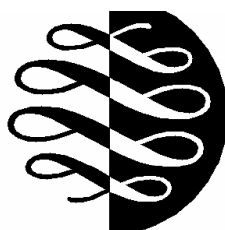


# Norwich Union Annuity Limited

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

**Annual FSA Insurance Returns for the year ended  
31 December 2006**



**Index to Appendices 9.1, 9.3, 9.4 and 9.6 of IPRU (INS)**

Name of insurer **Norwich Union Annuity Limited**

Global Business

Financial year ended **31st December 2006**

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**Statement of solvency - long-term insurance business**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

Solo solvency calculation

Company  
registration  
number

GL/UK/CM

Period ended

day month year

Units

|           |                |           |           |           |             |             |
|-----------|----------------|-----------|-----------|-----------|-------------|-------------|
| <b>R2</b> | <b>3253948</b> | <b>GL</b> | <b>31</b> | <b>12</b> | <b>2006</b> | <b>£000</b> |
|-----------|----------------|-----------|-----------|-----------|-------------|-------------|

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

**Capital resources**

|   |           |        |        |
|---|-----------|--------|--------|
| Capital resources arising within the long-term insurance fund   | <b>11</b> | 842497 | 761714 |
| Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund | <b>12</b> | 141102 | 158283 |
| Capital resources available to cover long-term insurance business capital resources requirement (11+12)       | <b>13</b> | 983599 | 919997 |

**Guarantee Fund**

|  |           |        |        |
|--|-----------|--------|--------|
| Guarantee Fund requirement   | <b>21</b> | 203716 | 196077 |
| Excess (deficiency) of available capital resources to cover guarantee fund requirement | <b>22</b> | 779883 | 723920 |

**Minimum capital requirement (MCR)**

|  |           |        |        |
|--|-----------|--------|--------|
| Long-term insurance capital requirement                                | <b>31</b> | 611148 | 588231 |
| Resilience capital requirement   | <b>32</b> | 17300  | 49600  |
| Base capital resources requirement                                     | <b>33</b> | 2139   | 2030   |
| Individual minimum capital requirement                                 | <b>34</b> | 628448 | 637831 |
| Capital requirements of regulated related undertakings                 | <b>35</b> |        |        |
| Minimum capital requirement (34 + 35)                                  | <b>36</b> | 628448 | 637831 |
| Excess (deficiency) of available capital resources to cover 50% of MCR | <b>37</b> | 669375 | 601082 |
| Excess (deficiency) of available capital resources to cover 75% of MCR | <b>38</b> | 512263 | 441624 |

**Enhanced capital requirement**

|  |           |        |        |
|--|-----------|--------|--------|
| With-profits insurance capital component | <b>39</b> |        |        |
| Enhanced capital requirement             | <b>40</b> | 628448 | 637831 |

**Capital resources requirement (CRR)**

|  |           |        |        |
|--|-----------|--------|--------|
| Capital resources requirement (greater of 36 and 40)   | <b>41</b> | 628448 | 637831 |
| Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41) | <b>42</b> | 355151 | 282166 |

**Contingent liabilities**

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

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 2006**

..... **M S HODGES**  
Chief Executive

..... **N A NICANDROU**  
Director

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

30 March 2007

**Components of capital resources**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ending **31st December 2006**

|           | Company registration number            | GL/UK/CM                                 | Period ended   |           |             | Units  |
|-----------|--|--|--|-----------|-------------|--|
|           |  |  | day  | month     | year        |  |
| <b>R3</b> | <b>3253948</b>                         | <b>GL</b>                                | <b>31</b>  | <b>12</b> | <b>2006</b> | <b>£000</b>  |
|           | General insurance business<br><b>1</b> | Long-term insurance business<br><b>2</b> | Total as at the end of this financial year<br><b>3</b> |           |             | Total as at the end of the previous year<br><b>4</b> |

**Core tier one capital**

|   |           |  |         |         |         |
|---|-----------|--|---------|---------|---------|
| Permanent share capital                       | <b>11</b> |  | 50000   | 50000   | 50000   |
| Profit and loss account and other reserves    | <b>12</b> |  | 1151032 | 1151032 | 1020342 |
| Share premium account                         | <b>13</b> |  | 750     | 750     | 750     |
| Positive valuation differences                | <b>14</b> |  |         |         |         |
| Fund for future appropriations                | <b>15</b> |  |         |         |         |
| Core tier one capital in related undertakings | <b>16</b> |  |         |         |         |
| Core tier one capital (sum of 11 to 16)       | <b>19</b> |  | 1201782 | 1201782 | 1071092 |

**Tier one waivers**

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

**Other tier one capital**

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

|   |           |  |         |         |         |
|---|-----------|--|---------|---------|---------|
| <b>Total tier one capital before deductions (19+24+25+26+27+28)</b> | <b>31</b> |  | 1201782 | 1201782 | 1071092 |
| Investments in own shares   | <b>32</b> |  |         |         |         |
| Intangible assets   | <b>33</b> |  |         |         |         |
| Amounts deducted from technical provisions for discounting          | <b>34</b> |  |         |         |         |
| Other negative valuation differences                                | <b>35</b> |  | 143677  | 143677  | 81863   |
| Deductions in related undertakings                                  | <b>36</b> |  |         |         |         |
| Deductions from tier one (32 to 36)                                 | <b>37</b> |  | 143677  | 143677  | 81863   |
| <b>Total tier one capital after deductions (31-37)</b>              | <b>39</b> |  | 1058105 | 1058105 | 989229  |

**Components of capital resources**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ending **31st December 2006**

|  | Company registration number            | GL/UK/CM                                 | Period ended   |           |           | Units  |             |
|--|--|--|--|-----------|-----------|--|-------------|
|  |  |  | day  | month     | year      |  |             |
|  | <b>R3</b>                              | <b>3253948</b>                           | <b>GL</b>  | <b>31</b> | <b>12</b> | <b>2006</b>  | <b>£000</b> |
|  | General insurance business<br><b>1</b> | Long-term insurance business<br><b>2</b> | Total as at the end of this financial year<br><b>3</b> |           |           | Total as at the end of the previous year<br><b>4</b> |             |

