502082			502082	
Form 51 - non-profit	12					
Form 52	13	9912			9912	
Form 53 - linked	14					
Form 53 - non-linked	15	91			91	
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	18	512085			512085	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21	11383			11383	
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	28	11383			11383	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35	91			91	
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	38	91			91	
<b>Net of reinsurance</b>						
Form 51 - with-profits	41	490699			490699	
Form 51 - non-profit	42					
Form 52	43	9912			9912	
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	48	500611			500611	

## Long term insurance business : Summary of mathematical reserves

Name of insurer **London Life Limited**

Total business/subfund **Pension With Profit**

Financial year ended **31st December 2005**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11		856968		856968	
Form 51 - non-profit	12					
Form 52	13		14825		14825	
Form 53 - linked	14					
Form 53 - non-linked	15		7798		7798	
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	18		879591		879591	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21		6		6	
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	28		6		6	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31		73114		73114	
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	38		73114		73114	
<b>Net of reinsurance</b>						
Form 51 - with-profits	41		783848		783848	
Form 51 - non-profit	42					
Form 52	43		14825		14825	
Form 53 - linked	44					
Form 53 - non-linked	45		7798		7798	
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	48		806471		806471	

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

Name of insurer **London Life Limited**

Total business/subfund **Life Non Profit**

Financial year ended **31st December 2005**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11					
Form 51 - non-profit	12	52563			52563	
Form 52	13					
Form 53 - linked	14	36471			36471	
Form 53 - non-linked	15	560			560	
Form 54 - linked	16	184			184	
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>89778</b>			<b>89778</b>	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21					
Form 51 - non-profit	22	1169			1169	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1169</b>			<b>1169</b>	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32	4975			4975	
Form 52	33					
Form 53 - linked	34	18590			18590	
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>	<b>23565</b>			<b>23565</b>	
<b>Net of reinsurance</b>						
Form 51 - with-profits	41					
Form 51 - non-profit	42	46419			46419	
Form 52	43					
Form 53 - linked	44	17881			17881	
Form 53 - non-linked	45	560			560	
Form 54 - linked	46	184			184	
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>65044</b>			<b>65044</b>	

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

Name of insurer **London Life Limited**

Total business/subfund **Pension Non Profit**

Financial year ended **31st December 2005**

Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11					
Form 51 - non-profit	12		566222		566222	
Form 52	13					
Form 53 - linked	14		420907		420907	
Form 53 - non-linked	15		360		360	
Form 54 - linked	16		58777		58777	
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>		<b>1046266</b>		<b>1046266</b>	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21					
Form 51 - non-profit	22		212		212	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>		<b>212</b>		<b>212</b>	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32		23111		23111	
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>		<b>23111</b>		<b>23111</b>	
<b>Net of reinsurance</b>						
Form 51 - with-profits	41					
Form 51 - non-profit	42		542899		542899	
Form 52	43					
Form 53 - linked	44		420907		420907	
Form 53 - non-linked	45		360		360	
Form 54 - linked	46		58777		58777	
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>		<b>1022943</b>		<b>1022943</b>	

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	27933	524400	1051	n/a	n/a	n/a	496813
165	Conventional deferred annuity with-profits	3584	92053	44	n/a	n/a	n/a	170563
175	Group conventional deferred annuity with-profits		19818	133	n/a	n/a	n/a	20120
200	Annuity with-profits (CPA)	4594	13822		n/a	n/a	n/a	155469
185	Group conventional pensions endowment with-profits		4		n/a	n/a	n/a	
210	Additional reserves with-profits OB				n/a	n/a	n/a	14003

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31st December 2005**  
 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
<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>
155	Conventional pensions endowment with-profits		8		n/a	n/a	n/a	6



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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Reinsurance ceded Intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
200	Annuity with-profits (CPA)		4469		n/a	n/a	n/a	73114

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	20784	314019	3712	n/a	n/a	n/a	186960
120	Conventional endowment with-profits OB savings	35002	362787	7780	n/a	n/a	n/a	302931
165	Conventional deferred annuity with-profits	914	10077	25	n/a	n/a	n/a	12189
205	Miscellaneous conventional with-profits	21	32		n/a	n/a	n/a	2

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / 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
100	Conventional whole life with-profits OB		13716	178	n/a	n/a	n/a	9118
120	Conventional endowment with-profits OB savings		2502	43	n/a	n/a	n/a	2265

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit	815	12098	48	n/a	n/a	n/a	14371
395	Annuity non-profit (PLA)	1409	1928		n/a	n/a	n/a	19590
440	Additional reserves non-profit OB				n/a	n/a	n/a	4872
420	Group income protection		7698		n/a	n/a	n/a	126
385	Income protection claims in payment	48	473		n/a	n/a	n/a	3322
300	Regular premium non-profit WL/EA OB	2342	4849	46	n/a	n/a	n/a	3236
330	Decreasing term assurance	346	1268	92	n/a	n/a	n/a	1518
360	Income protection non-profit (guaranteed premiums)	1126	10986		n/a	n/a	n/a	3025
325	Level term assurance	8050	396223	2326	n/a	n/a	n/a	2503
410	Group Life		115	2	n/a	n/a	n/a	
350	Stand-alone critical illness (guaranteed premiums)	183	6617	65	n/a	n/a	n/a	

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / 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
420	Group income protection		1703		n/a	n/a	n/a	28
385	Income protection claims in payment		21		n/a	n/a	n/a	155
300	Regular premium non-profit WL/EA OB				n/a	n/a	n/a	
330	Decreasing term assurance		36	6	n/a	n/a	n/a	
360	Income protection non-profit (guaranteed premiums)	137	2544		n/a	n/a	n/a	591
325	Level term assurance		27513	463	n/a	n/a	n/a	395
350	Stand-alone critical illness (guaranteed premiums)		3366	30	n/a	n/a	n/a	

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
395	Annuity non-profit (PLA)		31		n/a	n/a	n/a	86
440	Additional reserves non-profit OB				n/a	n/a	n/a	4889

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit	1282	6043	10	n/a	n/a	n/a	20878
400	Annuity non-profit (CPA)	19455	35470		n/a	n/a	n/a	506256
440	Additional reserves non-profit OB				n/a	n/a	n/a	26845
300	Regular premium non-profit WL/EA OB	570	9328		n/a	n/a	n/a	9264
330	Decreasing term assurance	131	3743	16	n/a	n/a	n/a	138
325	Level term assurance	2339	134751	572	n/a	n/a	n/a	2636
410	Group Life		88831	2411	n/a	n/a	n/a	205

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31st December 2005**  
 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
330	Decreasing term assurance		1121	7	n/a	n/a	n/a	13
325	Level term assurance		14393	65	n/a	n/a	n/a	176
410	Group Life		14220	275	n/a	n/a	n/a	23



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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
440	Additional reserves non-profit OB				n/a	n/a	n/a	2311

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP	3019		447	14319	14319	506	14825

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
505	Life UWP whole life regular premium	1572		127	9132	9132	780	9912

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
			4	5	6	7	8	9
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked						7798	7798

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

Name of insurer **London Life Limited**  
 Total business / subfund **Life With Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
			4	5	6	7	8	9
1	2	3						
700	Life property linked single premium						91	91

**Long term insurance business : Valuation summary of property linked contracts**Name of insurer **London Life Limited**Total business / subfund **Life With Profit**Financial year ended **31st December 2005**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium						91	91

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

Name of insurer **London Life Limited**Total business / subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000****UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	286		3331	20562	20562	119	20681
715	Life property linked endowment regular premium - savings	1703		658	14557	14130	436	14567
710	Life property linked whole life regular premium	332		241	2072	1779	5	1784

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

Name of insurer **London Life Limited**Total business / subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000****UK Life / Reinsurance ceded intra-group**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium			3085	18169	18169		18169
710	Life property linked whole life regular premium			115	421	421		421



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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	5375		523	172056	169265	24	169290
735	Group money purchase pensions property linked				42090	42090		42090
745	DWP National Insurance rebates property linked	22242			209256	209256	336	209592
765	Group managed fund				296	296		296

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **London Life Limited**  
 Total business / subfund **Life Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	7	15			184		184

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

Name of insurer **London Life Limited**  
 Total business / subfund **Pension Non Profit**  
 Financial year ended **31st December 2005**  
 Units **£000**  
**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity	735	4243			58777		58777

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

(Sheet 1)

Name of insurer **London Life Limited**

Total Business

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

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
PENSIONS MIXED	12 - individual pension - balanced managed fund	62490	Series S	.75	2.67	3.16	18.35
PENSIONS UK EQUITY	15 - individual pension - UK equity	51363	Series S	.75	2.92	3.44	17.81
AMP PENSIONS MANAGED	12 - individual pension - balanced managed fund	227881	Accumulation	.75	5.76	6.78	17.71

**Long term insurance business : index linked business**Name of insurer **London Life Limited**

Global business

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

Type of assets and liabilities	Name of index link	Value of assets or liabilities	Gross derivative value
	1	2	3
Government Fixed Interest		5059	
Other Fixed Interest		45746	
Government Index Linked	Retail Prices Index	8156	
Total assets		<b>58961</b>	n/a
Total liabilities			n/a
Net total assets		<b>58961</b>	n/a

**Long-term insurance business - analysis of valuation interest rates**Name of insurer **London Life Limited**Total business / subfund **Life With Profit**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
UKL WP code 505	9912	2.30	2.50	2.81
UKL WP code 120 / 165	9106	2.95	3.69	4.05
UKL WP code 100 / 120	187330	3.00	3.75	4.10
UKL WP code 100 / 120	65223	3.00	3.75	4.14
UKL WP code 120 / 165	6900	3.12	3.90	4.16
UKL WP code 100 / 120 / 205	222140	3.15	3.94	4.53
Total:	<b>500611</b>	n/a	n/a	n/a

**Long-term insurance business - analysis of valuation interest rates**Name of insurer **London Life Limited**Total business / subfund **Pension With Profit**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
UKP WP code 525	14825	3.00	3.00	3.34
UKP WP code 155	106783	3.75	3.75	4.12
UKP WP code 725	7798	3.78	3.78	4.13
UKP WP code 200	82103	3.80	3.80	4.16
UKP WP code 155 / 165	130800	3.90	3.90	4.15
UKP WP code 155 / 165 / 175 / 210	420561	4.00	4.00	4.35
UKP WP code 165 / 200	29363	4.45	4.45	4.84
UKP WP code 200	266	4.75	4.75	5.11
Total:	<b>792499</b>	n/a	n/a	n/a

**Long-term insurance business - analysis of valuation interest rates**Name of insurer **London Life Limited**Total business / subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UKL NP code 700/710/715	18441	2.94	3.68	3.97
UKL NP code 300/325/330/350/385/390/395/410/420...	26331	3.09	3.86	3.97
UKL NP code 395/905	20272	3.20	4.00	4.10
Total:	<b>65044</b>	n/a	n/a	n/a



**Long-term insurance business - analysis of valuation interest rates**Name of insurer **London Life Limited**Total business / subfund **Pension Non Profit**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UKP NP code 300	8710	3.90	3.90	4.06
UKP NP code 725/735/745/765	421268	4.00	4.00	4.23
UKP NP code 300/325/330/390/400/410/905	26260	4.10	4.10	4.23
UKP NP code 390/400/905	562867	4.30	4.30	4.42
Total:	<b>1019105</b>	n/a	n/a	n/a

**Long term insurance business : distribution of surplus**Name of insurer **London Life Limited**Total business/subfund **Total long term insurance business assets**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	2470824	2488324
Bonus payments in anticipation of a surplus	12	13779	22594
Transfer to non-technical account	13	44949	90674
Transfer to other funds/parts of funds	14		23046
Subtotal (11 to 14)	15	2529552	2624638
Mathematical reserves	21	2395069	2444410
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	134483	180228
<b>Composition of Surplus</b>			
Balance brought forward	31	42149	85192
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		23044
Surplus arising since the last valuation	34	92334	71994
Total	39	134483	180230
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41	13779	22594
Cash bonuses	42	274	411
Reversionary bonuses	43	2123	1355
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	16176	24360
Net transfer out of fund/part of fund	47	44949	113720
Total distributed surplus (46+47)	48	61125	138080
Surplus carried forward	49	73358	42149
Total (48+49)	59	134483	180229
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61	26.46	17.64
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

