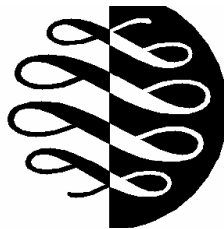


Norwich Union Annuity Limited

Registered office: 2 Rougier Street, York, YO90 1UU

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



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Global Business

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

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Statement of solvency - long-term insurance businessName of insurer **Norwich Union Annuity 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	
	3253948	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	761714	802044
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	158283	141053
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	919997	943097

Guarantee Fund

Guarantee Fund requirement	21	196077	166526
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	723920	776571

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	588231	499577
Resilience capital requirement	32	49600	22360
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	637831	521937
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	637831	521937
Excess (deficiency) of available capital resources to cover 50% of MCR	37	601082	682129
Excess (deficiency) of available capital resources to cover 75% of MCR	38	441624	551644

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	637831	521937

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	637831	521937
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	282166	421160

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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Returns under the Accounts and Statements Rules

Covering page to Form 2

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

..... **P J R SNOWBALL**
Chief Executive

..... **K W ABERCROMBY**
Director

..... **J R LISTER**
Director

30 March 2006

Components of capital resourcesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	3253948	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		50000	50000	50000
Profit and loss account and other reserves	12		1020342	1020342	933105
Share premium account	13		750	750	750
Positive valuation differences	14				23842
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1071092	1071092	1007697

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		1071092	1071092	1007697
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		81863	81863	
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		81863	81863	
Total tier one capital after deductions (31-37)	39		989229	989229	1007697

Components of capital resourcesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units
			day	month	year	
R3	3253948	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				
Upper tier two capital (44 to 47)	49				

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

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

Components of capital resourcesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	3253948	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				
Total capital resources before deductions (39+69+71)	72		989229	989229	1007697
Inadmissible assets other than intangibles and own shares	73		69232	69232	64600
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				
Total capital resources after deductions (72-73-74-75-76-77)	79		919997	919997	943097

Available capital resources for PRU tests

Available capital resources for guarantee fund requirement	81		919997	919997	943097
Available capital resources for 50% MCR requirement	82		919997	919997	943097
Available capital resources for 75% MCR requirement	83		919997	919997	943097

Financial engineering adjustments

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

Analysis of admissible assetsName of insurer **Norwich Union Annuity 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			
	R13	3253948	GL	31	12	2005	£000	1
Investments						As at the end of this financial year 1	As at the end of the previous year 2	
Land and buildings				11				
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41		108090		104507
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		9826		8084
Rights under derivative contracts				44				
Fixed interest securities	Approved			45		17762		17654
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assetsName of insurer **Norwich Union Annuity 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			
	R13	3253948	GL	31	12	2005	£000	1
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58				
		Property linked		59				
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business		Policyholders		71				
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74				
		Ceded		75				
Dependants		Due in 12 months or less		76				
		Due in more than 12 months		77				
Other		Due in 12 months or less		78		3286		
		Due in more than 12 months		79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		32477		32606
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		285		410
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
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		171726		163261

Analysis of admissible assets

Name of insurer **Norwich Union Annuity 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		
	3253948	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	171726	163261
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		
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	171726	

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

Name of insurer **Norwich Union Annuity Limited**
 Global business
 Financial year ended **31st December 2005**
 Category of assets **Ordinary Long Term**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253948	GL	31	12	2005	£000	10
Investments					As at the end of this financial year 1		As at the end of the previous year 2	
Land and buildings				11		3532		3088
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25		16260		18921
	debts and loans			26				1273
Other group undertakings	shares			27				
	debts and loans			28		136275		125844
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		324719		
Rights under derivative contracts				44		8056		
Fixed interest securities	Approved			45		1430153		1333144
	Other			46		3679255		3038061
Variable interest securities	Approved securities			47				3319
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50		9235301		7969882
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assetsName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Ordinary Long Term**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253948	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		847389		717973
	Property linked			59				
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business	Policyholders			71		49339		86045
	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		78436		561563
	Due in more than 12 months			79		61131		
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		59607		17171
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		181636		177873
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
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		16111089		14054157

Analysis of admissible assets

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

Category of assets **Ordinary Long Term**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	3253948	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	16111089	14054157
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	69232	
Reinsurers' share of technical provisions excluded from line 89	99	931635	
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	17111956	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102	11985	2281
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Long term insurance business liabilities and marginsName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**Fund **Ordinary Long Term**Units **£000**

			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	14705761	12489439
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13		
Long term insurance business fund carried forward (11 to 13)		14	14705761	12489439
Claims outstanding	Gross amount	15		
	Reinsurers' share	16		
	Net (15-16)	17		
Provisions	Taxation	21	4551	4323
	Other	22		
Deposits received from reinsurers		23		
Creditors	Direct insurance business	31	152278	193391
	Reinsurance accepted	32		
	Reinsurance ceded	33	19613	69
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36		
Creditors	Taxation	37	31664	16723
	Other	38	435508	548168
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	643614	762674
Excess of the value of net admissible assets		51	761714	802044
Total liabilities and margins		59	16111089	14054157
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	42210	53947
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62		
Total liabilities (11+12+49)		71	15349375	13252113
Increase to liabilities - DAC related		72		
Reinsurers' share of technical provisions		73	931635	
Other adjustments to liabilities (may be negative)		74	(81863)	
Capital and reserves and fund for future appropriations		75	912809	
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	17111956	