**Tier two capital**

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

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

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

**Components of capital resources**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ending **31st December 2006**

|           | Company registration number            | GL/UK/CM                                 | Period ended   |           |             | Units  |
|-----------|--|--|--|-----------|-------------|--|
|           |  |  | day  | month     | year        |  |
| <b>R3</b> | <b>3253948</b>                         | <b>GL</b>                                | <b>31</b>  | <b>12</b> | <b>2006</b> | <b>£000</b>  |
|           | General insurance Business<br><b>1</b> | Long-Term insurance Business<br><b>2</b> | Total as at the end of this financial year<br><b>3</b> |           |             | Total as at the end of the previous year<br><b>4</b> |

**Total capital resources**

|   |           |  |         |         |        |
|---|-----------|--|---------|---------|--------|
| Positive adjustments for regulated non-insurance related undertakings | <b>71</b> |  |         |         |        |
| <b>Total capital resources before deductions (39+69+71)</b>           | <b>72</b> |  | 1058105 | 1058105 | 989229 |
| Inadmissible assets other than intangibles and own shares             | <b>73</b> |  | 74506   | 74506   | 69232  |
| Assets in excess of market risk and counterparty limits               | <b>74</b> |  |         |         |        |
| Deductions for related ancillary services undertakings                | <b>75</b> |  |         |         |        |
| Deductions for regulated non-insurance related undertakings           | <b>76</b> |  |         |         |        |
| Deductions of ineligible surplus capital                              | <b>77</b> |  |         |         |        |
| <b>Total capital resources after deductions (72-73-74-75-76-77)</b>   | <b>79</b> |  | 983599  | 983599  | 919997 |

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

|  |           |  |        |        |        |
|--|-----------|--|--------|--------|--------|
| Available capital resources for guarantee fund requirement | <b>81</b> |  | 983599 | 983599 | 919997 |
| Available capital resources for 50% MCR requirement        | <b>82</b> |  | 983599 | 983599 | 919997 |
| Available capital resources for 75% MCR requirement        | <b>83</b> |  | 983599 | 983599 | 919997 |

**Financial engineering adjustments**

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

**Analysis of admissible assets**

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

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>3253948</b> | <b>GL</b>    | <b>31</b> | <b>12</b> | <b>2006</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> |           |  |                                      |          |
|  | 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> |           | 109677                                 |                                      | 108090   |
| Other shares and other variable yield participations                             |                                |                |              | <b>42</b> |           |  |                                      |          |
| Holdings in collective investment schemes  |                                |                |              | <b>43</b> |           | 11415                                  |                                      | 9826     |
| Rights under derivative contracts  |                                |                |              | <b>44</b> |           |  |                                      |          |
| Fixed interest securities  | Approved                       |                |              | <b>45</b> |           | 13767                                  |                                      | 17762    |
|  | Other                          |                |              | <b>46</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> |           |  |                                      |          |
|  | More than one month withdrawal |                |              | <b>55</b> |           |  |                                      |          |
| Other financial investments  |                                |                |              | <b>56</b> |           |  |                                      |          |



**Analysis of admissible assets**

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

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>3253948</b> | <b>GL</b>                  | <b>31</b> | <b>12</b> | <b>2006</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> |           | 1562                                   |                    | 3286                                 |
|   |                             |                | 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> |           | 10522                                  |                    | 32477                                |
| 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> |           | 246                                    |                    | 285                                  |
| Deferred acquisition costs (general business only)  |                             |                |                            | <b>85</b> |           |  |                    |                                      |
| Other prepayments and accrued income  |                             |                |                            | <b>86</b> |           |  |                    |                                      |
| <b>Deductions from the aggregate value of assets</b>  |                             |                |                            |           |           |  |                    |                                      |
|   |                             |                |                            | <b>87</b> |           |  |                    |                                      |
| <b>Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)</b> |                             |                |                            |           |           |  |                    |                                      |
|   |                             |                |                            | <b>89</b> |           | 147189                                 |                    | 171726                               |

**Analysis of admissible assets**

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

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    | 2006 | £000                                      | 1                                       |
|     |                             |          |              |       |      | As at the end of this financial year<br>1 | As at the end of the previous year<br>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  | 147189 | 171726 |
| 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 | 147189 | 171726 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance   | 102 |        |        |

**Analysis of admissible assets**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Ordinary Long Term**

|  | Company registration number    | GL/UK/CM       | Period ended |           |                                      | Units       | Category of assets                 |           |
|--|--------------------------------|----------------|--------------|-----------|--------------------------------------|-------------|------------------------------------|-----------|
|  |                                |                | day          | month     | year                                 |             |                                    |           |
|  | <b>R13</b>                     | <b>3253948</b> | <b>GL</b>    | <b>31</b> | <b>12</b>                            | <b>2006</b> | <b>£000</b>                        | <b>10</b> |
| <b>Investments</b>   |                                |                |              |           | As at the end of this financial year | 1           | As at the end of the previous year | 2         |
| Land and buildings   |                                |                |              | <b>11</b> | 3471                                 |             | 3532                               |           |
| <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> | 18120                                |             | 16260                              |           |
|  | debts and loans                |                |              | <b>26</b> |                                      |             |                                    |           |
| Other group undertakings   | shares                         |                |              | <b>27</b> |                                      |             |                                    |           |
|  | debts and loans                |                |              | <b>28</b> | 129580                               |             | 136275                             |           |
| Participating interests  | shares                         |                |              | <b>29</b> |                                      |             |                                    |           |
|  | debts and loans                |                |              | <b>30</b> |                                      |             |                                    |           |
| <b>Other financial investments</b>   |                                |                |              |           |                                      |             |                                    |           |
| Equity shares  |                                |                |              | <b>41</b> | 88                                   |             |                                    |           |
| Other shares and other variable yield participations                             |                                |                |              | <b>42</b> |                                      |             |                                    |           |
| Holdings in collective investment schemes  |                                |                |              | <b>43</b> | 254026                               |             | 324719                             |           |
| Rights under derivative contracts  |                                |                |              | <b>44</b> |                                      |             | 8056                               |           |
| Fixed interest securities  | Approved                       |                |              | <b>45</b> | 921716                               |             | 1430153                            |           |
|  | Other                          |                |              | <b>46</b> | 3898423                              |             | 3679255                            |           |
| Variable interest securities   | Approved securities            |                |              | <b>47</b> | 3137                                 |             |                                    |           |
|  | Other                          |                |              | <b>48</b> | 28928                                |             |                                    |           |
| Participation in investment pools  |                                |                |              | <b>49</b> |                                      |             |                                    |           |
| Loans secured by mortgages   |                                |                |              | <b>50</b> | 9985539                              |             | 9235301                            |           |
| 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> | 26400                                |             |                                    |           |
|  | More than one month withdrawal |                |              | <b>55</b> |                                      |             |                                    |           |
| Other financial investments  |                                |                |              | <b>56</b> |                                      |             |                                    |           |