**Long term insurance business : distribution of surplus**Name of insurer **London Life Limited**Total business/subfund **Life With Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year		Previous year	
		1	2		
<b>Valuation result</b>					
Fund carried forward	11	542849		590354	
Bonus payments in anticipation of a surplus	12	9922		14307	
Transfer to non-technical account	13	1158		42628	
Transfer to other funds/parts of funds	14	24481		1046	
Subtotal (11 to 14)	15	578410		648335	
Mathematical reserves	21	500611		555490	
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	77799		92845	
<b>Composition of Surplus</b>					
Balance brought forward	31	34224		51180	
Transfer from non-technical account	32				
Transfer from other funds/parts of funds	33				
Surplus arising since the last valuation	34	43575		41667	
Total	39	77799		92847	
<b>Distribution of Surplus</b>					
Bonus paid in anticipation of a surplus	41	9922		14307	
Cash bonuses	42	274		411	
Reversionary bonuses	43	222		230	
Other bonuses	44				
Premium reductions	45				
Total allocated to policyholders (41 to 45)	46	10418		14948	
Net transfer out of fund/part of fund	47	25639		43674	
Total distributed surplus (46+47)	48	36057		58622	
Surplus carried forward	49	41742		34224	
Total (48+49)	59	77799		92846	
<b>Percentage of distributed surplus allocated to policyholders</b>					
Current year	61	28.89		25.50	
Current year - 1	62	90.00		90.00	
Current year - 2	63	90.00		90.00	
Current year - 3	64	90.00		90.00	

**Long term insurance business : distribution of surplus**Name of insurer **London Life Limited**Total business/subfund **Pension With Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	811988	822822
Bonus payments in anticipation of a surplus	12	3857	8287
Transfer to non-technical account	13	43791	11046
Transfer to other funds/parts of funds	14	(24481)	22000
Subtotal (11 to 14)	15	835155	864155
Mathematical reserves	21	806471	817997
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	28684	46158
<b>Composition of Surplus</b>			
Balance brought forward	31	3700	26094
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	24984	20064
Total	39	28684	46158
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41	3857	8287
Cash bonuses	42		
Reversionary bonuses	43	1901	1125
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	5758	9412
Net transfer out of fund/part of fund	47	19310	33046
Total distributed surplus (46+47)	48	25068	42458
Surplus carried forward	49	3616	3700
Total (48+49)	59	28684	46158
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61	22.97	22.17
Current year - 1	62	90.00	90.00
Current year - 2	63	90.00	90.00
Current year - 3	64	90.00	90.00

**Long term insurance business : distribution of surplus**Name of insurer **London Life Limited**Total business/subfund **Life Non Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	69933	71550
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		8500
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	69933	80050
Mathematical reserves	21	65044	70556
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	4889	9494
<b>Composition of Surplus</b>			
Balance brought forward	31	994	2660
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		5237
Surplus arising since the last valuation	34	3895	1597
Total	39	4889	9494
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47		8500
Total distributed surplus (46+47)	48		8500
Surplus carried forward	49	4889	994
Total (48+49)	59	4889	9494
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

**Long term insurance business : distribution of surplus**Name of insurer **London Life Limited**Total business/subfund **Pension Non Profit**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	1046054	1003598
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		28500
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	1046054	1032098
Mathematical reserves	21	1022943	1000367
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	23111	31731
<b>Composition of Surplus</b>			
Balance brought forward	31	3231	5258
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		17807
Surplus arising since the last valuation	34	19880	8666
Total	39	23111	31731
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47		28500
Total distributed surplus (46+47)	48		28500
Surplus carried forward	49	23111	3231
Total (48+49)	59	23111	31731
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

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

Name of insurer **London Life Limited**

Original insurer **London Life Limited**

Date of maturity value/open market option **1st February 2006**

Category of with-profits policy	Original term (years)	Maturity value/ open market option	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	5901			CWP	N	
Endowment assurance	15	12601	1644		CWP	N	
Endowment assurance	20	23796	3104		CWP	N	
Endowment assurance	25	43269	6832		CWP	N	
Regular premium pension	5	12578			CWP	N	
Regular premium pension	10	27384	336		CWP	N	
Regular premium pension	15	49630	2719		CWP	N	
Regular premium pension	20	88277	4233		CWP	N	
Single premium pension	5	11547			CWP	N	
Single premium pension	10	15099	719		CWP	N	
Single premium pension	15	24332	3712		CWP	N	
Single premium pension	20	44810			CWP	N	

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

Name of insurer **London Life Limited**Original insurer **London Life Limited**Date of surrender value **1st February 2006**

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	1602			CWP	N	
Endowment assurance	10	5440			CWP	N	
Endowment assurance	15	11022			CWP	N	
Endowment assurance	20	21469	625		CWP	N	
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	9670		1319	UWP	Y	
With-profits bond	10	13584			UWP	Y	
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	17332			CWP	N	
Single premium pension	10	20322	968		CWP	N	



**Long term insurance capital requirement**Name of insurer **London Life Limited**

Global business

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

		LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
		1	2	3	4	5	6
<b>Insurance death risk capital component</b>							
Classes I, II and IX	11	0.1%	126299		0.74	93	125
Classes I, II and IX	12	0.15%	74548			83	182
Classes I, II and IX	13	0.3%	808510	747115		1795	3319
Classes III, VII and VIII	14	0.3%					123
<b>Total</b>	15		1009357	747115		1971	3749
<b>Insurance health risk capital component</b>							
Class IV and supplementary classes 1 and 2	21					52	58
<b>Insurance expense risk capital component</b>							
Classes I, II and IX	31	1%	2009248	1924052	0.96	19241	19856
Classes III, VII and VIII (investment risk)	32	1%	31123	30208	0.97	302	175
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	55064	50433	0.92	504	2809
Classes III, VII and VIII (other)	34	25%				31	175
Class IV	35	1%	6473	5700	0.88	57	65
Class V	36	1%					
Class VI	37	1%					
<b>Total</b>	38					20135	23080
<b>Insurance market risk capital component</b>							
Classes I, II and IX	41	3%	2009248	1924052	0.96	57722	59569
Classes III, VII and VIII (investment risk)	42	3%	31123	30208	0.97	906	525
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	55064	50433			
Classes III, VII and VIII (other)	44	0%	380002	366866			
Class IV	45	3%	6473	5700	0.88	171	194
Class V	46	0%					
Class VI	47	3%					
<b>Total</b>	48		2481910	2377259		58799	60288
<b>Long term insurance capital requirement</b>	51					80957	87175

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31st December 2005

### Appendix 9.1

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

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

Paragraph 21.1 provided the facility whereby sub-funds of the long-term insurance business fund could receive support from other sub-funds. The movements in support provided is set out in supplementary note 4002.

Associated with the scheme of transfer was the provision of a contingent loan from London Life Holdings Limited to the Life Non-Profit Fund (£16,000,000), the Pension Non-Profit Fund (£69,000,000) and the Pension With-Profits Fund (£114,000,000). On 23 December 2004, the contingent loan advanced on 31 December 1997 was terminated by repayment of the outstanding principal of £199m together with capitalised interest of £87m. At the same time a new contingent loan was advanced of £286m. Interest is payable subject to the contingency. The contingent loan is not repayable for a minimum of five years and is only repayable at that point if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund loan amounts and solvency requirements. The contingency was not satisfied at 31st December 2005. No interest accrues on either the current loan or the previous loan for the period from 1 January 2004 to December 2006.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

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

	2005	2004
	£'000	£'000
<b>Net admissible assets</b>		
Form 13 line 89 (other than long term business)	163,467	117,862
Form 13 line 89 (long term business)	2,600,438	2,642,759
Less Form 14 Line 71	(2,499,031)	(2,573,083)
Less Form 15 Line 69	(3,012)	(4,858)
Contingent loan included in Form 3 Line 52 and Form 14 Line 11	17,810	-
Total capital resources after deductions	<u>279,672</u>	<u>182,680</u>

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

Included within capital resources is £17,810,000 (2004: £nil) of contingent loan from London Life Holdings Limited. This has been disclosed for the first time in 2005.

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

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

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

The amount of the financial reinsurance ceded is £28,000,000 (2004: £30,000,000), against contingent loan outstanding of £17,810,000 (2004: £2,315,000) as recorded on Form 51. Consequently Form 3 line 92 reports a balance of £nil (2004: £nil).

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

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

On 23 December 2004, a contingent loan was provided by London Life Holdings Limited to the "Pension Non-Profit", "Life Non-Profit" and "Pension With-Profits" sub funds of the insurer's long-term business fund. This replaced the contingent loan which had been advanced to the long term business fund of the Company on 31 December 1997. The purpose of the loan is to cover the shortfall arising as a result of prudential reserves for guaranteed benefits under the relevant policies, which is expected to disappear over time. The contingent loan is only repayable if there are sufficient assets to cover policyholders' reasonable benefit expectations, inter-fund amounts and solvency requirements. No interest accrues on either the current loan or the previous loan for the period from 1 January 2004 to December 2006.

At the financial year ended 31st December 2005, the total amount of contingent loan is £286,088,000 (2004: £286,088,000), however the amount still to be repaid from future profits under the arrangements is £106,473,000 (2004: £45,504,000). Of the amount still to be repaid £17,810,000 (2004: £2,315,000) has been recognised as a liability on Form 51. The remaining balance of £88,663,000 (2004: 43,189,000) has been reported at Form 3 line 94.

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

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

	2005 £'000	2004 £'000
<b>Positive valuation differences in respect of liabilities</b>		
Additional shareholder fund tax in report and accounts	300	300
Contingent loan valuation difference	88,663	43,189
Actuarial valuation difference	1,668	-
	<u>90,631</u>	<u>43,489</u>
<b>Negative valuation differences in respect of liabilities</b>		
VAT on liabilities	-	(9,512)
Actuarial Valuation difference	-	(13)
	<u>-</u>	<u>(9,525)</u>
<b>Net valuation difference</b>	<u>90,631</u>	<u>33,964</u>

\*1305\* Counterparty limits

\*1311\*

The maximum counterparty exposure during 2005 permitted by the insurer's investment guidelines is 10% of the business amount. The maximum permitted for other than approved counterparties is 5% of the business amount. There were no breaches of these limits during the year.

\*1308\* Unlisted and listed investments

	2005 £'000	2004 £'000
Unlisted Investments valued in accordance with the rules in PRU 1.3	6,900	8,000
Listed investments valued in accordance with the rules in PRU 1.3 which are not readily realisable	-	300
Units or other beneficial interests in collective investment schemes	24,600	-
	<u>32,500</u>	<u>8,300</u>

The above amounts in respect of unlisted investments and listed investments that are not readily realisable, fall within any of lines 41,42,46 or 48 of Form 13 Total long term business insurance assets. Units or other beneficial interests in collective investment schemes are reported within Form 13 line 43 alongside other collective investment schemes.

\*1309\* Hybrid securities

The aggregate value of these investments falling within lines 46 or 48 of Form 13 Total long term business insurance assets which are hybrid securities is £83.1 million (2004: £96.2 million).

Returns under the Accounts and Statements Rules

Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2005

Appendix 9.1 (continued)

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

Included within line 100 of Form 13 are:

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

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

**\*1501\***

There are no provision for reasonably foreseeable adverse variations as the insurer does not hold any obligations under a derivative contract.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2005**

**Appendix 9.1 (continued)**

**\*1402\* Liabilities**

- \*1502\***
- a) There are no charges over the assets of the insurer.
  - b) The total potential liability to taxation on capital gains for the long term insurance business fund and the other than long term insurance business fund, which might arise if the insurer were to dispose of its assets is £nil (2004: £nil)
  - c) (i) Pensions Transfer and Opt-Outs

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

The Personal Investment Authority (PIA) issued guidelines in 1995 on the analysis of cases by priority and the method of calculation of compensation. There is no provision for possible redress included in the mathematical reserves for Phase 1 cases (2004: £nil).

In addition, in 1999 the Financial Services Authority (FSA) and PIA issued guidelines on the next phase of the review and redress programme dealing with Phase 2 cases. In June 2000 the guidance on phase 2 transfers, less loss calculations was finalised. This guidance was anticipated when setting the 1999 and 2000 provision and has again been used to set the 2002 provision. The provision for possible redress included in the mathematical reserves for Phase 2 cases is £8.8 million (2004: £7.4 million).