Liabilities (other than long term insurance business)Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R15	3253948	GL	31	12	2005	£000
						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	2012	
	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	1011	2090
	Recommended dividend	48		
	Other	49	10420	20118
Accruals and deferred income		51		
Total (19 to 51)		59	13443	22208
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63		
Total (59 to 63)		69	13443	22208

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		2694
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	158283	
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	171726	

Profit and loss account (non-technical account)Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

		Company registration number	GL/UK/CM	Period ended			Units
		R16	GL	day	month	year	£000
				31	12	2005	
				This financial year		Previous year	
				1		2	
Transfer (to)/from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13					
Investment income	Income	14	10311			7184	
	Value re-adjustments on investments	15	5160				
	Gains on the realisation of investments	16				18659	
Investment charges	Investment management charges, including interest	17	928			7	
	Value re-adjustments on investments	18				17113	
	Loss on the realisation of investments	19					
Allocated investment return transferred to the general insurance business technical account		20					
Other income and charges (particulars to be specified by way of supplementary note)		21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	14543			8723	
Tax on profit or loss on ordinary activities		31	(2687)			9421	
Profit or loss on ordinary activities after tax (29-31)		39	17230			(698)	
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	17230			(698)	
Dividends (paid and proposed)		51					
Profit or loss retained for the financial year (49-51)		59	17230			(698)	

Analysis of derivative contractsName of insurer **Norwich Union Annuity 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	
		R17	3253948	GL	31	12	2005	£000	1
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts	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							
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							

Analysis of derivative contractsName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**Category of assets **Ordinary Long Term**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	3253948	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				
Derivative contracts	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	14198						19
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Contracts for differences	Fixed-interest securities	31	14198						19
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41	(6142)						
Total (11 to 41)		49	8056						19

Long-term insurance business : Revenue accountName of insurer **Norwich Union Annuity Limited**Name and number of fund/Summary **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Income			
Earned premiums	11	1445646	997687
Investment income receivable before deduction of tax	12	916864	866482
Increase (decrease) in the value of non-linked assets brought into account	13	841284	21374
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	3203794	1885543
Expenditure			
Claims incurred	21	913234	829607
Expenses payable	22	56241	44786
Interest payable before deduction of tax	23	9398	2425
Taxation	24	8599	(15090)
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	987472	861728
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2216322	1023815
Fund brought forward	49	12489439	11465624
Fund carried forward (39+49)	59	14705761	12489439

Long term insurance business : Analysis of premiumsName of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Regular premiums	11					
Single premiums	12	24619	1491413	23261	1539293	1079207
Reinsurance - external						
Regular premiums	13					
Single premiums	14	3321	90326		93647	
Reinsurance - intra-group						
Regular premiums	15					
Single premiums	16					
Net of reinsurance						
Regular premiums	17					
Single premiums	18	21298	1401087	23261	1445646	997687
Total						
Gross	19	24619	1491413	23261	1539293	1079207
Reinsurance	20	3321	90326		93647	
Net	21	21298	1401087	23261	1445646	997687

Long term insurance business : Analysis of claimsName of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	158	13		171	1
Disability periodic payments	12					
Surrender or partial surrender	13	1030	1413	101	2544	2894
Annuity payments	14	31209	994611	26397	1052217	903121
Lump sums on maturity	15	36	165		201	5298
Total	16	32433	996202	26498	1055133	911314
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	2665	71858		74523	
Lump sums on maturity	25					
Total	26	2665	71858		74523	
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		67376		67376	
Lump sums on maturity	35					
Total	36		67376		67376	
Net of reinsurance						
Death or disability lump sums	41	158	13		171	1
Disability periodic payments	42					
Surrender or partial surrender	43	1030	1413	101	2544	2894
Annuity payments	44	28544	855377	26397	910318	821414
Lump sums on maturity	45	36	165		201	5298
Total	46	29768	856968	26498	913234	829607

Long term insurance business : Analysis of expensesName of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Commission - acquisition	11	740	14941	50	15731	14510
Commission - other	12					
Management - acquisition	13	489	17828		18317	16945
Management - maintenance	14	687	17927	249	18863	12415
Management - other	15	822	2508		3330	916
Total	16	2738	53204	299	56241	44786
Reinsurance - external						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					
Reinsurance - intra-group						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					
Net of reinsurance						
Commission - acquisition	41	740	14941	50	15731	14510
Commission - other	42					
Management - acquisition	43	489	17828		18317	16945
Management - maintenance	44	687	17927	249	18863	12415
Management - other	45	822	2508		3330	916
Total	46	2738	53204	299	56241	44786

Long term insurance business : Summary of new businessName of insurer **Norwich Union Annuity 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
Number of new policyholders/scheme members for direct insurance business						
Regular premium business	11					
Single premium business	12	399	42895	656	43950	37540
Total	13	399	42895	656	43950	37540
Amount of new regular premiums						
Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
Total	24					
Amount of new single premiums						
Direct insurance business	25	24619	1491413	16085	1532117	428965
External reinsurance	26					
Intra-group reinsurance	27			7176	7176	650242
Total	28	24619	1491413	23261	1539293	1079207

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Annuity 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
1	2	3	4	5	6
395	Annuity non-profit (PLA)			382	22599
905	Index linked annuity			17	2020