**Analysis of admissible assets**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Ordinary Long Term**

|   | Company registration number | GL/UK/CM                   | Period ended |           |           | Units                                  | Category of assets |                                      |
|---|-----------------------------|----------------------------|--------------|-----------|-----------|--|--------------------|--------------------------------------|
|   |                             |                            | day          | month     | year      |  |                    |                                      |
|   | <b>R13</b>                  | <b>3253948</b>             | <b>GL</b>    | <b>31</b> | <b>12</b> | <b>2006</b>                            | <b>£000</b>        | <b>10</b>                            |
|   |                             |                            |              |           |           | As at the end of this financial year 1 |                    | As at the end of the previous year 2 |
| Deposits with ceding undertakings   |                             |                            |              | <b>57</b> |           |  |                    |                                      |
| Assets held to match linked liabilities   |                             | Index linked               |              | <b>58</b> |           | 837308                                 |                    | 847389                               |
|   |                             | 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> |           | 41955                                  |                    | 49339                                |
|   |                             | Intermediaries             |              | <b>72</b> |           |  |                    |                                      |
| Salvage and subrogation recoveries  |                             |                            |              | <b>73</b> |           |  |                    |                                      |
| Reinsurance   |                             | Accepted                   |              | <b>74</b> |           | 6925                                   |                    |                                      |
|   |                             | 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> |           | 43478                                  |                    | 78436                                |
|   |                             | Due in more than 12 months |              | <b>79</b> |           | 181805                                 |                    | 61131                                |
| <b>Other assets</b>   |                             |                            |              |           |           |  |                    |                                      |
| Tangible assets   |                             |                            |              | <b>80</b> |           |  |                    |                                      |
| Deposits not subject to time restriction on withdrawal with approved institutions                                 |                             |                            |              | <b>81</b> |           | 120951                                 |                    | 59607                                |
| 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> |           | 181940                                 |                    | 181636                               |
| Deferred acquisition costs (general business only)  |                             |                            |              | <b>85</b> |           |  |                    |                                      |
| Other prepayments and accrued income  |                             |                            |              | <b>86</b> |           |  |                    |                                      |
| <b>Deductions from the aggregate value of assets</b>  |                             |                            |              |           |           |  |                    |                                      |
|   |                             |                            |              | <b>87</b> |           |  |                    |                                      |
| <b>Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)</b> |                             |                            |              |           |           |  |                    |                                      |
|   |                             |                            |              | <b>89</b> |           | 16683790                               |                    | 16111089                             |

**Analysis of admissible assets**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Ordinary Long Term**

|  | Company registration number | GL/UK/CM       | Period ended |           |           | Units                                | Category of assets                 |           |
|--|-----------------------------|----------------|--------------|-----------|-----------|--------------------------------------|------------------------------------|-----------|
|  |                             |                | day          | month     | year      |                                      |                                    |           |
|  | <b>R13</b>                  | <b>3253948</b> | <b>GL</b>    | <b>31</b> | <b>12</b> | <b>2006</b>                          | <b>£000</b>                        | <b>10</b> |
|  |                             |                |              |           |           | As at the end of this financial year | As at the end of the previous year |           |
|  |                             |                |              |           |           | <b>1</b>                             | <b>2</b>                           |           |

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

|   |            |          |          |
|---|------------|----------|----------|
| Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)   | <b>91</b>  | 16683790 | 16111089 |
| Assets in excess of market and counterparty limits  | <b>92</b>  |          |          |
| Capital resources requirement deduction of regulated related undertakings   | <b>93</b>  |          |          |
| Ineligible surplus capital and restricted assets in regulated related insurance undertakings  | <b>94</b>  |          |          |
| Inadmissible assets of regulated related insurance undertakings   | <b>95</b>  |          |          |
| Book value of related ancillary services undertakings   | <b>96</b>  |          |          |
| Other differences in the valuation of assets (other than for assets not valued above)   | <b>97</b>  |          |          |
| Deferred acquisition costs excluded from line 89  | <b>98</b>  | 74506    | 69232    |
| Reinsurers' share of technical provisions excluded from line 89   | <b>99</b>  | 772167   | 931635   |
| Other asset adjustments (may be negative)   | <b>100</b> | 9979     |          |
| Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100) | <b>101</b> | 17540442 | 17111956 |
| Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance   | <b>102</b> | 4414     | 11985    |

**Long term insurance business liabilities and margins**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**Fund **Ordinary Long Term**Units **£000**

|   |                           | As at the end of<br>this financial<br>year<br>1 | As at the end of<br>the previous<br>year<br>2 |
|---|---------------------------|---|---|
| Mathematical reserves, after distribution of surplus  | <b>11</b>                 | 15278706  | 14705761                                      |
| Cash bonuses which had not been paid to policyholders prior to end of the financial year  | <b>12</b>                 |   |   |
| Balance of surplus/(valuation deficit)  | <b>13</b>                 |   |   |
| Long term insurance business fund carried forward (11 to 13)  | <b>14</b>                 | 15278706  | 14705761                                      |
| Claims outstanding  | Gross amount              | <b>15</b>                                       |   |
|   | Reinsurers' share         | <b>16</b>                                       |   |
|   | Net (15-16)               | <b>17</b>                                       |   |
| Provisions  | Taxation                  | <b>21</b>                                       | 14880   |
|   | Other                     | <b>22</b>                                       | 4551  |
| Deposits received from reinsurers   | <b>23</b>                 |   |   |
| Creditors   | Direct insurance business | <b>31</b>                                       | 122013  |
|   | Reinsurance accepted      | <b>32</b>                                       |   |
|   | Reinsurance ceded         | <b>33</b>                                       | 31691   |
| Debenture loans   | Secured                   | <b>34</b>                                       |   |
|   | Unsecured                 | <b>35</b>                                       |   |
| Amounts owed to credit institutions   | <b>36</b>                 |   |   |
| Creditors   | Taxation                  | <b>37</b>                                       | 30659   |
|   | Other                     | <b>38</b>                                       | 363344  |
| Accruals and deferred income  | <b>39</b>                 |   |   |
| Provision for "reasonably foreseeable adverse variations"   | <b>41</b>                 |   |   |
| Total other insurance and non-insurance liabilities (17 to 41)  | <b>49</b>                 | 562587  | 643614  |
| Excess of the value of net admissible assets  | <b>51</b>                 | 842497  | 761714  |
| Total liabilities and margins   | <b>59</b>                 | 16683790  | 16111089                                      |
| Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance                                      | <b>61</b>                 | 31528   | 42210   |
| Amounts included in line 59 attributable to liabilities in respect of property linked benefits  | <b>62</b>                 |   |   |
| Total liabilities (11+12+49)  | <b>71</b>                 | 15841293  | 15349375                                      |
| Increase to liabilities - DAC related   | <b>72</b>                 |   |   |
| Reinsurers' share of technical provisions   | <b>73</b>                 | 772167  | 931635  |
| Other adjustments to liabilities (may be negative)  | <b>74</b>                 | (133698)  | (81863)                                       |
| Capital and reserves and fund for future appropriations   | <b>75</b>                 | 1060680   | 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) | <b>76</b>                 | 17540442  | 17111956                                      |