(ii) Contingent Liabilities

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

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

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2005**

**Appendix 9.1 (continued)**

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

Included within line 74 of Form 14 are:

	Total long term £'000
Difference between Mathematical Reserves and Long Term Business Provision	(16,141)
Contingent Loan	106,473
	<hr/>
	90,332
	<hr/>

**\*1407\*** In accordance with individual instruction, separate Forms 14 for the with-profit sub-funds have been presented.

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

Included within line 83 of Form 15 are:

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

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

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

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

A charge has been incurred during 2005 in respect of external consultancy services.

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

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

**\*1801\***

**\*1901\*** In accordance with individual instruction, separate Forms 18 and 19 for the with-profit sub-funds have been presented.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2005**

**Appendix 9.3**

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

2005

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

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

2005

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

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

A transfer of capital from the Life With-Profits fund to the Pension With-Profits fund of £24m took place at 31 December 2005. This amount reflected a double count of capital placed within the with profits fund at the time of the demutualization.



**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2005**

**Appendix 9.3 (continued)**

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

2004

The total of other income of £309,135,631 is made up of:

	Summary	Life Non-Profit	Pension Non-Profit	Life With-Profits	Pension With-Profits
	£'000	£'000	£'000	£'000	£'000
Sub fund support	23,047	5,237	17,810	-	-
Contingent loan advance	286,088	23,002	99,196	-	163,890
	<u>309,135</u>	<u>28,239</u>	<u>117,006</u>	<u>-</u>	<u>163,890</u>

2004

The total of other expenditure of £222,046,646 is made up of:

	Summary	Life Non-Profit	Pension Non-Profit	Life With-Profits	Pension With-Profits
	£'000	£'000	£'000	£'000	£'000
Sub fund support	23,047			1,047	22,000
Contingent loan repayment	199,000	16,000	69,000		114,000
	<u>222,047</u>	<u>16,000</u>	<u>69,000</u>	<u>1,047</u>	<u>136,000</u>

In accordance with section 21 of the Schedule 2C scheme at 31st December 2004 the Life Non-Profit Fund and the Pension Non-Profit Fund repaid their support. The only fund with outstanding support at 31 December 2004 was Pension With-Profits.

**Returns under the Accounts and Statements Rules**

**Supplementary Notes**

**London Life Limited**

**Global business**

**Financial year ended 31st December 2005**

**Appendix 9.3 (continued)**

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

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

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

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

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

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

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

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

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

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

Other income consists of management fee rebates.

Other expenditure consists of safe custody fees and bank charges.

## Returns under the Accounts and Statements Rules

### Supplementary Notes

London Life Limited

Global business

Financial year ended 31st December 2005

### Appendix 9.3

#### \*4701\* New group schemes

There were no new group schemes (Product Codes: 715, 735) during 2005.

#### \*4801\* Asset share

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

##### Asset Mixes

Asset	Active Block	Passive Block
Gilts	59%	69%
Corporates	28%	27%
Property	11%	0%
Equity	0%	0%
Cash	2%	4%
Other	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

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

Security Name	Assumed Maturity Date
HSBC Bank 5.75% EMTN 27/06/17 GBP	27/06/2012
Punch Taverns Finance 7.274% 15/07/15-04/22 GBP	15/07/2015
HSBC Bank 5% EMTN 20/03/23 GBP	20/03/2018
National Australia Bank 5.62 Var 29/09/18-49 'Intl' GBP	29/09/2018
Royal Bank of Scotland 5.625% 29/06/49 EMTN GBP	07/06/2032

#### \*4804\* Asset yields

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

Asset	Yield
Swaps	4.35%
Other assets with income	4.08%
Other assets no income	0.00%

## Returns under the Accounts and Statements Rules

### Supplementary Notes

#### London Life Limited

#### Global business

Financial year ended 31st December 2005

### Appendix 9.3 (continued)

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

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

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

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

#### **\*5101\***

The following group schemes exist on Form 51:

Number of schemes	Product Code
1	175
1	185
101	410
3	420

#### **\*5301\***

The following group schemes exist on Form 53:

Number of schemes	Product Code
2	735
1	765

#### **\*5803\* Distribution of surplus – Life and Pension With-Profits**

The proportions of surplus distributed to policyholders shown in line 61 are distorted by transfers made in accordance with the 2C Scheme. The Life and Pension With-Profits proportion are distorted by repayments of support previously provided by non-profit and shareholder funds. 90% of the surplus in which policyholders were eligible to participate was distributed to policyholders. The prior year comparative at line 62 column 1 has been restated to show the percentage of distributed surplus allocated to policyholders prior to this distortion.

## Returns under the Accounts and Statement Rules

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

London Life Limited

Global Business

Financial year ended 31st December 2005

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

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

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

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

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

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

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

## Returns under the Accounts and Statement Rules

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

London Life Limited

Global Business

Financial year ended 31st December 2005

(continued)

- (c) During the financial year the insurer bought and sold options where, at outset, the strike price of a call option was above the price of the underlying instrument or the strike price on a put option was below the price of the underlying instrument. The market movement required at outset to trigger the options was generally less than 5% of the strike price.
- (d) The extent to which Form 13 would be changed if assets which the insurer had agreed to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired and disposed of, is that no change would occur.
- (e) If options outstanding at the end of the financial year had been exercised so as to change exposures by the maximum amount (allowing for options that either must be exercised together, or the exercise of one precludes the possibility of the other being exercised), the numbers in (d) above would not be materially different.
- (f) The maximum extent to which the information provided in (d) above would have been different if (d) had applied to derivative contracts at other points during the financial year is not material.

The maximum extent to which the information supplied in (e) above would have been different if (e) had applied to derivative contracts at other points during the year is not material.

**Returns under the Accounts and Statement Rules**

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

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2005**

**(continued)**

- (g) The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year under existing market conditions was £20.5 million.

The maximum loss which would have been incurred by the insurer on the failure by any one other person to fulfil its obligations under derivative contracts outstanding at the end of the financial year, in the event of other foreseeable market conditions, was not materially different to the above.

The maximum loss under foreseeable market conditions at any other time during the year was £nil.

- (h) The insurer has not made use of any derivative contract at any time during the financial year which does not fall within PRU 4.3.17R.
- (i) There were no fixed considerations received during the financial year for granting rights under derivative contracts.

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

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

#### **London Life Limited**

##### **Global Business**

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

The persons who, to the knowledge of the Company, were controllers at any time during the financial year were London Life Holdings Limited and Pearl Assurance Group Holdings Limited, which remained controllers at 31st December 2005, together with Henderson Finances (formerly Pearl Group), Henderson Group PLC (formerly HHG PLC), AMP Financial Services Holdings Limited, AMP Holdings Limited, AMP Group Holdings Limited and AMP Limited which ceased to be controllers on 13th April 2005 and Pearl Group Limited (formerly Life Company Investor Group Limited), Sun Capital Investments Limited, Hera Investments One Limited, Xercise Limited, Jambright Limited, Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas, TDR Capital LLP and TDR Capital Nominees Limited which became controllers on 13th April 2005.

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

#### **1. London Life Holdings Limited**

As at 31st December 2005, London Life Holdings Limited owned 100% of the issued share capital of London Life Limited and was able to exercise 100% of the voting power at any general meeting.

#### **2. Pearl Assurance Group Holdings Limited**

As at 31st December 2005, Pearl Assurance Group Holdings Limited owned 100% of the issued share capital of London Life Holdings Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

#### **3. Pearl Group Limited**

As at 31st December 2005, Pearl Group Limited owned 100% of the issued share capital of Pearl Assurance Group Holdings Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 100% of the voting power at any general meeting.

#### **4. Sun Capital Investments Limited**

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

#### **5. Hera Investments One Limited**

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

#### **6. Xercise Limited**

As at 31st December 2005, Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.



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

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

#### **London Life Limited**

##### **Global Business**

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

(continued)

#### **7. Jambright Limited**

As at 31st December 2005, Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

As at 31st December 2005, Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 67.7% of the ordinary shares of Xercise Limited and were able to exercise 67.7% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **9. TDR Capital Nominees Limited**

As at 31st December 2005, TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.8% of the ordinary shares of Jambright Limited and were able to exercise 89.8% of the voting power at any general meeting and own 79.7% of the preference shares of both Jambright Limited and Xercise Limited, which carry no voting rights. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

#### **10. TDR Capital LLP**

As at 31st December, TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking and, acted as nominee for the TDR funds, which own 89.8% of the ordinary shares of Jambright Limited and were able to exercise 89.8% of the voting power at any general meeting and own 79.7% of the preference shares of both Jambright Limited and Xercise Limited, which carry no voting rights. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, a company of which London Life Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

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

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2005**

The with-profits actuary from 1 January 2005 until 30 April 2005 was S S Calder. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Calder is in respect of the year 2005:

1. a) S S Calder received in 2005, 45,210 10 pence ordinary shares in HHG PLC, to the value of £29,085 in total (which he subsequently sold in 2005), under the HHG PLC Long Term Incentive Plan. HHG PLC was the Company's ultimate parent undertaking until 13 April 2005.
  - b) Mr Calder had no other transactions with the insurer throughout the year.
  - c) The aggregate of the remuneration and value of other benefits receivable by Mr Calder from the Company during 2005 was £79,335 inclusive of severance payments.
  - d) Mr Calder was throughout the period a member of the Pearl Staff Pension scheme and was entitled to the standard benefits under the rules of the scheme.
2. The above particulars were obtained from the insurer's Human Resources records.

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

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

**London Life Limited**

**Global Business**

**Financial year ended 31st December 2005**

**(continued)**

The with-profits actuary from 1 May 2005 until 31 December 2005 was Paul Turnbull. In accordance with rule 9.36 of the Accounts and Statements Rules, the following information relating to Mr Turnbull is in respect of this period in 2005:

1. a) Mr Turnbull holds no shares or share options in 2005:
  - b) Mr Turnbull had no transactions with the insurer throughout the year but his spouse held a number of minor policies issued by the Insurer.
  - c) The aggregate of the remuneration and value of other benefits receivable by Watson Wyatt LLP (of which Mr Turnbull was a partner) until 1 August 2005 and thereafter by Watson Wyatt Limited, (the employer of Mr Turnbull from 1 August 2005), from the insurer during the period specified was £3,500,000
  - d) Mr Turnbull was throughout the period a member of the Pearl Staff Pension Scheme (London Life Limited being a subsidiary of Pearl Group Limited) and was entitled to the standard benefits under the rules of the scheme in respect of a prior period of employment by a subsidiary of Pearl Group Limited. Mr Turnbull did not accrue further pension benefits in the scheme throughout the period.
2. The insurer has made a request to Mr Turnbull to furnish it the particulars specified in rule 9.36(1) of the Accounts and Statements Rules. The above particulars were obtained with the agreement of Mr Turnbull.

### **Note 1**

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

### **Note 2**

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

**LONDON LIFE LIMITED**

**APPENDIX 9.4**

**ABSTRACT OF VALUATION REPORT**

**Introduction**

1. (1) The date to which the investigation relates is 31<sup>st</sup> December 2005.
- (2) The date to which the previous investigation under IPRU(INS) rule 9.4 related was 31<sup>st</sup> December 2004.
- (3) Since the previous valuation date, there have been no interim valuations (for the purposes of IPRU(INS) rule 9.4)

**Product range**

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

**Discretionary charges and benefits**

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

<b>Product</b>	<b>Policy Year of Entry</b>	<b>Period applied</b>
Unitised With Profit Life	1998 - 2001	Throughout 2005
Unitised With Profit Life	2002	1 <sup>st</sup> Jan 2005 – 31 <sup>st</sup> March 2005
Unitised With Profit Pension	1998 - 2001	Throughout 2005
Unitised With Profit Pension	2002	1 <sup>st</sup> Jan 2005 – 31 <sup>st</sup> March 2005

- (2) There have been no changes to premiums on reviewable protection policies during the financial year. The amount of annual premium for business where a change was permitted but did not occur was £0.8m.
- (3) No policies have been sold in this category.
- (4) Policy fees on linked policies increased in 2005, in line with the Retail Price Index, an increase of 3.1%.
- (5) During the financial year, benefit charges remained unchanged on linked policies.
- (6) During the financial year, unit management charges for unitised accumulating with-profit and linked policies remained unchanged.
- (7) (a) Units are of two types – net capital and net accumulation. The following method is applied to both types of units.
  - (i) The creation or cancellation of units in the internal linked funds is performed at unrounded bid price values. This ensures that unit prices are unaffected by the creation or cancellation of units and that the interests of unit-holders

not taking part in a unit transaction are unaffected by that transaction.