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Annuity 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
1	2	3	4	5	6
400	Annuity non-profit (CPA)			42416	1456607
905	Index linked annuity			479	34806

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Annuity Limited**

Total business

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

Overseas / 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
1	2	3	4	5	6
395	Annuity non-profit (PLA)			427	15832
905	Index linked annuity			6	253

Long term insurance business : Analysis of new businessName of insurer **Norwich Union Annuity Limited**

Total business

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

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			222	7172
905	Index linked annuity			1	4

Long term insurance business : Non-linked assetsName of insurer **Norwich Union Annuity Limited**Category of assets **Ordinary Long Term**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
Assets backing non-profit liabilities and non-profit capital requirement						
Land and buildings	11	3532	3532	216	8.64	
Approved fixed interest securities	12	1447886	1447886	52582	4.28	
Other fixed interest securities	13	3753464	3753464	212978	5.15	
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	10058818	10058818	572116	5.28	
Total	19	15263700	15263700	837892	5.15	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					
Overall return on with-profits assets						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long term insurance business : Fixed and variable interest assetsName of insurer **Norwich Union Annuity Limited**Category of assets **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	1018419	14.57	4.31	4.22
Other approved fixed interest securities	21	429467	17.73	4.20	4.08
Other fixed interest securities					
AAA/Aaa	31	750104	12.11	4.66	4.57
AA/Aa	32	1157631	10.24	5.01	4.73
A/A	33	1397768	10.44	5.19	4.84
BBB/Baa	34	400048	7.68	5.48	4.82
BB/Ba	35	28586	8.11	6.46	4.64
B/B	36	7380	0.68	6.66	3.56
CCC/Caa	37	6259	2.97	31.88	
Other (including unrated)	38	5688	1.98	29.62	3.36
Total other fixed interest securities	39	3753464	10.36	5.15	4.74
Approved variable interest securities	41				
Other variable interest securities	51				
Total (11+21+39+41+51)	61	5201350	11.79	4.91	4.58

Long term insurance business : Summary of mathematical reservesName of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12	218758	14159552	420509	14798819	11865710
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17	18786	834070	4699	857555	745743
Total	18	237544	14993622	425208	15656374	12611453
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22	22536	99723	1861	124120	89176
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27	10423	18790		29213	32838
Total	28	32959	118513	1861	153333	122014
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32		797280		797280	
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		797280		797280	
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	196222	13262549	418648	13877419	11776534
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47	8363	815280	4699	828342	712905
Total	48	204585	14077829	423347	14705761	12489439

Long term insurance business : index linked businessName of insurer **Norwich Union Annuity Limited**

Global business

Total 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
Corporate index linked bonds	RPI	495462	
Land and buildings	RPI	57644	
Rights under derivative contracts	RPI	(20153)	(553)
Government and public body index linked bonds	RPI	271043	
Government and public body fixed interest bonds	RPI	24346	
Sub total assets		848495	
Sub total liabilities		(20153)	
Sub total net assets		828342	
Total assets		848495	n/a
Total liabilities		(20153)	n/a
Net total assets		828342	n/a

Long-term insurance business - analysis of valuation interest ratesName of insurer **Norwich Union Annuity Limited**Total business / subfund **Ordinary Long Term**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
UK L&GA NP Form 51 annuities	101115	4.09	4.59	4.82
UK L&GA NP Form 51 annuities	94812		4.59	4.82
UK Pens NP Form 51 annuities	13224229		4.59	4.82
OS NP Form 51 annuities	50	4.09	4.59	4.82
OS NP Form 51 annuities	417971		4.59	4.82
UK L&GA NP Form 54 annuities	8349	0.83	1.32	1.53
UK Pens NP Form 54 annuities	814059		1.32	1.53
OS NP Form 54 annuities	4692		1.32	1.53
Misc	40484	n/a	n/a	
Total:	14705761	n/a	n/a	n/a

Long term insurance business : distribution of surplusName of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	14705761	12489439
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	14705761	12489439
Mathematical reserves	21	14705761	12489439
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29		
Composition of Surplus			
Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34		
Total	39		
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49		
Total (48+49)	59		
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long term insurance capital requirementName of insurer **Norwich Union Annuity 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
Insurance death risk capital component							
Classes I, II and IX	11	0.1%					
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%					
Classes III, VII and VIII	14	0.3%					
Total	15						
Insurance health risk capital component							
Class IV and supplementary classes 1 and 2	21						
Insurance expense risk capital component							
Classes I, II and IX	31	1%	15656374	14705761	0.94	147058	124894
Classes III, VII and VIII (investment risk)	32	1%					
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%					
Classes III, VII and VIII (other)	34	25%					
Class IV	35	1%					
Class V	36	1%					
Class VI	37	1%					
Total	38					147058	124894
Insurance market risk capital component							
Classes I, II and IX	41	3%	15656374	14705761	0.94	441173	374683
Classes III, VII and VIII (investment risk)	42	3%					
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%					
Classes III, VII and VIII (other)	44	0%					
Class IV	45	3%					
Class V	46	0%					
Class VI	47	3%					
Total	48		15656374	14705761		441173	374683
Long term insurance capital requirement	51					588231	499577

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005****Code****0204 Section 148 Waivers****Rate of interest 201755**

The Financial Services Authority, on application of the firm, made a direction in December 2003 under section 148 of the Act. The effect of the direction is to modify rules PRU 4.2.36 and PRU 4.2.40 so that the firm must calculate the rate of interest to be used in calculating the present value of future payments by or to the firm on the basis of the aggregate yield. The direction only applies to certain fixed interest securities and assets linked to an index of retail prices. For the purposes of the direction, 'aggregate yield' means the rate of interest which equates the discounted value of the aggregate cash flows on the asset portfolio with the total market value of the asset portfolio.