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

Global business

Financial year ended **31st December 2006**

|  | Company registration number | GL/UK/CM       | Period ended |           |           | Units                                |                                    |
|--|-----------------------------|----------------|--------------|-----------|-----------|--------------------------------------|------------------------------------|
|  |                             |                | day          | month     | year      |                                      |                                    |
|  | <b>R15</b>                  | <b>3253948</b> | <b>GL</b>    | <b>31</b> | <b>12</b> | <b>2006</b>                          | <b>£000</b>                        |
|  |                             |                |              |           |           | As at the end of this financial year | As at the end of the previous year |
|  |                             |                |              | <b>1</b>  | <b>2</b>  | <b>2006</b>                          | <b>2005</b>                        |

**Technical provisions (gross amount)**

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

**Provisions and creditors**

|   |                           |           |      |       |
|---|---------------------------|-----------|------|-------|
| Provisions  | Taxation                  | <b>21</b> | 1434 | 2012  |
|   | Other risks and charges   | <b>22</b> |      |       |
| Deposits received from reinsurers                         |                           | <b>31</b> |      |       |
| Creditors   | Direct insurance business | <b>41</b> |      |       |
|   | Reinsurance accepted      | <b>42</b> |      |       |
|   | Reinsurance ceded         | <b>43</b> |      |       |
| Debenture loans   | Secured                   | <b>44</b> |      |       |
|   | Unsecured                 | <b>45</b> |      |       |
| Amounts owed to credit institutions                       |                           | <b>46</b> |      |       |
| Creditors   | Taxation                  | <b>47</b> | 1889 | 1011  |
|   | Declared dividend         | <b>48</b> |      |       |
|   | Other                     | <b>49</b> | 2764 | 10420 |
| Accruals and deferred income                              |                           | <b>51</b> |      |       |
| Total (19 to 51)  |                           | <b>59</b> | 6087 | 13443 |
| Provision for "reasonably foreseeable adverse variations" |                           | <b>61</b> |      |       |
| Cumulative preference share capital                       |                           | <b>62</b> |      |       |
| Subordinated loan capital                                 |                           | <b>63</b> |      |       |
| Total (59 to 63)  |                           | <b>69</b> | 6087 | 13443 |

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

|   |           |        |        |
|---|-----------|--------|--------|
| Reinsurers' share of DAC  | <b>81</b> |        |        |
| Amounts deducted from technical provisions for discounting  | <b>82</b> |        |        |
| Other adjustments (may be negative)   | <b>83</b> |        |        |
| Capital and reserves  | <b>84</b> | 141102 | 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) | <b>85</b> | 147189 | 171726 |

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

Global business

Financial year ended **31st December 2006**

|   |   | Company registration number | GL/UK/CM | Period ended  |       |        | Units |
|---|---|-----------------------------|----------|---------------|-------|--------|-------|
|   |   | R16                         | GL       | day           | month | year   | £000  |
|   |   | 3253948                     | GL       | 31            | 12    | 2006   | £000  |
|   |   | This financial year         |          | Previous year |       |        |       |
|   |   | 1                           |          | 2             |       |        |       |
| Transfer (to)/from the general insurance business technical account                         | From Form 20                                      | 11                          |          |               |       |        |       |
|   | Equalisation provisions                           | 12                          |          |               |       |        |       |
| Transfer from the long term insurance business revenue account                              |   | 13                          |          |               |       |        |       |
| Investment income   | Income  | 14                          | 7729     |               |       | 10311  |       |
|   | Value re-adjustments on investments               | 15                          | 2793     |               |       | 5160   |       |
|   | Gains on the realisation of investments           | 16                          | 695      |               |       |        |       |
| Investment charges  | Investment management charges, including interest | 17                          | 460      |               |       | 928    |       |
|   | Value re-adjustments on investments               | 18                          |          |               |       |        |       |
|   | 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                          | 10757    |               |       | 14543  |       |
| Tax on profit or loss on ordinary activities  |   | 31                          | (2062)   |               |       | (2687) |       |
| Profit or loss on ordinary activities after tax (29-31)                                     |   | 39                          | 12819    |               |       | 17230  |       |
| 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                          | 12819    |               |       | 17230  |       |
| Dividends (paid or declared)  |   | 51                          | 30000    |               |       |        |       |
| Profit or loss retained for the financial year (49-51)                                      |   | 59                          | (17181)  |               |       | 17230  |       |