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

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

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

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

Equity (Direct Holdings)	20%	20%	20%	20%
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Equity (Direct Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are not cleared until the end of the month in which they become realised.

Equity (Collective Investment Scheme Holdings)	20%	20%	20%	20%
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Equity (Collective Investment Scheme Holdings) accruals for realised gains and losses are cleared at the end of each month. Accruals for unrealised gains and losses are cleared at the end of each financial year under the "deemed disposal" regime. The tax rate used for this purpose at the end of 2005 was 17.6%.

The tax treatment of Life unit linked funds reinsured to London Life Linked Assurances Limited follows the tax treatment in that company. London Life Linked Assurances Limited applies the tax treatment described above for fixed interest funds, but its equity funds have large accumulated capital losses. During the financial

year no deductions were made for tax on (index-adjusted) realised gains and no credit was given for realised losses in the equity funds.

(9) See (8) above

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

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

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

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

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

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

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

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

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

For conventional with-profits business, the amounts of benefit valued includes bonuses declared on or before 31 December 2005, which apply during the period 1<sup>st</sup> July 2005 to 30<sup>th</sup> June 2006 for traditional London Life Business and during the period 1<sup>st</sup> May 2005 to 31<sup>st</sup> April 2006 for former AMP(UK) Business.

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

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

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

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

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

### **INDEX LINKED BUSINESS**

Mathematical reserves have been determined using a gross premium method.

### **LINKED BUSINESS**

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

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

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

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

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

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

- For Capital and Accumulation Units, sufficient Asset Units are held to ensure that their value is at least equal to the surrender Cash Value (or Early Retirement Benefit Value) of the Units allocated to the contract at the valuation date.
- For certain policies on which additional Capital unit value is payable on reaching the maturity date, additional Asset Units are held to allow for the increased value payable at the end of the policy term.

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

Sub Fund	Product Group	2005	2004	Product Code
90:10 Life	Cash Bonus	3.00%	3.30%	100, 120
90:10 Life	Fund R Compound Bonus	3.00%	3.20%	100, 120, 335
90:10 Life	Unitised With Profit Life	2.30%	3.25%	505
90:10 Life	Fund T Compound Bonus	2.95%	3.25%	120, 165
90:10 Life	AMPUK Business	3.15%	3.20%	100, 120, 205
90:10 Pension	Pension Compound Bonus	4.00%	4.35%	155, 165
90:10 Pension	Unitised With Profit Pension	3.00%	3.80%	155
90:10 Pension	Fund W Deferred Simple Bonus	4.45%	4.50%	165
90:10 Pension	Fund W In Payment Simple Bonus	3.80%	4.15%	200
90:10 Pension	AMPUK Business	3.75%	4.55%	155
90:10 Pension	London Life Pension unit linked	3.78%	4.50%	725, 745
90:10 Pension	SPP With Profit Immediate Annuity	4.75%	4.10 %	200
0:100 Life	Immediate annuities	3.20%	3.75%	395, 905
0:100 Life	Deferred annuities	3.09%	3.25%	390
0:100 Life	AMPUK Life unit linked	2.94%	3.20%	700, 715, 795
0:100 Pension	Level immediate annuities	4.30%	4.50%	400
0:100 Pension	Index-linked immediate annuities	4.30%	5.00%	905
0:100 Pension	AMPUK Pension unit linked	4.00%	4.00%	725, 745
0:100 Pension	Deferred Annuities	4.10%		390



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

For property the yield is determined at an aggregate level as the lower of the current rental yield and prospective rental yield and further restricted to be no more than 100 basis points above the 10-year gilt yield.

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

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

Sub Fund	Product Group	2005		2004		Product Code
		Male	Female	Male	Female	
90:10 Life	Cash Bonus	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100,120
90:10 Life	Fund R Compound Bonus	100% AM92 - 4yrs	100% AF92 - 4yrs	100% AM92 - 4yrs	100% AF92 - 4yrs	100,120, 335
90:10 Life	Fund T Compound Bonus	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	120,165
90:10 Life	AMPUK Business	100% A67-70 Ult	100% A67-70 Ult - 4yrs	100% A67-70 Ult	100% A67-70 Ult - 4yrs	100,120, 205
90:10 Pensions	Pension Compound Bonus	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	155,165
90:10 Pensions	AMPUK Business	100% A67-70 Ult	100% A67-70 Ult - 4yrs	100% A67-70 Ult	100% A67-70 Ult - 4yrs	155
90:10 Pensions	Fund W Deferred (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	165
90:10 Pensions	Fund W Deferred (post-vesting)	95% PMA92 C2025 mc <sup>(1)</sup>	95% PFA92 C2025 mc <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	165
90:10 Pensions	Fund W In Payment Simple Bonus	90% PMA92 MC <sup>(1)</sup>	90% PFA92 MC <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	200
90:10 Pensions	SPP With Profit Immediate Annuity	90% PMA92 C2025mc <sup>(1)</sup>	90% PFA92 C2025mc <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	200
90:10 Pensions	Unitised With Profit Pension	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	155
90:10 Pensions	London Life Pension unit linked	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	725,745
0:100 Life	AMPUK Life unit linked	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	None	None	700, 715, 795
0:100 Life	Immediate Annuities	90% PMA92 MC <sup>(1)</sup>	90% PFA 92 MC <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	395
0:100 Life	Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
0:100 Life	Deferred Annuities (post-vesting)	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	390

Sub Fund	Product Group	2005		2004		Product Code
		Male	Female	Male	Female	
0:100 Pensions	Immediate Annuities	90% PMA92 MC <sup>(1)</sup>	90% PFA 92 MC <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	400
0:100 Pensions	Deferred Annuities (pre-vesting)	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	100% A67-70 Ult - 4 yrs	100% A67-70 Ult - 8 yrs	390
0:100 Pensions	Deferred Annuities (post-vesting)	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	100% PMA92 C2025 mc <sup>(1)</sup>	100% PFA92 C2025 mc <sup>(1)</sup>	390
0:100 Pensions	AMPJK Pensions unit linked	100% A67-70 Ult	100% A67-70 Ult - 4 yrs	None	None	725, 745

Note:

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

For annuity contracts life expectation for males is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10 Pensions	Fund W Deferred Annuities			22.6	22.6
90:10 Pensions	SPP With Profit Immediate Annuity	23.0	14.5		
90:10 Pensions	Fund W Immediate Annuity	22.6	13.9		
0:100 Life	Deferred Annuities			22.3	22.3
0:100 Life	Immediate Annuities	22.6	13.9		
0:100 Pensions	Deferred Annuities			22.3	22.3
0:100 Pensions	Immediate Annuities	22.6	13.9		

For annuity contracts life expectation for females is as follows:

Sub Fund	Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
		Age 65	Age 75	Age 45	Age 55
90:10 Pensions	Fund W Deferred Annuities			25.5	25.5
90:10 Pensions	SPP With Profit Immediate Annuity	25.9	17.1		
90:10 Pensions	Fund W Immediate Annuity	25.6	16.6		
0:100 Life	Deferred Annuities			25.1	25.1
0:100 Life	Immediate Annuities	25.6	16.6		
0:100 Pensions	Deferred Annuities			25.1	25.1
0:100 Pensions	Immediate Annuities	25.6	16.6		

- (5) There are no products representing a significant amount of business that use a morbidity basis.
- (6) The expense bases are as follows:

**NON LINKED BUSINESS**

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

Sub fund	Product Group	2005 £pa	2004 £pa	Product Code
90:10 Life	Cash Bonus, Life Compound Bonus	33.00	58.87	100, 120, 165, 335
90:10 Life	AMPUK Business	33.77	58.87	100, 120, 205
90:10 Pension	Pension Compound Bonus traditional	37.29	93.00	155, 165
90:10 Pension	Pension Compound Bonus hybrid <sup>(2)</sup>	83.82	Note 1	155, 165
90:10 Pension	SPP With Profit Immediate Annuity	47.85	81.47	200
90:10 Pension	Fund W Deferred Simple Bonus	37.29	132.33	165
90:10 Pension	Fund W In Payment Simple Bonus	37.29	64.75	200
90:10 Pension	AMPUK Business	33.77	73.24	155
0:100 Life	Immediate Annuities	23.76	45.19	395, 905
0:100 Life	Deferred Annuities	26.62	50.73	390
0:100 Life	Non Group Assurances AMPUK	23.76	45.19	435
0:100 Pension	Immediate Annuities	23.76	45.19	400, 905
0:100 Pension	Deferred Annuities	26.62	50.73	390, 910

Notes:

1. At 2004 the per policy expenses ranged from £106.90 to £382.64.
2. The expenses shown are per element rather than per contract.

### LINKED BUSINESS

Per policy expenses and unit growth rates, before allowance for tax relief and management charges, were as follows:

Product Group	Monetary amount (£)		Gross Unit Growth rate (% p.a.)	
	2005	2004	2005	2004
AMPUK Unit Linked Pension	26.62	50.73	5.0%	4.3%
AMPUK Unit Linked Life	26.62	50.73	5.0%	4.3%
London Life Pension unit linked <sup>(2)</sup>	83.82	Note 1	N/a	4.3%

Notes:

1. At 2004 the per policy expenses ranged from £106.90 to £382.64.
2. The expenses shown are per element rather than per contract.

### LINKED AND NON-LINKED BUSINESS

#### Gross Investment expenses

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

Sub fund	Product Groups	2005	2004
		bps	bps
90:10	All	15	Note 1
0:100 Life	All conventional business	17	Note 1
0:100 Life	All unit linked business	45	Note 1
0:100 Pensions	All conventional business	10	Note 1
0:100 Pensions	All unit linked business	34	Note 1

Note:

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

### Inflation Rates

Inflation rates for expenses and policy charges were as follows:

Sub fund		2005	2004
All	Expense inflation	4.0%	4.5%
All	Policy fee inflation	4.0%	4.0%

- (7) As a realistic basis life firm no allowance has been made in the determination of mathematical reserves for future bonuses in accordance with PRU 7.3.9R except for SPP With Profit Immediate annuities where allowance is made for the guaranteed annual bonus.

### (8) Tax Rates

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

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

Type of business	2005	2004
UK Life – UK dividend income	0%	0%
UK Life – other income	20%	20%
UK Pension – overseas dividend income	10%	10%
UK Pension – other income	0%	0%

### Surrender/Lapse Rates

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

### Paid up Rates

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

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

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

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

### Options and Guarantees

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

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

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

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

Assumption	Sub Fund	Product Group	2005
Take up Rate <sup>(1)</sup>	90:10 Life	Fund R	
		Compound Bonus	78%
	90:10 Life	Fund T	
		Compound Bonus	77%
	90:10 Pensions	AMPUK Pension	87%
	90:10 Pensions	Pensions	100%
		Compound Bonus - traditional	
BIGVIP		92%	
	90:10 Pensions	VIPMIGOLD	94%
	90:10 Pensions	POLMIG	43%
Rate of interest	All	All	BoE gilts spot curve, capped at 3.9%
Tax	Life	All	20%
	Pensions	All	0%
Mortality in payment <sup>(2)</sup>	All	Male	90% PMA92MC
	All	Female	90% PMA92MC
Retirement Rates	All	All	Normal Retirement Age
Voluntary Discontinuance in deferment	All	All	0.5%p.a.

Notes:

- Where the take up rates are below 95% they are assumed to taper to 95% over 20 years.
- Pre-vesting mortality is assumed to be zero.