0301 Reconciliation of net admissible assets to total Capital resources after deductions

	£'000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	16,111,089
Form 13 Line 89 (Other than long term business)	171,726
Form 14 Lines 11, 12 and 49	(15,349,375)
Form 15 Line 69	(13,443)
	<u>919,997</u>
ii) Components of Capital resources that are treated as a liability	-
iii) Components of capital resources not included in ii) that arise as a result of a waiver and are not represented by admissible assets included in Form 13	-
iv) Any other items	-
Total i) to iv) above	919,997
Form 3, line 79	919,997

0310 Calculation of valuation differences as required by instruction 9 to Form 3

	£'000
a) Positive valuation differences in respect of assets where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes	-
b) Positive valuation differences in respect of liabilities where valuation in PRU is lower than the valuation that the firm uses for external financial reporting purposes	
- Deferred tax provision	131,657
c) Negative valuation differences in respect of assets where valuation in PRU is lower than the valuation that the firm uses for external financial reporting purposes	-
d) Negative valuation differences in respect of liabilities where valuation in PRU exceeds the valuation that the firm uses for external financial reporting purposes	
- Mathematical reserves	(213,520)
Net negative valuation difference included in line 35	(81,863)

1301 Aggregate values of assets

The aggregate values of types of category 1 assets specified in instruction 5 to Form 13 are:-

	£m
Unlisted investments on lines 41 and 46	108
Listed investments on lines 41, 46 and 48 which are not readily realisable	-

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

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

Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act -
 Reversionary interests or remainders in property other than land or buildings -

1308 Aggregate values of assets

The aggregate values of types of category 10 assets specified in instruction 5 to Form 13 are:-

	£m
Unlisted investments on lines 41 and 46	397
Listed investments on lines 41, 46 and 48 which are not readily realisable	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act	-
Reversionary interests or remainders in property other than land or buildings	-

1304 Amounts set off**1310 Amounts set off**

Amounts have been set off to the extent permitted by generally accepted accounting principles.

1305 Counterparty limits**1311 Counterparty limits**

The investment guidelines operated by the Company specify exposure to counterparties by asset type as follows:-

Deposits

The maximum permitted exposure to counterparties is set out in the lending limit list approved by the Group Risk Committee. Each fund cannot hold more than 2% of funds under management (but subject to minimum of £20m and a maximum of £100m) with individual 'Tier 1' counterparties, 1.5% of funds under management (but subject to a minimum of £15m and a maximum of £75m) with individual 'Tier 2' counterparties and 0.5% of funds under management (but subject to a minimum of £10m and a maximum of £50m) with individual 'Tier 3' counterparties. Tier 1 represents AAA rated institutions, Tier 2 represents institutions rated AA- or better whilst Tier 3 represents institutions rated A- or better.

Fixed Income Securities

Exposure to non-government bonds is limited to holdings, which are deemed to be of a suitable investment grade determined by senior investment management. The maximum extent to which, in accordance with investment guidelines operated by the company, it was permitted to be exposed to any one counterparty and connected companies rated AA- or higher during the financial year was 5% and 3% for any one counterparty and connected companies rated BBB- to A+. The maximum extent to which fully secured mortgage debt was permitted to be exposed to any one counterparty and connected companies was 10%. Over the financial year there were no breaches of the above limits.

Derivatives

Exposure to OTC derivatives is only undertaken with the approval of senior management. Exposure to one type of contract is limited to 5% and overall exposure is limited to 10% of the relevant fund.

1306 Counterparty exposure

Supplementary notes

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

Code

Exposure to any one counterparty at the end of the financial year did not exceed 5% of the sum of the insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1312 Counterparty exposure

Exposure to any one counterparty at the end of the financial year did not exceed 5% of the sum of the insurer's base capital resources requirement and its long-term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded.

1309 Hybrid securities

The aggregate value of hybrid securities is £410m.

1401 Reasonably foreseeable adverse variations

1501 Reasonably foreseeable adverse variations

No provision is required in respect of reasonably foreseeable adverse variations. All derivative contracts are strictly covered and all other obligations to deliver assets or make a payment were felt to be prudently provided for in the accounts.

1402 Contingent liabilities

The balance of deferred tax arising from potential capital gains tax on unrealised gains is nil.

There are no contingent liabilities applicable to long term insurance business.

There are no charges over any assets of the Company.

There are no guarantees, indemnities or any other contractual commitments in respect of related companies.

There are no other fundamental uncertainties.

1502 Contingent liabilities

A provision of £2.0m has been included within deferred tax at line 21 for potential capital gains tax on unrealised gains.

There are no contingent liabilities applicable to shareholders' funds.

There are no charges over any assets of the Company.

There are no guarantees, indemnities or any other contractual commitments in respect of related companies.

There are no other fundamental uncertainties.

1404 Implicit provision required by PRU 4.3.17R(3)

The amount of implicit provision required by PRU 4.3.17R(3) included in line 38 is £20,153k.