**Analysis of derivative contracts**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**Category of assets **Ordinary Long Term**

|                                  |                           | Company<br>registration<br>number    | GL/UK/CM         | Period ended |                                    |    | Units | Category<br>of<br>assets |    |
|----------------------------------|---------------------------|--------------------------------------|------------------|--------------|------------------------------------|----|-------|--------------------------|----|
|                                  |                           | R17                                  | 3253948          | GL           | 31                                 | 12 | 2006  | £000                     | 10 |
|                                  |                           | As at the end of this financial year |                  |              | As at the end of the previous year |    |       |                          |    |
|                                  |                           | Assets<br>1                          | Liabilities<br>2 | Assets<br>3  | Liabilities<br>4                   |    |       |                          |    |
| <b>Derivative contracts</b>      |                           |                                      |                  |              |                                    |    |       |                          |    |
| Futures<br>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<br>for<br>differences  | Fixed-interest securities | 31                                   | 9979             | 8970         | 14198                              |    |       |                          |    |
|                                  | Equity shares             | 32                                   |                  |              |                                    |    |       |                          |    |
|                                  | Land                      | 33                                   |                  |              |                                    |    |       |                          |    |
|                                  | Currencies                | 34                                   |                  |              |                                    |    |       |                          |    |
|                                  | Other                     | 35                                   |                  |              |                                    |    |       |                          |    |
| Adjustments for variation margin |                           | 41                                   | (9979)           | (3525)       | (6142)                             |    |       |                          |    |
| Total (11 to 41)                 |                           | 49                                   |                  | 5445         | 8056                               |    |       |                          |    |

**Long-term insurance business : Revenue account**Name of insurer **Norwich Union Annuity Limited**Name and number of fund/Summary **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

|  |           | Financial year | Previous year  |
|--|-----------|----------------|----------------|
|  |           | 1              | 2              |
| <b>Income</b>  |           |                |                |
| Earned premiums  | 11        | 1365258        | 1445646        |
| Investment income receivable before deduction of tax                       | 12        | 984100         | 916864         |
| Increase (decrease) in the value of non-linked assets brought into account | 13        | (694723)       | 841284         |
| Increase (decrease) in the value of linked assets                          | 14        |                |                |
| Other income   | 15        |                |                |
| <b>Total income</b>  | <b>19</b> | <b>1654635</b> | <b>3203794</b> |
|  |           |                |                |
| <b>Expenditure</b>   |           |                |                |
| Claims incurred  | 21        | 983273         | 913234         |
| Expenses payable   | 22        | 65731          | 56241          |
| Interest payable before deduction of tax                                   | 23        | 25424          | 9398           |
| Taxation   | 24        | 7262           | 8599           |
| Other expenditure  | 25        |                |                |
| Transfer to (from) non technical account                                   | 26        |                |                |
| <b>Total expenditure</b>   | <b>29</b> | <b>1081690</b> | <b>987472</b>  |
|  |           |                |                |
| Business transfers-in  | 31        |                |                |
| Business transfers-out   | 32        |                |                |
| Increase (decrease) in fund in financial year (19-29+31-32)                | 39        | 572945         | 2216322        |
| Fund brought forward   | 49        | 14705761       | 12489439       |
| Fund carried forward (39+49)   | 59        | 15278706       | 14705761       |

**Long term insurance business : Analysis of premiums**Name of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

|                                  |    | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|----------------------------------|----|---------|------------|----------|----------------------|---------------------|
|                                  |    | 1       | 2          | 3        | 4                    | 5                   |
| <b>Gross</b>                     |    |         |            |          |                      |                     |
| Regular premiums                 | 11 |         |            |          |                      |                     |
| Single premiums                  | 12 | 26734   | 1392847    | 24259    | 1443840              | 1539293             |
|                                  |    |         |            |          |                      |                     |
| <b>Reinsurance - external</b>    |    |         |            |          |                      |                     |
| Regular premiums                 | 13 |         |            |          |                      |                     |
| Single premiums                  | 14 | 4633    | 73949      |          | 78582                | 93647               |
|                                  |    |         |            |          |                      |                     |
| <b>Reinsurance - intra-group</b> |    |         |            |          |                      |                     |
| Regular premiums                 | 15 |         |            |          |                      |                     |
| Single premiums                  | 16 |         |            |          |                      |                     |
|                                  |    |         |            |          |                      |                     |
| <b>Net of reinsurance</b>        |    |         |            |          |                      |                     |
| Regular premiums                 | 17 |         |            |          |                      |                     |
| Single premiums                  | 18 | 22101   | 1318898    | 24259    | 1365258              | 1445646             |
|                                  |    |         |            |          |                      |                     |
| <b>Total</b>                     |    |         |            |          |                      |                     |
| Gross                            | 19 | 26734   | 1392847    | 24259    | 1443840              | 1539293             |
| Reinsurance                      | 20 | 4633    | 73949      |          | 78582                | 93647               |
| Net                              | 21 | 22101   | 1318898    | 24259    | 1365258              | 1445646             |

**Long term insurance business : Analysis of claims**Name of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2006**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        | 2            | 12             |              | 14                   | 171                 |
| Disability periodic payments     | 12        |              |                |              |                      |                     |
| Surrender or partial surrender   | 13        | 618          | 878            | 180          | 1676                 | 2544                |
| Annuity payments                 | 14        | 29201        | 1061634        | 25241        | 1116076              | 1052217             |
| Lump sums on maturity            | 15        |              |                |              |                      | 201                 |
| <b>Total</b>                     | <b>16</b> | <b>29821</b> | <b>1062524</b> | <b>25421</b> | <b>1117766</b>       | <b>1055133</b>      |
|                                  |           |              |                |              |                      |                     |
| <b>Reinsurance - external</b>    |           |              |                |              |                      |                     |
| Death or disability lump sums    | 21        |              |                |              |                      |                     |
| Disability periodic payments     | 22        |              |                |              |                      |                     |
| Surrender or partial surrender   | 23        |              |                |              |                      |                     |
| Annuity payments                 | 24        | 17893        | 62146          | 118          | 80157                | 74523               |
| Lump sums on maturity            | 25        |              |                |              |                      |                     |
| <b>Total</b>                     | <b>26</b> | <b>17893</b> | <b>62146</b>   | <b>118</b>   | <b>80157</b>         | <b>74523</b>        |
|                                  |           |              |                |              |                      |                     |
| <b>Reinsurance - intra-group</b> |           |              |                |              |                      |                     |
| Death or disability lump sums    | 31        |              |                |              |                      |                     |
| Disability periodic payments     | 32        |              |                |              |                      |                     |
| Surrender or partial surrender   | 33        |              |                |              |                      |                     |
| Annuity payments                 | 34        |              | 54336          |              | 54336                | 67376               |
| Lump sums on maturity            | 35        |              |                |              |                      |                     |
| <b>Total</b>                     | <b>36</b> |              | <b>54336</b>   |              | <b>54336</b>         | <b>67376</b>        |
|                                  |           |              |                |              |                      |                     |
| <b>Net of reinsurance</b>        |           |              |                |              |                      |                     |
| Death or disability lump sums    | 41        | 2            | 12             |              | 14                   | 171                 |
| Disability periodic payments     | 42        |              |                |              |                      |                     |
| Surrender or partial surrender   | 43        | 618          | 878            | 180          | 1676                 | 2544                |
| Annuity payments                 | 44        | 11308        | 945152         | 25123        | 981583               | 910318              |
| Lump sums on maturity            | 45        |              |                |              |                      | 201                 |
| <b>Total</b>                     | <b>46</b> | <b>11928</b> | <b>946042</b>  | <b>25303</b> | <b>983273</b>        | <b>913234</b>       |