3. The mortality rates are two-dimensional, by age and calendar year, and contain medium cohort improvement factors.



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

Type of Business	Product Code	Product name	Basic reserve £'000	Spread of Outstanding durations <sup>(1)</sup>	Guarantee reserve £'000	GAR (% fund for 65 year old male) <sup>(2)</sup>	Increments allowed?	Annuity form <sup>(3)</sup>	Retirement Age
UK Life	120	Fund R Compound Bonus	8,752	Gradual run-off, mean term of 4 years	3,478	9%	No	See Note 3	See Note 3
UK Life	120, 165	Fund T Compound Bonus	8,480	Gradual run-off, mean term of 5 years	3,380	9%	No	See Note 3	See Note 3
UK Pension	120	Former AMPUK Pension	54,770	Gradual run-off, mean term of 11 years	28,922	10%	No	See Note 3	See Note 3
UK Pension	165	Pension Compound Bonus (Pension Protector)	64,347	Gradual run-off, mean term of 7 years	38,850	10%	No	See Note 3	See Note 3
UK Pension	155,205	Pension Compound Bonus (PC Contracts)	16,581	Gradual run-off, mean term of 5 years	10,579	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premium paid up to December 1999)	152,712	Gradual run-off, mean term of 8 years	80,922	10%	No	See Note 3	See Note 3
UK Pension	155	Pension Compound Bonus hybrid (premiums paid from January 2000)	9,288	Gradual run-off, mean term of 14 years	81	6%	Yes	See Note 3	See Note 3

Notes:

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

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

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

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

**(4) Personal Pension Guarantee Reserve**

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

The following method is used to determine the mathematical reserves:

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

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

<b>Assumption</b>	<b>2005</b>
Rate of interest	0.9% per annum
Rate of salary inflation (including an allowance for salary progression)	2.0% per annum
Effective rate of revaluation for transfer in deferment	1.0% per annum
Net rate of interest for pensions in payment	0.1% per annum
Mortality in deferment	65% AM/AF80 ultimate
Mortality in payment	95% RMVC2025, 82.5% RFVC2025
Percentage assumed married	100%
Leaving service assumption	Nil

The amount of business involved had a basic mathematical reserve of £8.3m reserve with additional reserves of £0.4m. This additional reserve also includes an allowance for future expenses and policies where the compensation process is yet to be completed.

### **Mortgage Endowment Promise**

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

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

<b>Assumption</b>	<b>2005</b>
Rate of interest	3.2% per annum
Mortality - Conventional Life Endowment	85% AM/F82 Ult -4yrs
Mortality – AMPUK Business	100% A67/70 Ult -4yrs (-8 females)
Prudence Factor	5%

The amount of business involved had a basic mathematical reserve of £278m with additional reserves of £10.5m

### **Expense Reserves**

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

Explicit per policy expense loading	£7 million
Allowance for investment management expenses	£4 million

No other explicit reserves are held.

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

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

The MSA with Pearl Group Services Ltd is structured on a fixed cost per policy per annum. Pearl Group Services is engaged with a third party to implement the

outsourcing of processing and administration work which gives London Life certainty over the majority of the cost base into the future, especially in relation to economies of scale and fixed costs.

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

### **Mismatching reserves**

7. (1) All liabilities and assets are denominated in sterling.
- (3) No currency mismatch reserve is held
- (4) The most onerous scenario under PRU 4.2.16R for assets invested in the United Kingdom and other assets that fall under this rule for the purposes of calculating the resilience capital requirement is described below
  - (i) A fall in the market value of equities of at least 10% or, if greater, the lower of:
    - (a) a percentage fall in the market value of equities which would produce an earnings yield on the FTSE Actuaries All Share Index equal to 4/3rds of the long-term gilt yield; and
    - (b) a fall in the market value of equities of 25% less the equity market adjustment ratio;  
This resulted in a fall of 10%.
  - (ii) A fall in real estate values of 20% less the real estate market adjustment ratio for an appropriate real estate index;  
This resulted in a fall of 20%.
  - (iii) A fall in yields on all fixed interest securities by a percentage point amount equal to 20% of the long-term gilt yield.  
This resulted in a fall of 82 bps.
- (5) No assets were deemed held in a significant territory.
- (6) (a) The amount of the resilience capital requirement is £7 million.
  - (b) Under the most onerous scenario the long term insurance liabilities increased by £173 million.
  - (c) Under this scenario, the value of assets allocated to match these liabilities increased by £166 million.
- (7) No additional reserve is held.

### **Other special reserves**

8. There are no other special reserves held.

## Reinsurance

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

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

Reinsurer	Nature and extent of the cover	Premiums £'000	Amount deposited back £'000	Closed to new business?	Amount of any undischarged obligation £'000	Mathematical Reserves ceded £'000	Retention by the insurer
Pearl Assurance plc	Surplus Relief financing. See Notes below		No deposit back arrangements	No	Nil	28,000	See Note (1) below
Pearl Assurance plc	Liability to pay the Basic Annuity and Bonus Annuity under the with profits annuity business is fully ceded.	290	42,512	Yes	Nil	70,036	See Note (1) below
London Life Linked Assurances Limited	100% reinsurance of unit-linked liabilities	64	Nil	No	Nil	18,681	0%

Note:

1. London Life is closed to new business.

**Pearl Assurance plc & London Life Linked Assurances Limited**

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

**Reversionary (or annual) bonus**

10.

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

Bonus Series	31.12.2005 Basic Mathematical Reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
R1A, R2A, R2E, R2F, R2G, R4D, R4E	180,339	0.00% / 0.00%	0.00% / 0.00%	N/A

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

Bonus Series	31.12.2005 Basic Mathematical reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
AMPUK Life: JU, GJU, GRU, Gift, TU, Life JUB	143,380	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: AU, AUF, QU, GU	24,491	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Life: ALU, ALUF, AJLU, (X)NBU	36,459	0.00% / 0.00%	0.00% / 0.00%	N/A

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

Bonus Series	31.12.2005 Basic Mathematical reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
Up to 68th series	44,460	4.00%	4.00%	N/A
69th series onwards	20,763	3.00%	3.00%	N/A

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

Bonus Series	31.12.2005 Basic Mathematical Reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
Fund W - Deferred	38,997	0.00%	0.00%	N/A
Fund W - In Payment	72,469	7.00%	7.00%	N/A

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

Bonus Series	31.12.2005 Basic Mathematical reserve £'000	31.12.2005 Reversionary bonus %	31.12.2004 Reversionary bonus %	31.12.2005 Total guaranteed bonus %
VIPMIG, BIGVIP, RPP84	93,567	0.00% / 0.00%	0.00% / 0.00%	N/A
POLMIG, GRPAVC, RPP85	105,374	0.00% / 0.00%	0.00% / 0.00%	N/A
V9A, V9B, V9C	65,293	0.00% / 0.00%	0.00% / 0.00%	N/A
V71, V72, V73	13,541	0.00% / 0.00%	0.00% / 0.00%	N/A
PPS, PPSTV, MINPPS, VIPLUS, VIPMIG0	91,337	0.00% / 0.00%	0.00% / 0.00%	N/A
SPP Bonus Series 3	18,246	0.00%	0.00%	4.50%
SPP Bonus Series 4	39,631	0.00%	0.00%	4.50%

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

Bonus Series	31.12.2005	31.12.2005	31.12.2004	31.12.2005
	Basic Mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus
	£'000	%	%	%
AMPUK Pensions: DK, DL (PB post 1/1/87), EBS	49,320	0.00% / 0.00%	0.00% / 0.00%	N/A
AMPUK Pensions: PAC	23,978	0.00% / 0.00%	0.00% / 0.00%	N/A
Deposit Administration GKA	10,602	5.00%	4.50%	N/A

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

Bonus Series	31.12.2005	01.01.2005 - 31.12.2005	01.01.2004 - 31.12.2004	01.01.2005 - 31.12.2005
	Basic Mathematical reserve	Reversionary bonus	Reversionary bonus	Total guaranteed bonus
	£'000	%	%	%
UWP Pension	14,825	2.50% / 6.50%	2.50% / 6.50%	N/A

**Notes**

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

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



LONDON LIFE LIMITED

APPENDIX 9.4A

ABSTRACT OF VALUATION REPORT FOR REALISTIC VALUATION

1. Introduction

- (1) This actuarial investigation relates to 31 December 2005.
- (2) This date of the previous actuarial investigation was 31 December 2004.
- (3) No interim valuations were carried out since the previous valuation date.

2. Assets

- (1) Not applicable.
- (2) Not applicable as there are no equity holdings in related insurance undertakings.
- (3) Not applicable as the relevant assets for the purposes of PRU 7.4.43R (Risk Capital Margin) do not include any value in respect of future profits arising from non-profit insurance contracts written outside the with-profits fund.
- (4) Not applicable.
- (5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

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

TABLE 3.1

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

Product Class	Method used to Calculate With-Profits Benefits Reserve	With-Profits Benefits Reserve	Future Policy Related Liabilities
<i>Life With-Profits</i>			
AMP(UK) Life	Retrospective – asset shares <sup>1</sup>	196	15
Fund P	Prospective – bonus reserve valuation	67	-3
Fund R	Retrospective – asset shares <sup>1</sup>	218	11
Fund T	Prospective – bonus reserve valuation	9	1
<i>Pension With-Profits</i>			
AMP(UK) Pensions	Retrospective – asset shares <sup>1</sup>	56	40
Fund V (GAO)	Retrospective – asset shares <sup>1</sup>	211	89

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

<b>Product Class</b>	<b>Method used to Calculate With-Profits Benefits Reserve</b>	<b>With-Profits Benefits Reserve</b>	<b>Future Policy Related Liabilities</b>
Fund V (No GAO)	Retrospective – asset shares <sup>1</sup>	206	15
Fund W	Retrospective – asset shares <sup>1</sup> Prospective – bonus reserve valuation <sup>2</sup>	94	17
All Funds <sup>3</sup>	N/A	0	138
<b>Total</b>	<b>N/A</b>	<b>1,058</b>	<b>322</b>

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

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

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

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

(3) Not applicable.

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

(1) (a) Zero.

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

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

(c) (ii) The total number of with-profits contracts in force at 31 December 2005 was 97,403 (comprising 39,131 pensions contracts and 58,272 life contracts). These contracts were grouped into a total of 23,671 model points (comprising 17,129 pensions and 6,542 life).

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

- (2) (a) No significant changes were made to the valuation method for any type of product or classes of with-profits insurance contracts compared to the previous valuation.
- (b) Not applicable.
- (3) The Scheme of Transfer (“the Scheme”), effected immediately before the demutualisation of AMP (effective 1 January 1998), specifies the calculation basis for determining the aggregate expenses to be charged to the with-profits sub-funds in respect of administration and investment management services. Expenses that are neither investment management nor administration expenses can be debited and charged to the with-profits sub-funds if deemed appropriate by the London Life With-Profits Actuary. The aggregate expenses charged to the with-profits sub-funds are allocated to the with-profits benefit reserve on a basis deemed appropriate by the London Life With-Profits Actuary.
- (a) The last expense investigation was in December 2005.
- (b) Expense Investigations occur annually.
- (c) (i) and (ii) See Table 4.1.

**TABLE 4.1**

**Expenses Allocated to With-Profits Benefits Reserve during 2005 (£m)**

<b>Expense Type</b>	<b>Amount</b>
Initial expenses	0.0
Maintenance expenses <sup>1</sup>	5.5
<b>Total expenses</b>	<b>5.5</b>

<sup>1</sup> Includes project expenses of £1.4m.

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

(c) (iv) Investment expenses on assets needed to cover the excess of the realistic liabilities over and above the with-profits benefits reserve (i.e. not deducted from the with-profits benefits reserve) are valued at £3.7m.

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

**TABLE 4.2**

**Average Claim Payout Ratio (%)**

<b>Year</b>	<b>Payout Ratio</b>
2005	119%
2004	122%
2003	124%

- (7) The investment return (before tax and expenses) allocated to the with-profits benefits reserve for conventional with-profits business during 2005 was approximately 8.6% and 9.0% for active and passive funds respectively. The investment return (before tax and expenses) allocated to the with-profits benefits reserve for unitised with-profits business during 2005 was 12.9%.

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

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

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

**TABLE 5.1****Economic Assumptions used to Calculate the With-Profits Benefits Reserve at 31 December 2005 – Prospective Method**

<b>Assumption</b>	<b>Value</b>	<b>Note</b>
Gilt return	4.2%	Annualised yield on UK 10 year gilt at 31 December 2005
Cash return	4.6%	3 month BAA sterling interest rate
Other fixed interest	4.7%	Gilt return plus 0.5% margin
Equity return	6.70%	Gilt return plus 2.5% margin
Property return	6.20%	Gilt return plus 2.0% margin
Risk discount rate (“A”)	4.6%	Weighted average gross investment return – ‘active’ investment pool (gross)
Risk discount rate (“P”)	4.3%	Weighted average gross investment return – ‘passive’ investment pool (gross)
Expense inflation	3.2%	

(b) The risk discount rates in Table 5.1 are based on the weighted average investment return at 31 December 2005 of the assets backing the liabilities for which a prospective method is used to calculate the with-profits benefits reserve. Two risk discount rates are shown as the assets of the WP Fund are split into two pools of managed assets – one active and one passive. The relevant pool of assets depends on the nature of the liabilities for which they provide backing (and whether asset shares are likely to determine future payouts).