1405 Other adjustments to liabilities

Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

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

Amounts included in Form 14 line 74 are analysed as follows.

	Total
	£'000
Adjustment to mathematical reserves	(213,520)
Adjustment to deferred tax provision	131,657
Total	(81,863)

1601 Rates of exchange**4005 Rates of exchange**

The Company conducts all its business in the UK and Offshore Islands and has no direct overseas investments. All transactions and balances are therefore in sterling.

1700 Form omitted

No Category 1 Form 17 has been prepared on the basis that there are no derivative contracts for this category of assets.

1701 Variation margin

The aggregate amount of any excess variation margin which has been received by the Company is £nil.

The variation margin is allocated as follows:

	£'000
Form 13 line 44	(6,142)
Form 13 line 81	20,032

No amounts included on Forms 13 reflect the liability to repay any excess.

4008 Management services

Management services have been provided throughout the financial year to the Company by Norwich Union Life Services Limited.

Investment management services have been provided by Morley Fund Management Limited.

4009 Related party transactions

Related party transactions, which exceed 5% of the long-term insurance business amount, are as follows:

Name of connected party	Norwich Union Life & Pensions Limited
Nature of relationship with connected party	Subsidiary undertaking
Transactions during the period (£m)	Transfer of investments £919m Transfer in of annuity business £1,046m Reinsurance out of annuity business

4101 Previous year entries**4201**

Supplementary notes

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

Code

Entries in the previous year column have only been completed if the entry can be obtained directly from the previous year's return. As a result, there are no entries for 'Reinsurance – external' and 'Reinsurance – intra-group'. 'Gross' and 'Net of reinsurance' entries represent the equivalent entries in the previous year's return.

4702 UK Life and overseas annuities

UK Life and Overseas new immediate annuities are all assumed to be 395 Annuity non-profit (PLA) contracts and not to arise as a result of any funds held within a pension arrangement.

4802 Expected interest

Expected interest from three debentures currently in default is included in column 3 of Form 48. The total expected interest is £1,144k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

4803 Redemption of securities

Where securities may be redeemed over a period at the option of the guarantor or the issuer, it has been assumed within the yield calculation that they will be redeemed at the earliest callable date.

4901 Credit rating

The credit rating analysis on Form 49 has been prepared using the second highest published rating of those provided by Standard & Poor's, Fitch, and Moody's.

Internally assigned ratings have been used for securities that are not rated by external agencies.

5102 Number of policyholders

Where a policyholder holds a plan with both non-linked and index-linked benefits, the policyholder count is assigned to column 3 for the highest benefit amount. Where a policyholder holds more than one plan, the policyholder count is assigned to column 3 for each plan.

5402 Number of policyholders

Where a policyholder holds a plan with both non-linked and index-linked benefits, the policyholder count is assigned to column 3 for the highest benefit amount. Where a policyholder holds more than one plan, the policyholder count is assigned to column 3 for each plan.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2005****1 Introduction**

- (1) The investigation relates to 31 December 2005.
- (2) The last investigation related to 31 December 2004.
- (3) No interim valuations (for the purposes of rule 9.4) have been carried out since the previous valuation date.

2 Product Range

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

3 Discretionary charges and benefits

- (1) There is no business where a market value reduction may be applied.
- (2) Not applicable.
- (3) There is no business where benefits are determined on the basis of interest accrued in respect of premium paid.
- (4) The guaranteed annuity benefit is calculated incorporating an allowance for service charges.
- (5) Not applicable.
- (6) There is no accumulating with profit business.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.

4 Valuation basis

- (1) The conventional immediate and deferred annuity business is valued by discounting future benefit payments and maintenance expenses.

The mathematical reserve for RPI-linked annuities is determined with an explicit allowance of 3% for future increases in annuity payments, which is consistent with the treatment of the matching assets. The treatment of RPI-linked annuities which are subject to maximum and minimum percentage annual increases are described in 5 (4) below.

- (2) The following table gives the valuation interest rates at the end of 2005 compared with those at the end of 2004. Non-linked and index-linked liabilities are backed by different assets and hence have different valuation interest rates. Index linked yields are real yields.

Product Group	Valuation interest rates	
	2005 %	2004 %
Non-linked pensions annuities	4.591	5.275
Non-linked life and general annuities	4.091	4.775
Index linked pensions annuities	1.315	1.924
Index linked life and general annuities	0.830	1.437

Returns under the Accounts and Statement Rules

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2005**

- (3) In accordance with PRU 4.2.41R, a prudent adjustment, excluding that part of the yield estimated to represent compensation for the risk that the income from the asset might not be maintained or that capital repayments might not be received as they fall due, was made to the yield on assets.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

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This adjustment took account of :

- Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available
- The reasonableness of the net of adjustment yields over the yields of risk-free investments of a similar term in the same currency, taking account of the points above
- The future outlook for bad debt experience.
- The historic experience of bad debts for each of the major fixed interest asset classes
- The need to take a prudent view of the above.