**Long term insurance business : Analysis of expenses**Name of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

|                                  |    | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|----------------------------------|----|---------|------------|----------|----------------------|---------------------|
|                                  |    | 1       | 2          | 3        | 4                    | 5                   |
| <b>Gross</b>                     |    |         |            |          |                      |                     |
| Commission - acquisition         | 11 | 849     | 15456      | 53       | 16358                | 15731               |
| Commission - other               | 12 |         |            |          |                      |                     |
| Management - acquisition         | 13 | 320     | 21973      | 767      | 23060                | 18317               |
| Management - maintenance         | 14 | 393     | 21329      | 571      | 22293                | 18863               |
| Management - other               | 15 | 343     | 4155       |          | 4498                 | 3330                |
| <b>Total</b>                     | 16 | 1905    | 62913      | 1391     | 66209                | 56241               |
|                                  |    |         |            |          |                      |                     |
| <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 |         | 478        |          | 478                  |                     |
| Management - other               | 35 |         |            |          |                      |                     |
| <b>Total</b>                     | 36 |         | 478        |          | 478                  |                     |
|                                  |    |         |            |          |                      |                     |
| <b>Net of reinsurance</b>        |    |         |            |          |                      |                     |
| Commission - acquisition         | 41 | 849     | 15456      | 53       | 16358                | 15731               |
| Commission - other               | 42 |         |            |          |                      |                     |
| Management - acquisition         | 43 | 320     | 21973      | 767      | 23060                | 18317               |
| Management - maintenance         | 44 | 393     | 20851      | 571      | 21815                | 18863               |
| Management - other               | 45 | 343     | 4155       |          | 4498                 | 3330                |
| <b>Total</b>                     | 46 | 1905    | 62435      | 1391     | 65731                | 56241               |

**Long term insurance business : Summary of new business**Name of insurer **Norwich Union Annuity Limited**

Total business

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

|   |    | UK Life | UK Pension | Overseas | Total Financial year | Total Previous year |
|---|----|---------|------------|----------|----------------------|---------------------|
|   |    | 1       | 2          | 3        | 4                    | 5                   |
| <b>Number of new policyholders/scheme members for direct insurance business</b> |    |         |            |          |                      |                     |
| Regular premium business  | 11 |         |            |          |                      |                     |
| Single premium business   | 12 | 487     | 46904      | 580      | 47971                | 43950               |
| <b>Total</b>  | 13 | 487     | 46904      | 580      | 47971                | 43950               |
| <b>Amount of new regular premiums</b>   |    |         |            |          |                      |                     |
| Direct insurance business   | 21 |         |            |          |                      |                     |
| External reinsurance  | 22 |         |            |          |                      |                     |
| Intra-group reinsurance   | 23 |         |            |          |                      |                     |
| <b>Total</b>  | 24 |         |            |          |                      |                     |
| <b>Amount of new single premiums</b>  |    |         |            |          |                      |                     |
| Direct insurance business   | 25 | 26734   | 1392847    | 17227    | 1436808              | 1532117             |
| External reinsurance  | 26 |         |            |          |                      |                     |
| Intra-group reinsurance   | 27 |         |            | 7032     | 7032                 | 7176                |
| <b>Total</b>  | 28 | 26734   | 1392847    | 24259    | 1443840              | 1539293             |

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

Total business

Financial year ended **31st December 2006**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) |  |                    | 482                                      | 26283              |
| 905                 | Index linked annuity     |  |                    | 5  | 451                |
|                     |                          |  |                    |  |                    |

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

Total business

Financial year ended **31st December 2006**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) |  |                    | 46677                                    | 1374208            |
| 905                 | Index linked annuity     |  |                    | 227                                      | 18639              |
|                     |                          |  |                    |  |                    |



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

Total business

Financial year ended **31st December 2006**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 |
| <b>1</b>            | <b>2</b>                 | <b>3</b>                                 | <b>4</b>           | <b>5</b>                                 | <b>6</b>           |
| 395                 | Annuity non-profit (PLA) |  |                    | 403                                      | 16875              |
| 905                 | Index linked annuity     |  |                    | 5  | 352                |
|                     |                          |  |                    |  |                    |

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

Total business

Financial year ended **31st December 2006**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) |  |                    | 172                                      | 7032               |
| 905                 | Index linked annuity     |  |                    |  |                    |
|                     |                          |  |                    |  |                    |

**Long term insurance business : Non-linked assets**Name of insurer **Norwich Union Annuity Limited**Category of assets **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