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

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**TABLE 5.2****Annual Bonus Rates Assumed in Calculation of With-Profits Benefits Reserve at 31 December 2005 – Prospective Method**

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<b>Product Class</b>	<b>Annual Bonus Rate</b>
Fund W – immediate annuities	7% simple
Fund W – cost of vesting deferred annuities	7% simple
Fund P – 68 <sup>th</sup> and earlier series (current rate) <sup>1</sup>	4%
Fund P – 69 <sup>th</sup> series and later (current rate) <sup>1</sup>	3%
Fund P – all series (ultimate) <sup>2</sup>	2%
UWP Bond Life	2.00% rate on PU; 5.00% rate on BU
UWP Pensions	2.50% rate on PU; 6.50% rate on BU
All other product classes	0%

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

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

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

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

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

<b>Product Class</b>	<b>Per policy expenses £</b>
<i>Life With-Profits</i>	
AMP (UK) Life	30.70
Conventional Life (Funds P, R, T)	30.00
<i>Pensions With-Profits</i>	
AMP (UK) Pensions	30.70
Endowments (Fund V ICL)	33.90
Deferred Annuities (V ICL)	33.90
Pension Protector (V ICL)	33.90
APEX WP (V ICL)	0.25%
VIPMIG, VIP PLUS	76.20
BIGVIP, POLMIG, GRPAVC	76.20
RPPMIG, PPS, MINPPS	76.20
PPP, SPPP, FSAVC	76.20
EPP	76.20
SPP	43.50
Fund W (Deferred Annuities)	33.90
Fund W (Immediate Annuities)	33.90

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

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

With-profits fund	13
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(f) See Table 5.5. Note that there is no differentiation by duration for any with-profits product group.

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

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

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

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

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

(1) Not applicable.

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

(b) (i) Not applicable.

(b) (ii) 100% of the with-profits insurance contracts for which costs have been valued have been treated on a grouped basis.

(b) (iii) The basis for grouping contracts and the validations made are as per described in Sections 4 (1) (c) (i), (ii) and (iii), which apply equally to business for which a prospective method was used to calculate the with-profits benefits reserve.

(c) Not applicable.

(3) No significant changes were made to the valuation method for valuing the cost of guarantee, option or smoothing since the previous valuation.

(4) (a) (i) The main guarantee types valued are:



- Lump sum basic benefit, e.g. the sums assured and attaching reversionary bonuses payable at maturity on an endowment or “funded to cash” deferred annuity. Generally these guarantees are out-of-the money.
- Annuity benefit, i.e. a basic annuity amount plus attaching reversionary bonuses vesting at a specified date. Some of these guarantees are in-the-money and others are out-of-the money.
- Guaranteed annuity option rate, i.e. a guaranteed annuity rate specified in a contract that can be applied at maturity to convert the cash benefits provided by the contract into annuity benefits. Generally these guaranteed annuity rates are well in-the-money.

The costs of smoothing form the balance of total optionality costs, i.e. the excess of claim values over guaranteed benefits plus option costs.

(a) (ii) The model assumes that:

- Interest rates follow a 1-factor Hull & White<sup>1</sup> process.
- Corporate bond spreads also follow a 1-factor Hull & White process.
- Equity and property returns follow an extension of the Black-Scholes lognormal model with a stochastic rather than deterministic drift term.

The interest rate calibration process is in two steps:

- First, a zero-coupon yield curve is derived. In accordance with the guidance provided by the actuarial profession, the initial yield curve has been calibrated to the gilt curve with a 10bp adjustment.
- Second, two parameters that govern the evolution of the interest rate model are chosen so that, given this yield curve, the model optimally replicates observed swaption prices.

The equity model is driven by two parameters that represent the equity dividend yield and equity process volatility respectively. The dividend yield parameter is set to zero, in order to model total equity returns. The volatility parameter is set to reflect the prices of long term at-the-money equity puts and calls and is fitted using least squares estimation. Note that this parameter is not directly comparable to the observed market equity volatility as the realised equity process is also

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<sup>1</sup> See e.g. “Interest Rate Models – Theory and Practice”, by Brigo and Mercurio, Springer Finance

a function of the stochastic interest rate and therefore some of the interest rate volatility defined by the interest rate volatility parameter is also included in the equity process.

Table 6.1 shows the market data used to calibrate the equity process.

<b>Option Term</b>	<b>1 year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5 years</b>
31 December 2005	13.72	14.80	15.57	16.22	16.61

Source: Lehman Brothers

The correlation assumptions used are listed in Table 6.2. These assumptions are set based on historic data on the correlation between equity and property and long dated bond price movements, rather than derived directly from market instruments, as there are few instruments whose price is significantly affected by the assumption.

	<b>Long Dated Bonds</b>	<b>Equity Index</b>	<b>Property Index</b>
<b>Long Dated Bonds</b>	100%		
<b>Equity Index</b>	40%	100%	
<b>Property Index</b>	10%	30%	100%

The property model is parameterised by two parameters that represent the rental yield and property process volatility respectively. The rental yield parameter is set to zero, in order to model total property returns. Ideally, the volatility parameter would be set to reflect the prices of long term at-the-money property options. However, since this market is in its infancy, the parameter has been set to 13.5% based on analysis of historic volatility of property indexes. Note that, as with the equity process, the property volatility parameter is not the observed market property volatility as the property process is a function of the stochastic interest rate process and therefore some of the interest rate volatility is also included in the property process.

The corporate bond process models the variation in the spread over risk free bonds. The calibration of this process is in two steps:

- Firstly, the model is calibrated to market zero coupon corporate bond yields at the valuation date, so that the model will exactly reproduce the prices of corporate bonds traded in the market at the valuation date.
- Secondly, two parameters are chosen so that the model optimally replicates the historic volatility of corporate bond spreads.

(a) (iii) Table 6.3 shows the simulated values of specific options and / or contracts.

These were produced using the stochastic scenarios used to derive the realistic balance sheet with one exception – the corporate bond scenarios used to derive the values in Table 6.3 are consistent with those used to determine the realistic balance sheet, but have been calibrated to AA corporate bonds. The actual scenarios used to determine London Life's realistic balance sheet reflected the average credit quality of London Life's corporate bond portfolio.

**TABLE 6.3**

**Simulated values of specific options and / or contracts – 31 December 2005 (£)**

	Asset type (all UK assets)	K=0.7 5	K=1	K=1.5
n		5 15 25 35	5 15 25 35	5 15 25 35
r	Annualised compound equivalent of the risk free rate assumed for the period (to two decimal places)	4.32% 4.23% 4.10% 4.00%		
1	Risk free zero coupon bond	809,216 537,255 366,645 253,230		
2	FTSE All Share Index (p=1)	37,332 97,985 165,005 219,961	141,809 227,343 314,654 374,633	523,309 592,254 676,287 743,394
3	FTSE All Share Index (p=0.8)	29,570 65,250 102,532 127,573	119,599 162,280 203,650 227,491	468,589 454,221 473,161 473,972
4	Property (p=1)	23,173 85,526 143,004 208,922	119,793 208,706 287,017 362,719	515,200 575,581 656,448 741,278
5	Property (p=0.8)	17,456 55,899 85,574 117,831	98,135 145,655 179,958 216,173	458,109 435,799 448,317 464,155
6	15 year risk free zero coupon bonds (p=1)	1,178 2,100 3,560 17,467	58,212 65,140 74,261 114,321	500,628 500,222 500,796 509,839
7	15 year risk free zero coupon bonds (p=0.8)	713 262 166 1,675	37,824 21,355 11,058 20,119	439,600 330,707 242,797 204,447
8	15 year corporate bonds (p=1)	2,477 5,791 8,105 25,387	64,250 77,489 86,550 125,069	499,986 501,773 502,194 513,121
9	15 year corporate bonds (p=0.8)	1,696 1,576 415 2,465	44,214 29,188 19,006 28,505	439,074 334,806 252,476 216,864
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	17,840 61,687 118,527 168,265	111,184 177,671 253,054 317,657	507,132 550,250 620,544 688,495

**TABLE 6.3**

**Simulated values of specific options and / or contracts – 31 December 2005 (£)**

	Asset type (all UK assets)	K=0.7 5			K=1			K=1.5						
n		5	15	25	35	5	15	25	35	5	15	25	35	
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	12,419	36,335	64,636	86,855	89,685	0	115,93	152,89	175,31	449,70	407,14	411,04	416,48
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	13,390	41,861	87,760	129,53	99,698	7	150,99	215,00	265,11	504,26	529,85	577,66	629,01
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	9,084	21,388	43,218	58,039	78,739	92,416	8	117,53	135,70	446,22	381,49	369,82	358,38
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 Year corporate bonds (p=1)	3,791	16,464	46,097	81,925	74,057	5	106,60	157,77	207,43	500,27	505,33	533,50	575,56
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	2,424	5,081	15,328	28,461	53,753	53,830	70,539	87,046	439,83	348,18	312,26	301,83	301,83
		<b>L = 15</b>				<b>L = 20</b>				<b>L = 25</b>				
16	Receiver Swaptions	9.46%	8.81%	6.88%	5.08%	11.69	10.83	8.35%	6.13%	13.67	12.46	9.54%	6.98%	

Notes:

(1) Row zero shows the risk free rate rounded to two decimal places. When deriving the strike for each option we have not used the truncated risk free rate; rather we have used the risk free rate implied by the scenarios.

(a) (iv) As described in the answer to a (ii) the equity dividend yield has been set to zero. The property rental yield parameter is also set to zero, in order to model total property returns.

(a) (v) For the purposes of PRU 7.4.62 there are no significant overseas territories.

(a) (vi) The outstanding durations of significant guarantees within material product classes are shown in Table 6.4. The fit of the asset model to specimen relevant market traded instruments (swaptions, equity options and the initial yield curve) at these durations is demonstrated in Tables 6.5, 6.6 and Figure 6.2, and discussed in (a) (vii).

---

**TABLE 6.4**

**Outstanding durations of significant guarantees (years)**

---

<b>Product Class</b>	<b>Duration of Guarantees</b>
AMP (UK) Life	14
Life Compound Bonus, Fund R	13
AMP (UK) Pension	9
Pension Compound Bonus (GAO)	9
Pension Compound Bonus (no GAO)	7
Pension Simple Bonus	6
Total WP Fund	10

---

(a) (vii) The validation process involves two tests:

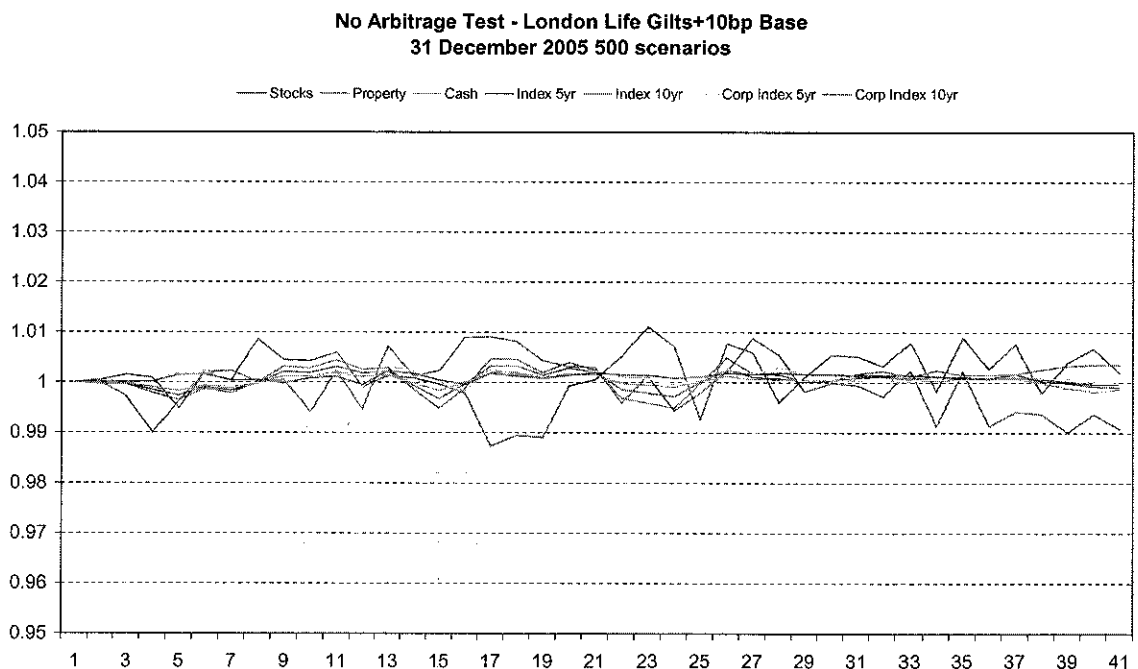
- Ensuring the scenarios satisfy the principle of no arbitrage.
- Checking that the market prices of relevant traded instruments can be replicated.