The deductions for bad debts were:

Gilts	Corporate Bonds	Bonds – Alternative Investments	Commercial Mortgages	Non Linked Equity Release Mortgages
0.00%	See below	0.69%	0.41%	0.90%

For corporate bonds, the deductions depend on the credit rating of the bond, as follows:

Corporate Bond Deductions								
Rating	AAA	AA	A	BBB	BB	B	C	Alternative Investments
Deduction	0.09%	0.28%	0.32%	0.67%	1.68%	3.10%	4.95%	0.69%

The Company holds equity shares in its subsidiary Norwich Union Mortgage Holdings Limited, which offers predominantly fixed interest commercial mortgages. The Company now holds the vast majority of mortgage assets directly, with Norwich Union Commercial Finance Limited performing the administration associated with the portfolio. The equity shares are not allocated to back liabilities.

The valuation rate of interest used is net of a deduction of 0.11% which provides a prudent margin for cash flow reinvestment and disinvestment risk.

- Mortality is based on UK standard published tables with prudent allowance for current experience, and adjustments for improving longevity. The policyholders predominantly reside in the country of operation, except for business written in the Minor Sterling category.

The 2005 mortality basis was derived by taking a percentage of the base table mortality rates (where the percentages are given in the table below) and applying the improvement rates from CMI Working Paper 1 (December 2002) for calendar years 2005 and beyond.

The 2004 mortality basis was derived by applying improvement factors to mortality rates at 31 December 1995. The base mortality rates at 31 December 1995 were determined by applying the percentages in the table below to the C=2010 mortality rates. Percentage reductions ranging from 0.5% to 4.1% were then applied from 1996 to 2002 and the improvement rates from CMI Working Paper 1 (December 2002) were applied from 2003.

The following table summarises the standard NUA mortality basis and improvement rates. The 2004 basis was also applied to business written in Provident Mutual and reinsured into NUA as at 31 December 2004.

NUA standard mortality basis	31 December 2005			31 December 2004		
	Table	Male %	Female %	Table	Male %	Female %
Pensions Annuity (Business Up To 31/12/2002)	PCMA00/PCFA00	85.5	80	PMA80/PFA80 modified	79	95
Pensions Annuity (Business Post 31/12/2002)	PCMA00/PCFA00	69.5	65	PMA80/PFA80 modified	63.5	76.5
General Annuity	IML00/IFL00	69	72	IMA80/IFA80 modified	70	102

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

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Improvement rates applied to both Pension and General Annuities	Medium cohort applicable from 2005	100	75	Medium cohort applicable from 2003	100	75
	Minimum rate p.a.	2	1.5	Minimum rate p.a.	1.5	1

The mortality basis for long term care immediate annuities is based on the same base tables as general annuities with individual loadings as advised by the underwriters at the point of sale and an additional margin for prudence.

At 1 January 2005, some non-profit pension immediate annuity business that had been written in Provident Mutual was transferred into NUA and the mortality basis in respect of this block of business was reviewed. The 2005 mortality basis and improvement rates for this Provident Mutual originated business, which includes the business previously reinsured into NUA, are as follows.

Mortality basis for Provident Mutual originated business	31 December 2005			31 December 2004		
	Table	Male %	Female %	Table	Male %	Female %
Individual business	IMA92/IFA92 modified	99	99	NUA standard basis (see above)		
Group business	PMA92/PFA92 modified	89	89			
Improvement rates applied to both individual and group business	Medium cohort applicable from 2003	100	75	NUA standard basis (see above)		
	Minimum rate p.a.	2	1.5			

The rates at 31 December 2002 are the C=2002 rates from the '92 series' tables with CMI Working Paper 1 (December 2002) improvement rates applied from 2003 onwards.

No allowance is made or reserve held in addition to the assumptions above, in respect of possible changes in the incidence of disease or developments in medical science.

The resulting life expectancies from the valuation date are shown in the table below at sample ages:

Expectations of life (years)	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business Up To 31/12/2002)	23.5	14.3	25.7	16.3
Standard Pensions Annuity (Business Post 31/12/2002)	25.7	16.1	27.8	18.0
General Annuity	25.7	15.9	27.4	17.3
Provident Mutual originated individual annuity	22.9	14.0	25.1	15.3
Provident Mutual originated group annuity	23.4	14.1	25.8	16.5

(5) Not applicable.

(6) The value of future maintenance expenses is calculated from current maintenance expense levels by broad category of business, increasing by future expense inflation over the lifetime of each contract. The following expense assumptions are based on the terms of the Management Services Agreement between Norwich Union Life Services Limited and Norwich Union Annuity Limited and increased by 10%.

	Per policy expense £ per annum	
	2005	2004
Pensions and general annuities	19.81	19.09
Long term care annuities	26.71	25.74

An additional reserve of £1.5m has been established in respect of project costs.

The assumed future inflation rate applying to maintenance expenses is 4.0% pa.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Company **Norwich Union Annuity Limited**

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- (7) Not applicable.
- (8) The valuation interest rate was adjusted to allow for investment expenses based on actual investment charges incurred. There were no other material basis assumptions.
- (9) The company holds three interest rate swaps in its policyholder fund.

The first swap is in respect of matching asset and liability cash flows for index linked business. The valuation interest rate used to determine the value of long-term index linked liabilities is derived from the rate of interest which equates the discounted value of aggregate cash flows, including cash flows arising from the swap, with the total market value of the asset portfolio, including the market value of the swap.

The second swap provides fixed interest cash flows in exchange for variable interest cash flows from certain mortgage assets used to back long-term fixed interest liabilities. The valuation interest rate used to determine the value of long-term fixed interest liabilities is derived from the rate of interest which equates the discounted value of aggregate cash flows, including cash flows arising from the swap, with the total market value of the asset portfolio, including the market value of the swap.