|   |    | Unadjusted<br>assets | Economic<br>Exposure | Expected<br>income<br>from assets<br>in column 2 | Yield<br>before<br>adjustment | Return on<br>assets in<br>financial<br>year |
|---|----|----------------------|----------------------|--|-------------------------------|---|
|   |    | 1                    | 2                    | 3  | 4                             | 5   |
| <b>Assets backing non-profit liabilities and non-profit capital requirement</b>     |    |                      |                      |  |                               |   |
| Land and buildings  | 11 | 3471                 | 3471                 | 282  | 8.06                          |   |
| Approved fixed interest securities  | 12 | 933264               | 933264               | 28541  | 4.71                          |   |
| Other fixed interest securities   | 13 | 3977157              | 3977157              | 232134   | 5.65                          |   |
| Variable interest securities  | 14 | 32237                | 32237                | 801  | 1.97                          |   |
| UK listed equity shares   | 15 |                      |                      |  |                               |   |
| Non-UK listed equity shares   | 16 |                      |                      |  |                               |   |
| Unlisted equity shares  | 17 | 88                   | 88                   |  |                               |   |
| Other assets  | 18 | 10900265             | 10900265             | 628432   | 5.83                          |   |
| <b>Total</b>  | 19 | 15846482             | 15846482             | 890190   | 5.71                          |   |
| <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 **Norwich Union Annuity Limited**Category of assets **Ordinary Long Term**Financial year ended **31st December 2006**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 | 533210          | 14.71     | 4.85                    | 4.75                   |
| <b>Other approved fixed interest securities</b>         | 21 | 400054          | 17.39     | 4.52                    | 4.41                   |
| <b>Other fixed interest securities</b>                  |    |                 |           |                         |                        |
| AAA/Aaa   | 31 | 707168          | 12.04     | 5.04                    | 4.95                   |
| AA/Aa   | 32 | 1300701         | 12.01     | 5.52                    | 5.20                   |
| A/A   | 33 | 1255576         | 10.62     | 5.59                    | 5.27                   |
| BBB/Baa   | 34 | 691737          | 8.58      | 5.90                    | 5.23                   |
| BB/Ba   | 35 | 12109           | 7.85      | 6.26                    | 4.21                   |
| B/B   | 36 |                 |           |                         |                        |
| CCC/Caa   | 37 | 4917            | 3.18      | 77.93                   |                        |
| Other (including unrated)                               | 38 | 4949            | 1.28      | 32.47                   | 3.98                   |
| <b>Total other fixed interest securities</b>            | 39 | 3977157         | 10.94     | 5.65                    | 5.17                   |
| <b>Approved variable interest securities</b>            | 41 | 3154            | 20.15     | 1.45                    | 1.36                   |
| <b>Other variable interest securities</b>               | 51 | 29083           | 12.79     | 2.02                    | 1.81                   |
| <b>Total (11+21+39+41+51)</b>                           | 61 | 4942658         | 11.89     | 5.45                    | 5.04                   |

**Long term insurance business : Summary of mathematical reserves**Name of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2006**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 | 221615  | 14571373   | 419327   | 15212315             | 14798819            |
| Form 52                          | 13 |         |            |          |                      |                     |
| Form 53 - linked                 | 14 |         |            |          |                      |                     |
| Form 53 - non-linked             | 15 |         |            |          |                      |                     |
| Form 54 - linked                 | 16 |         |            |          |                      |                     |
| Form 54 - non-linked             | 17 | 17069   | 843921     | 5156     | 866146               | 857555              |
| <b>Total</b>                     | 18 | 238684  | 15415294   | 424483   | 16078461             | 15656374            |
|                                  |    |         |            |          |                      |                     |
| <b>Reinsurance - external</b>    |    |         |            |          |                      |                     |
| Form 51 - with-profits           | 21 |         |            |          |                      |                     |
| Form 51 - non-profit             | 22 | 22570   | 101507     | 1736     | 125813               | 124120              |
| Form 52                          | 23 |         |            |          |                      |                     |
| Form 53 - linked                 | 24 |         |            |          |                      |                     |
| Form 53 - non-linked             | 25 |         |            |          |                      |                     |
| Form 54 - linked                 | 26 |         |            |          |                      |                     |
| Form 54 - non-linked             | 27 | 9677    | 19161      |          | 28838                | 29213               |
| <b>Total</b>                     | 28 | 32247   | 120668     | 1736     | 154651               | 153333              |
|                                  |    |         |            |          |                      |                     |
| <b>Reinsurance - intra-group</b> |    |         |            |          |                      |                     |
| Form 51 - with-profits           | 31 |         |            |          |                      |                     |
| Form 51 - non-profit             | 32 |         | 645104     |          | 645104               | 797280              |
| 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 |         | 645104     |          | 645104               | 797280              |
|                                  |    |         |            |          |                      |                     |
| <b>Net of reinsurance</b>        |    |         |            |          |                      |                     |
| Form 51 - with-profits           | 41 |         |            |          |                      |                     |
| Form 51 - non-profit             | 42 | 199045  | 13824762   | 417591   | 14441398             | 13877419            |
| Form 52                          | 43 |         |            |          |                      |                     |
| Form 53 - linked                 | 44 |         |            |          |                      |                     |
| Form 53 - non-linked             | 45 |         |            |          |                      |                     |
| Form 54 - linked                 | 46 |         |            |          |                      |                     |
| Form 54 - non-linked             | 47 | 7392    | 824760     | 5156     | 837308               | 828342              |
| <b>Total</b>                     | 48 | 206437  | 14649522   | 422747   | 15278706             | 14705761            |





























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

Global business

Total business

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

| Type of assets and liabilities                | Name of index link | Value of assets or liabilities | Gross derivative value |
|---|--------------------|--------------------------------|------------------------|
|   | 1                  | 2                              | 3                      |
| Corporate and index linked bonds              | RPI                | 569360                         |                        |
| Land and buildings                            | RPI                | 55460                          |                        |
| Rights under derivatives contracts            | RPI                | 12123                          |                        |
| Government and public body index linked bonds | RPI                | 178245                         |                        |
| Fully secured loans (Equity release)          | RPI                | 22120                          |                        |
| <b>Sub total assets</b>                       |                    | <b>837308</b>                  |                        |
| <b>Sub total liabilities</b>                  |                    |                                |                        |
| <b>Sub total net assets</b>                   |                    | <b>837308</b>                  |                        |
|   |                    |                                |                        |
|   |                    |                                |                        |
|   |                    |                                |                        |
|   |                    |                                |                        |
|   |                    |                                |                        |
|   |                    |                                |                        |
|   |                    |                                |                        |
| Total assets                                  |                    | <b>837308</b>                  | <b>n/a</b>             |
| Total liabilities                             |                    |                                | <b>n/a</b>             |
| Net total assets                              |                    | <b>837308</b>                  | <b>n/a</b>             |

**Long-term insurance business - analysis of valuation interest rates**Name of insurer **Norwich Union Annuity Limited**Total business / subfund **Ordinary Long Term**Financial year ended **31st December 2006**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>                               |
| UK L&GA NP Form 51 annuities | 111202                    | 4.39                        | 4.89                          | 5.13                                   |
| UK L&GA NP Form 51 annuities | 87545                     |                             | 4.89                          | 5.13                                   |
| UK Pens NP Form 51 annuities | 13750230                  |                             | 4.89                          | 5.13                                   |
| OS NP Form 51 annuities      | 10                        | 4.39                        | 4.89                          | 5.13                                   |
| OS NP Form 51 annuities      | 416955                    |                             | 4.89                          | 5.13                                   |
| UK L&GA NP Form 54 annuities | 7382                      | 0.96                        | 1.45                          | 1.67                                   |
| UK Pens NP Form 54 annuities | 823525                    |                             | 1.45                          | 1.67                                   |
| OS NP Form 54 annuities      | 5148                      |                             | 1.45                          | 1.67                                   |
| Misc                         | 76709                     | n/a                         | n/a                           |  |
| Total:                       | <b>15278706</b>           | n/a                         | n/a                           | n/a                                    |