The market-consistent scenario generator used is based on well-established models which have been subject to peer review in academic literature. Published proofs exist that the models are internally consistent and arbitrage free. The models were implemented using simulation techniques. To ensure that the models were implemented correctly and that the simulation process did not introduce bias, test runs were performed using a sufficient numbers of scenarios (8 million in total) such that the test illustrated below would identify any systematic errors. The models passed this test without error.

For practical purposes, it is not possible to use sufficient scenarios to eliminate all simulation error. With a predominantly fixed interest asset holding, which is less volatile than equities, 500 scenarios gives an acceptably small sampling error for London Life.

Figure 6.1 demonstrates that the scenarios supplied are arbitrage free up to suitable simulation error. In the chart, the y-axis shows the expected net present value of £1 invested at time zero and the x-axis shows the period of investment. In a market consistent model the expected value (or average discounted value) of £1 invested in a traded asset (e.g. cash, bonds or equities) equals £1. This test is referred to as the “one=one” test. As Figure 6.1 shows the results of calculating the expected value by simulation, a margin for error is expected. The observed error is small and the scenarios are considered to pass the no-arbitrage test.

**Figure 6.1**



The results shown above are better than might be expected from a naïve simulation given the number of scenarios used. The scenario generation process incorporates extensive rejection testing and other variance reduction techniques to ensure that the scenarios selected pass the no-arbitrage test to a close tolerance.

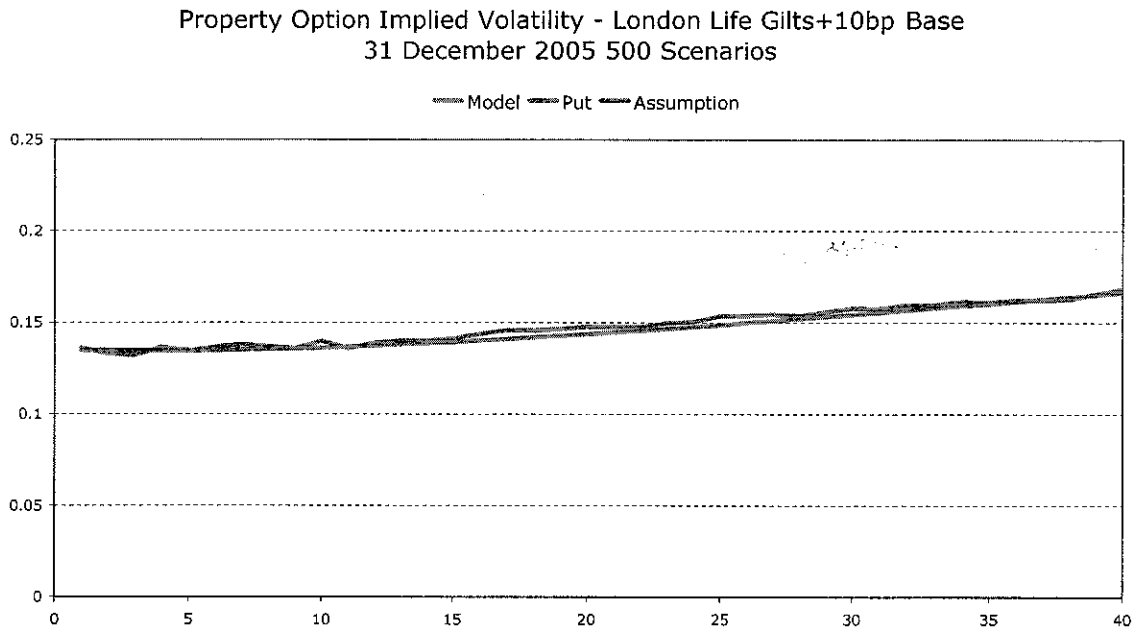
The second validation test described above requires that the scenarios themselves can be used to reproduce (by stochastic simulation) market prices. This was tested separately for:

- Swaptions
- Equity options
- The initial yield curve.

As explained above property volatility has not been calibrated to market data. Therefore it is not possible to illustrate the fit of the property scenarios to market data. However, we can demonstrate the fit to the volatility assumption of 13.5% mentioned above.

Figure 6.2 below shows the results for the property index option test. The short line shows the assumed volatility of 13.5%, which has been used to calibrate the model. The smooth (blue) line shows the volatility implied by the theoretical put option price on the property index calculated from the model. The irregular line show the implied volatilities calculated from simulated prices. These can be seen to follow the theoretical volatility closely and we conclude that the error introduced by simulation is small and that the implied volatilities derived from the model output are consistent with the market assumption.

**Figure 6.2**



Tables 6.5.A and 6.5.B show the results of this test for the prices of the hybrid swaptions used in the calibration process and actual swaptions using the swap curve as the risk free rate. The tables express the simulated value as a percentage of the theoretical value. As with the “no-arbitrage” test described above, this test is the result of a simulation and therefore some error is expected. However the observed errors are small, showing that the simulation process does not introduce significant additional error over and above that arising from the calibration process. As such, the scenarios are deemed market consistent.



**TABLE 6.5.A****Ratio of simulated to hybrid market swaption prices (using gilt + 10bp as discount rate)**

		Swap Length						
		5	7	10	15	20	25	30
Option Maturity	5	100%	100%	100%	101%	101%	99%	99%
	7	99%	100%	99%	101%	100%	99%	98%
	10	102%	103%	104%	104%	104%	104%	103%
	15	104%	103%	100%	101%	100%	102%	99%
	20	99%	97%	97%	98%	100%	99%	98%
	25	99%	98%	97%	100%	96%	100%	94%
	30	97%	94%	93%	96%	97%	95%	73%

**TABLE 6.5.B****Ratio of simulated to actual market swaption prices (using swaps as discount rate)**

		Swap Length						
		5	7	10	15	20	25	30
Option Maturity	5	99%	100%	100%	100%	100%	99%	99%
	7	100%	101%	100%	101%	100%	99%	98%
	10	104%	104%	104%	105%	104%	104%	103%
	15	102%	101%	100%	101%	100%	102%	100%
	20	102%	100%	99%	100%	101%	100%	100%
	25	101%	99%	98%	102%	99%	102%	96%
	30	99%	96%	96%	99%	100%	98%	75%

Figure 6.3 shows the results for this test applied to (spot) at the money equity put and call options. The short line shows the market volatilities used to calibrate the model. The calibration is weighted heavily to the 5 and 10 year equity volatility. The smooth (blue) horizontal line shows the volatility implied by the theoretical put option price calculated from the model (chosen to be consistent with market volatility as explained above). The irregular

line show the implied volatilities calculated from simulated prices. Figure 6.3 shows that they follow the theoretical volatility closely and hence the error introduced by simulation is small and market consistency is deemed satisfied.

**Figure 6.3**

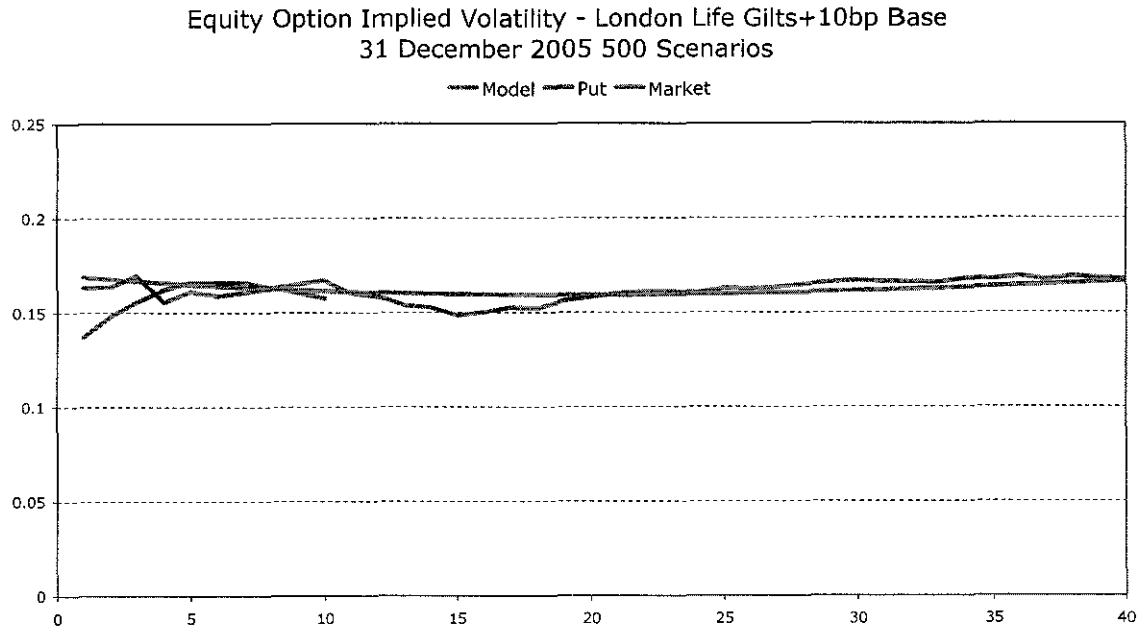


Table 6.6 shows the fit of the scenarios to the initial yield curve, with the simulated price of a risk free bond expressed as a percentage of the price implied by the zero curve. The ratios of simulated to market price are very close to unity.

**TABLE 6.6****Ratio of simulated to market initial yield curve**

<b>Term of Bond</b>	<b>Ratio of simulated to market price</b>
1	100.0%
5	99.9%
10	100.3%
15	99.9%
20	100.0%
25	100.0%
30	100.0%
35	100.0%
40	100.0%

- (a) (viii) Simulations were performed using 500 scenarios, which allow reasonable convergence of the results as can be gauged from the validation tests described in (a) (vii) above.
- (b) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.
- (c) Not applicable as the costs of guarantees, options and smoothing were all calculated using a fully stochastic approach.
- (5) (a) When determining the realistic balance sheet no circumstance specific management actions were allowed for, e.g. investment strategy, surrender bases, bonus methodology, etc., and were the same in all scenarios.
- (b) Table 6.7 sets out the equity backing ratio (for the with-profits benefit reserve) and annual bonus rates that would be modelled under 3 different assumed risk-free curves.

**TABLE 6.7**

**Projected Equity Backing Ratios and Annual Bonus Rates – Scenarios i, ii, iii**

	Equity Backing Ratio		Future Annual Bonus Rates	
	UWP	CWP	UWP Bond Life	UWP Pensions
(i) Risk free interest rate curve - At 31 December 2005	50%	1%	2.00% / 5.00%	2.50% / 6.50%
(i) Risk free interest rate curve - End 5 years	50%	0%	2.00% / 5.00%	2.50% / 6.50%
(i) Risk free interest rate curve - End 10 years	50%	0%	2.00% / 5.00%	2.50% / 6.50%
(ii) Risk free interest rate curve + 17.5% - At 31 December 2005	50%	1%	2.00% / 5.00%	2.50% / 6.50%
(ii) Risk free interest rate curve + 17.5% - End 5 years	50%	0%	2.00% / 5.00%	2.50% / 6.50%
(ii) Risk free interest rate curve + 17.5% - End 10 years	50%	0%	2.00% / 5.00%	2.50% / 6.50%
(iii) Risk free interest rate curve – 17.5% - At 31 December 2005	50%	1%	2.00% / 5.00%	2.50% / 6.50%
(iii) Risk free interest rate curve – 17.5% - End 5 years	50%	0%	2.00% / 5.00%	2.50% / 6.50%
(iii) Risk free interest rate curve – 17.5% - End 10 years	50%	0%	2.00% / 5.00%	2.50% / 6.50%

- (6) The persistency assumptions used to determine the costs of guarantees, options and smoothing are outlined in Table 5.5 (i.e. the assumptions are consistent with those made for the with-profits benefits reserve prospective method). The annuitant mortality and take-up rate assumptions are shown in Tables 6.8 and 6.9 respectively.