The third swap is in respect of matching asset and liability cash flows for fixed interest business, and provides long term fixed interest cash flows in exchange for medium term excess cashflows. The valuation interest rate used to determine the value of long-term fixed interest liabilities is derived from the rate of interest which equates the discounted value of aggregate cash flows, including cash flows arising from the swap, with the total market value of the asset portfolio, including the market value of the swap.

Supplementary note 0204 gives details of long-term business liability calculations.

5 Options and Guarantees

- (1) Not applicable.
- (2) For the G Plus Bond deferred annuity a guaranteed cash option is available in lieu of an annuity and the reserve is held for this option.
- (3) There are no guaranteed insurability options.
- (4) Some RPI-linked annuities are subject to maximum and minimum percentage increases. For valuation purposes these are treated as being identical to normal RPI-linked annuities.

6 Expense Reserves

- (1) Based on the non-linked business in force at 31 December 2005, the explicit allowance for maintenance expenses during 2006 is £10.0m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2006 is £11.1m.
- (2) The implicit allowance for investment expenses was estimated by applying the investment expense deductions by asset class assumed in the valuation interest rate calculation to the assets allocated to the valuation liabilities.
- (3) The maintenance expenses in line 14 of Form 43 are £18.9m. This compares with the £21.1m from 6(1) for 2006.
- (4) The costs of acquiring new business assumed in the next twelve months would have little impact on the Company and would be charged to the new business written.
- (5) An assessment was made of the cost of closure of the Company to new business at the end of 2005 and a reserve for £8m, corresponding to the full cost, was established on Form 51.

7 Mismatching Reserves

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2005**

- (1) Mathematical reserves for overseas business as reported in Forms 51 and 54, are all in respect of sterling liabilities and are fully matched by sterling assets.
- (2) Not applicable.
- (3) There are no significant liabilities in currencies different to the matching assets.
- (4) Two tests were applied at December 2005, in line with PRU 4.2.17R
 - (i) a rise in risk free interest yields for all outstanding terms of 20%
 - (ii) a fall in risk free interest yields for all outstanding terms of 20%

For those fixed interest securities that are not risk free, we assume the yield differential to risk free does not reduce in a resilience test.

The most onerous scenario as at 31 December 2005 was test (ii).

- (5) There are no investments outside of the United Kingdom at 31 December 2005.
- (6) On the published basis and on mismatch basis (i) the valuation rate of interest used is net of a deduction of 0.11% which provides a prudent margin for cash flow reinvestment and disinvestment risk. A deduction of 0.095% is included for mismatch basis (ii). All other assumptions relating to mortality, expenses and bad debts remain unchanged.

The assets and liabilities have been revalued on this interest basis.

- (a) The calculations have led to a resilience capital requirement of £49.6m.
- (b) The aggregate value of assets has increased by £1,280.0m
- (c) The aggregate value of liabilities has increased by £1,329.6m
- (7) The valuation liabilities include an allowance of an 11bp deduction from the valuation interest rate for duration mismatch as mentioned in sections 4(3) and 7(6) above. No further reserve is required to satisfy PRU 7.2.34R(2).

8 Additional Special Reserves

An additional reserve to cover potential data quality issues is established at a level of 0.15% of the reserve for future annuity payments and expenses.

9 Reinsurance

- (1) The Company has no facultative reinsurance with a reinsurer who is not authorised to carry out business in the United Kingdom.
- (2) There were 6 reinsurance treaties with external reinsurers where the Company was the ceding insurer and under which business was in force at the valuation date.

	Treaties 1 to 3
Reinsurer	Munich Re (Treaty 1 and 2) and Hannover Re (Treaty 3)
Nature of cover	50% (Treaty 1) or 90% (Treaties 2 and 3) Quota share on UK Long Term Care (Immediate Care) business
Premiums payable in 2005	£6.135m
Deposit back arrangements	Not applicable

Returns under the Accounts and Statement Rules

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2005**

Open/closed to new business	Treaty 1 was closed to new business in March 2001. New business is placed with either Munich Re under Treaty 2 or Hannover Re under Treaty 3.
Undischarged liabilities	None
Mathematical reserves ceded	Total reserves ceded under the 3 treaties are £33.139m
Retention limit for new policies	10% retained of each new annuity

Munich Re and Hannover Re are authorised to carry on insurance business in the UK and are not connected. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under any of the treaties. None of the treaties is a financing arrangement.

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2005**

	Treaty 4
Reinsurer	Hannover Re
Nature of cover	75% Quota share on UK Impaired Life Annuity business
Premiums payable in 2005	£10.727m
Deposit back arrangements	Not applicable
Open/closed to new business	Open to new business
Undischarged liabilities	None
Mathematical reserves ceded	£42.836
Retention limit for new policies	25% retained of each new annuity

The treaty is not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under the treaty. The treaty is not a financing arrangement.

	Treaty 5	Treaty 6
Reinsurer	XL Re	Partner Re
Nature of cover	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of 7% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of 3% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.
Premiums payable in 2005	£43.518m	£18.648m
Deposit back arrangements	Not applicable	Not applicable
Open/closed to new business	Closed to new business	Closed to new business
Undischarged liabilities	None	None
Mathematical reserves ceded	£30.229m	£12.955m
Retention limit for new policies	Not applicable	Not applicable

XL Re and Partner Re are authorised to carry on insurance business in the UK and are not connected. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under either treaty. Neither treaty is a financing arrangement.

There were 2 reinsurance treaties with other Group companies where the Company was the ceding insurer and under which business was in force at the valuation date.

	Internal Reinsurance Treaty 33
Reinsurer	NULAP (Provident Mutual Sub-Fund)
Nature of cover	Reinsurance of 65% of the non-profit immediate pension annuities which were originally written in the Provident Mutual sub-fund of NU Linked Life before 2001 and in 2004, and were transferred to Norwich Union Annuity Limited as at 1 January 2005.
Premiums payable in 2005	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£542.818m
Retention limit for new policies	Not applicable

Valuation report prepared by the actuarial function holder – IPRU (INS) Appendix 9.4Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2005**

	Internal Reinsurance Treaty 34
Reinsurer	NULAP (Non Profit Sub-Fund 2)
Nature of cover	100% reinsurance of non-profit immediate pension annuities which were originally written in Norwich Union Linked Life and were transferred to Norwich Union Annuity Limited as at 1 January 2005. The effect of the treaty is to transfer all the liabilities to NULAP as if the business had been written in NULAP.
Premiums payable in 2005	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£254.461m
Retention limit for new policies	Not applicable

NULAP is authorised to carry on insurance business in the UK and is a connected company. The treaties are not subject to any material contingencies. There are no liabilities to refund reinsurance commission in the event of lapse or surrender of the contract under either treaty. Neither treaty is a financing arrangement.

(3) None of the above treaties are financing arrangements.

10 Not relevant. The Company has no with profits business.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

The following summarises investment policy for the use of derivatives:

- Derivatives will only be used in accordance with FSA Guidelines for the purpose of efficient portfolio management or reduction in investment risk.
- Derivatives must not be used for speculative purposes.
- Derivatives must be fully covered by the assets of the fund and must not be used to increase the risk of the fund beyond that achieved by directly investing in the underlying securities.
- Counterparty risk – for exchange traded contracts, the exchange must be classed as 'regulated' by an investment committee. Over the counter contracts, transactions must only be transacted with approved counterparties. Counterparty limits are consistent, and monitored in line with the fund's aggregate exposure guidelines.
- Controls and Monitoring – derivative strategies must be authorised by the Deputy Actuary and delegated authorities exist for each member of staff trading derivative contracts within the approved strategies.
- Derivatives transactions are priced, settled and profit and losses reconciled in an area independent of the fund managers involved.

There are no specific guidelines for the use of contracts that were not reasonably likely to be exercised at the start of the contract. The speculative use of derivative contracts is prohibited.

The maximum loss in the event of failure by any one counterparty to fulfil its obligations at the end of the financial year would have been less than £3m. This would have been £13m had the position been assessed at 30 June 2005.

No significant provisions have been required under PRU 4.3.17R for any derivative contracts held at any time during the financial year. All contracts held fall under the definition of approved, admissible contracts as detailed in PRU 4.3.5R.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

100% of the issued share capital of the Company is held by Norwich Union Life & Pensions Limited.

100% of the issued share capital of Norwich Union Life & Pensions Limited is held by Norwich Union Life Holdings Limited.

100% of the issued share capital of Norwich Union Life Holdings Limited is held by Norwich Union Holdings Limited.

100% of the issued share capital of Norwich Union Holdings Limited is held by Norwich Union plc.

100% of the issued share capital of Norwich Union plc is held by General Accident plc.

100% of the issued ordinary share capital of General Accident plc is held by the Ultimate Parent Undertaking, Aviva plc.

There have been no changes to the above position during the year.

All shares are voting shares.

Certificate by the directors required by IPRU (INS) 9.34 and IPRU (INS) Appendix 9.6

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2005**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and
- (b) the directors are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.

- 2 (a) in the directors' opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (b) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14, constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business; and
- (c) the directors have, in preparing the return, taken and paid due regard to advice in preparing the return from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

..... **P J R SNOWBALL**
Chief Executive

..... **K W ABERCROMBY**
Director

..... **J R LISTER**
Director

30 March 2006

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **Norwich Union Annuity 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 to 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 (the "Act").

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

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

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

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

Respective responsibilities of the company and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the waiver issued under section 148 of the Act on 31 December 2003 referred to in supplementary note 0204. Under rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31(a) are required to reflect appropriately the requirements of PRU 7.3.

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

Basis of opinion

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" and Bulletin 2004/5 "Supplementary guidance for auditors of insurers in the United Kingdom" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 30 March 2006. It also included an assessment of the significant estimates and judgements made by the insurer in the preparation of the Forms, the statement and the valuation report.

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

In accordance with rule 9.35(1A), to the extent that any document, Form, statement, analysis or report to be audited 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.

Returns under the Accounts and Statements Rules

Independent auditors' report to the directors pursuant to rule 9.35 of the Accounts and Statements Rules

Name of insurer **Norwich Union Annuity Limited**

Global Business

Financial year ended **31st December 2005**

Opinion

In our opinion:

- (a) the Forms, the statement and the valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31(a) appropriately reflect the requirements of PRU 7.3.

Ernst & Young LLP
Registered Auditor
London
30 March 2006