(7)

**TABLE 6.8**

**Mortality Assumptions**

	<b>Males</b>	<b>Females</b>
Annuitant mortality	100% PMA92 (plus medium cohort improvements)	100% PFA92 (plus medium cohort improvements)
Funds P, R	55% AM80	55% AF80
Funds T, V(IBM), V(ICL)	65% AM80	65% AF80
AMP (UK) Life and Pensions	50% A67/70	50% A67/70

(8) Assumptions for foreseeable policyholder actions are potentially needed for the take-up of GAO benefits, MVA free dates on UWP policies and MVA free withdrawals on UWP policies. London Life has only a very small amount of UWP business and on materiality grounds this is not explicitly modelled. As such the only assumption that falls into this category is the take-up rate for GAO benefits. Table 6.9 shows the assumptions made, which apply in all scenarios where the GAO benefit is valuable to the policyholder.

**TABLE 6.9**

**Take Up Rate Assumptions**

	<b>Normal Retirement</b>	<b>Early Retirement</b>	<b>Terminal Bonus<sup>1</sup></b>
Fund V (excluding POLMIG, GRPAVC)	76%	76%	76%
POLMIG, GRPAVC	10% <sup>2</sup> / 75% <sup>3</sup>	10% <sup>2</sup> / 75% <sup>3</sup>	10% <sup>2</sup> / 75% <sup>3</sup>
AMP (UK)	77%	77%	77%
Fund R	0%	0%	0%
Fund T	0%	0%	0%

<sup>1</sup> This is the take up rate assumption made for the purposes of setting terminal bonus rates.

<sup>2</sup> Rate used for projection year if gross yield is above 4%.

<sup>3</sup> Rate used for projection year if gross yield is below 4%.

**7. Financing Costs**

The London Life Scheme specified that capital support was to be provided to the Pensions With-Profits sub-fund (and the other non-profit sub-funds) via a contingent loan ("CL"). The initial

amount of the CL to the Pensions With-Profits sub-fund was £114m. Both interest and capital payments are contingent on:

- the sub-fund (in this case Pensions With-Profits) not being a “supported” fund; and
- the sub-fund in question having, immediately following any such interest or capital payment, assets in excess of the Required Capital Amount (explained below).

In addition to this, CL principal can only be repaid if, under a range of scenarios deemed by the London Life Head of Actuarial Function as reasonably foreseeable, London Life as a whole would have sufficient assets (after any payment) to meet policyholder reasonable expectations (“PRE”) and statutory solvency requirements (Peak 1). This constraint also applies in respect of any dividend payments and the distribution or return of capital to shareholders.

The Required Capital Amount (“RCA”) is calculated at sub-fund level as the expected value of future shareholders’ transfers plus the greater of:

- statutory liabilities (Peak 1, excluding any in respect of contingent loans and inter-fund support); and
- the amount needed to meet PRE.

The above constraints effectively mean that all payments in respect of the CL are fully subordinated to policyholders. Indeed, no interest has ever been paid on the CL and during 2004 London Life Holdings Limited waived their right to interest on the CL for years 2004, 2005 and 2006. Before deduction of accrued interest, the face value of the CL stood at approximately £285m at 31 December 2005 (including the CL to the Life Non-Profit and Pension Non-Profit sub-funds).

The Scheme also includes provisions for providing sub-funds with further capital support should they need it. The trigger for this is whether the sub-fund has sufficient assets to cover the RCA. If this is not the case, the Scheme provides that “inter-fund support” should be provided by transferring assets, via a loan bearing interest (3 month LIBOR), from either the Shareholder Fund or a non-profit sub-fund. Similar to the CL, interest and capital payments are fully subordinated to meeting PRE. The Pensions with-profits sub-fund repaid the £43m of inter-fund support, which was all provided by the Shareholder Fund. At 31 December 2005, neither the Life nor Pension with-profits sub-funds have any inter-fund support.

The financing cost figures are calculated reflecting the full subordination to PRE, i.e. it is the average value of the payments (CL and inter-fund support) that the sub-fund could make subject to first fully satisfying PRE.

## 8. Other Long-Term Insurance Liabilities

A breakdown of the other long-term insurance liabilities is set out in Table 8.1.

<b>Liability</b>	<b>LWP (£m)</b>	<b>PWP (£m)</b>
Investment Management Expenses <sup>1</sup>	1	3
Additional Basic Rate Tax <sup>2</sup>	5	-
Value of future shareholder transfers	13	4
Pre-99 terminal bonus compensation <sup>3</sup>	-	5
Mortgage endowment mis-selling	3	-
<b>Total</b>	<b>22</b>	<b>12</b>

<sup>1</sup> The value of future investment expenses on assets over and above asset share (i.e. not deducted from asset share).

<sup>2</sup> Basic rate tax on assets in excess of asset share in respect of Life business (i.e. not deducted from asset share).

<sup>3</sup> Compensation in respect of the pre 1999 practice of paying zero TB if policyholders opted for the annuity benefit instead of the cash benefit on dual benefit policies (Fund V IBM), inclusive of POLMIG compensation.

No provisions have been included in respect of 'Any other liabilities related to regulatory duty to treat customers fairly'.

## **9. Realistic Current Liabilities**

The realistic current liabilities at 31 December 2005 stood at £99.9m, which is consistent with the regulatory current liabilities at the same date

One of the main components of the realistic current liabilities is the deposit back from Pearl Assurance plc in respect of the Secured Pension Plan reinsurance, which is invested with the same asset mix as the non-UWP with-profits business. This component is assumed to move in line with the backing assets when calculating the RCM and carrying out sensitivity tests.

The realistic current liabilities do not include any liability in respect of the Pearl Group staff pension scheme. Pearl Group Services Limited employs all of the operating staff within the PGL life companies (including London Life) and hence retains the responsibility for meeting the pension scheme's obligations.

The remaining current liabilities are made up of:

- £7.8m for outstanding claims;
- £37.4m in respect of tax;
- £42.5m in respect of SPP deposit back; and
- £12.2m in respect of other creditors

## **10. Risk Capital Margin**

- (a) The risk capital margin for London Life at 31 December 2005 was zero for the LWP sub-fund and £2.9m for the PWP sub-fund.

As described in Section 7, the terms of the Scheme are such that the capital support (CL and inter-fund support mechanism) is fully subordinated to the need to meet PRE. The PWP sub-fund financing costs acts to absorb changes that would otherwise affect the working capital. As a result, the working capital in the PWP sub-fund is shown as -£0.6m and the risk capital margin is shown as £2.9m. The working capital reflects the difference in the market consistent value of the financing costs and the residual balance of assets after allowing for all other liabilities in the realistic balance sheet. The RCM reflects the change in working capital between base and the most onerous RCM condition. The financial flexibility of London Life is such that any adverse experience would, in the first instance, simply reduce the value of the capital expected to be repaid to shareholders, i.e. the financing costs. Any amount within LWP sub-fund that would have contributed towards the working capital is now displayed as an



enhancement to the with profit benefit reserve, and 1/9<sup>th</sup> of this amount then being attributable to the shareholder. As such, the LWP RCM is also displayed as zero.

The most onerous scenario for London Life (i.e. the one which reduces the financing costs the most) is that which combines:

- A fall in equity and property values;
- A rise in interest rates; and
- A rise in persistency.

(i) 20% fall in equity values; 12.5% fall in property values.

(ii) 17.5% rise in yield curve (UK assets), equivalent to a 0.72% nominal change in the long term gilt yield from 4.12% to 4.84%.

(iii) (a) The average change in spreads for bonds was +45 basis points (weighted by value), resulting in a 4.3% fall in bond asset value.

(b) Not applicable.

(c) Not material. Our interpretation of PRU is that intra-group reinsurance is not subject to the reinsurance credit risk event. London Life has a small amount of traditional reinsurance. The effect of allowing for the reinsurance credit risk event in respect of this is very small and so on materiality grounds this has not been included in the value of the liabilities shown in Form 19.

(d) Not applicable.

(e) In respect of the interest rate derivatives (forward swaps and payer swaptions), which are the only significant derivative holdings at 31 December 2005, the credit shock tested was a 5 basis point adverse movement in swap rates. This credit shock resulted in a 9.2% fall in the value of the derivatives.

(iv) The average change in persistency experience (weighted by realistic value of liabilities) expressed as an annual percentage is 32.5%, which corresponds with a reduction in the average lapse rate (weighted by realistic value of liabilities) from 3.4% per annum to 2.3% per annum. This change in persistency resulted in a 0.4% increase in the realistic value of liabilities (excluding financing costs). This increase in liabilities (excluding financing costs) is offset in the PWP sub-fund by a corresponding

reduction in the financing costs (refer to Sections 7 and 10 (a)), signifying a reduction in the ability of the with-profits fund to repay the contingent loan and inter-fund support.

(v) Not applicable.

(b) No particular management actions were assumed for the purposes of calculating the risk capital margin.

(c) (i) As described above, the risk capital margin for the with-profits fund is zero and therefore no additional assets are required to cover this amount.

(ii) As described in Section 7, the Scheme provides for an inter-fund support mechanism whereby assets are transferred, via a loan, from the Shareholder Fund (or non-profit sub-funds) to any sub-funds needing further capital support, which is the case for the Life and Pensions with-profits sub-funds.

## 11. Tax

The following tax treatment has been assumed:

- (i) For assets backing the with-profits benefits reserve, policyholder taxes are calculated on the "I-E" tax basis applicable to BLAGAB business and deducted from the with-profits benefit reserve. The tax rates assumed are 20% on savings income and indexed capital gains and nil on franked income received net of the non-recoverable tax credit. Tax relief on expenses are assumed to be 20%.
- (ii) Allowance is made for the "I-E" tax due on assets needed to back the excess of realistic liabilities over and above the with-profits benefits reserve and is included in the Other Long Term Insurance Liabilities.
- (iii) The allowance made for tax on the assets backing realistic current liabilities is similar to that outlined in (ii) above.

## 12. Derivatives

There are no derivatives held to cover the risk capital margin at the valuation date. Interest rate futures and options are used to match GAO liabilities.

## 13. Analysis of Working Capital

Table 8.1 describes the significant movements in the working capital of the with profits fund from the preceding financial year.

**TABLE 13.1**

**Analysis of Working Capital**

	<b>LWP<sup>1</sup></b>	<b>PWP<sup>2</sup></b>
Opening Working Capital/Financing Costs	17.8	42.2
Opening Adjustment	-28.5	18.4
Expected Return	0.6	3.4
Investment Management	7.6	17.1
Insurance Management	0.3	-2.5
Other	2.7	-5.2
Closing Working Capital/Financing Costs	0.0	73.5

<sup>1</sup> LWP working capital are described within 10(a) above and includes the redistribution of working capital within opening adjustments by way of enhancements to the with profits benefit reserve.

<sup>2</sup> PWP financing costs are described within 10(a) above.

## 14. Optional Disclosure

Not applicable.

## Returns under the Accounts and Statements Rules

### Certificate required by rule 9.34

#### London Life Limited

#### Global Business

#### Financial year ended 31st December 2005

We certify that: -

1. (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and  
(b) the directors are satisfied :
  - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;  
(b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;  
(c) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and  
(d) the directors have, in preparing the return, taken and paid due regard to-
  - (i) advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from every actuary appointed by the insurer to perform the with-profits actuary function in accordance with SUP 4.3.16R.

I W Laughlin  
Managing Director

J S Moss  
Director

W R Treen  
Director

Date: 31<sup>st</sup> March 2006

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

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

#### **London Life Limited**

#### **Global business**

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

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

- Forms 2, 3, 11 to 19, 40 to 45, 48, 49, 56, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the statement"); and
- the reports required by rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by rules 9.30 and 9.36; and
- the certificate signed in accordance with rule 9.34.

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

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. Under rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner set out in the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3 and 7.4.

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

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

**London Life Limited**

**Global business**

**Financial year ended 31st December 2005**

**(continued)**

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

#### **Basis of opinion**

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

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

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

#### **Opinion**

In our opinion:

- (a) the Forms, the statement and the valuation reports fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of PRU 7.3 and 7.4.

Ernst & Young LLP  
Registered Auditor

Date: 31<sup>st</sup> March 2006

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