**Long term insurance business : distribution of surplus**Name of insurer **Norwich Union Annuity Limited**Total business/subfund **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

|   |    | <b>Financial year</b> | <b>Previous year</b> |
|---|----|-----------------------|----------------------|
|   |    | <b>1</b>              | <b>2</b>             |
| <b>Valuation result</b>   |    |                       |                      |
| Fund carried forward  | 11 | 15278706              | 14705761             |
| 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 | 15278706              | 14705761             |
| Mathematical reserves   | 21 | 15278706              | 14705761             |
| Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21) | 29 |                       |                      |
| <b>Composition of Surplus</b>   |    |                       |                      |
| 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 |                       |                      |
| <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 |                       |                      |
| Total distributed surplus (46+47)   | 48 |                       |                      |
| Surplus carried forward   | 49 |                       |                      |
| Total (48+49)   | 59 |                       |                      |
| <b>Percentage of distributed surplus allocated to policyholders</b>   |    |                       |                      |
| Current year  | 61 |                       |                      |
| Current year - 1  | 62 |                       |                      |
| Current year - 2  | 63 |                       |                      |
| Current year - 3  | 64 |                       |                      |

**Long term insurance capital requirement**Name of insurer **Norwich Union Annuity Limited**

Global business

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

|  |    | LTICR factor | Gross reserves / capital at risk | Net reserves / capital at risk | Reinsurance factor | LTICR Financial year | LTICR Previous year |
|--|----|--------------|----------------------------------|--------------------------------|--------------------|----------------------|---------------------|
|  |    | 1            | 2                                | 3                              | 4                  | 5                    | 6                   |
| <b>Insurance death risk capital component</b>                                  |    |              |                                  |                                |                    |                      |                     |
| Life protection reinsurance  | 11 | 0.0%         |                                  |                                |                    |                      |                     |
| Classes I (other), II and IX   | 12 | 0.1%         |                                  |                                |                    |                      |                     |
| Classes I (other), II and IX   | 13 | 0.15%        |                                  |                                |                    |                      |                     |
| Classes I (other), II and IX   | 14 | 0.3%         |                                  |                                |                    |                      |                     |
| Classes III, VII and VIII  | 15 | 0.3%         |                                  |                                |                    |                      |                     |
| <b>Total</b>   | 16 |              |                                  |                                |                    |                      |                     |
| <b>Insurance health risk and life protection reinsurance capital component</b> |    |              |                                  |                                |                    |                      |                     |
| Class IV, supplementary classes 1 and 2 and life protection reinsurance        | 21 |              |                                  |                                |                    |                      |                     |
| <b>Insurance expense risk capital component</b>                                |    |              |                                  |                                |                    |                      |                     |
| Life protection and permanent health reinsurance                               | 31 | 0.0%         |                                  |                                |                    |                      |                     |
| Classes I (other), II and IX   | 32 | 1%           | 16078461                         | 15278706                       | 0.95               | 152787               | 147058              |
| Classes III, VII and VIII (investment risk)                                    | 33 | 1%           |                                  |                                |                    |                      |                     |
| Classes III, VII and VIII (expenses fixed 5 yrs +)                             | 34 | 1%           |                                  |                                |                    |                      |                     |
| Classes III, VII and VIII (other)  | 35 | 25%          |                                  |                                |                    |                      |                     |
| Class IV (other)   | 36 | 1%           |                                  |                                |                    |                      |                     |
| Class V  | 37 | 1%           |                                  |                                |                    |                      |                     |
| Class VI   | 38 | 1%           |                                  |                                |                    |                      |                     |
| <b>Total</b>   | 39 |              |                                  |                                |                    | 152787               | 147058              |
| <b>Insurance market risk capital component</b>                                 |    |              |                                  |                                |                    |                      |                     |
| Life protection and permanent health reinsurance                               | 41 | 0.0%         |                                  |                                |                    |                      |                     |
| Classes I (other), II and IX   | 42 | 3%           | 16078461                         | 15278706                       | 0.95               | 458361               | 441173              |
| Classes III, VII and VIII (investment risk)                                    | 43 | 3%           |                                  |                                |                    |                      |                     |
| Classes III, VII and VIII (expenses fixed 5 yrs +)                             | 44 | 0%           |                                  |                                |                    |                      |                     |
| Classes III, VII and VIII (other)  | 45 | 0%           |                                  |                                |                    |                      |                     |
| Class IV (other)   | 46 | 3%           |                                  |                                |                    |                      |                     |
| Class V  | 47 | 0%           |                                  |                                |                    |                      |                     |
| Class VI   | 48 | 3%           |                                  |                                |                    |                      |                     |
| <b>Total</b>   | 49 |              | 16078461                         | 15278706                       |                    | 458361               | 441173              |
| <b>Long term insurance capital requirement</b>                                 | 51 |              |                                  |                                |                    | 611148               | 588231              |

**Supplementary notes**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006****Code****0204 Section 148 Waivers****Rate of interest 648787**

The Financial Services Authority, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2006. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and INSPRU 3.1.39R so that a more appropriate rate of interest will be used for assets taken in combination. This modification applies solely to fixed interest securities or assets linked to an index of retail prices which are considered by the actuarial function holder to be backing the non-profit (non-linked or index-linked) annuity business of the firm.

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

|  | <b>£'000</b>  |
|--|---------------|
| i) Net admissible assets   |               |
| Form 13 Line 89 (Long term business)   | 16,683,790    |
| Form 13 Line 89 (Other than long term business)  | 147,189       |
| Form 14 Lines 11, 12 and 49  | (15,841,293)  |
| Form 15 Line 69  | (6,087)       |
|  | <hr/> 983,599 |
| 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  | 983,599       |
| Form 3, line 79  | 983,599       |

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

|   | <b>£'000</b> |
|---|--------------|
| a) Positive valuation differences in respect of assets where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes            | -            |
| b) Positive valuation differences in respect of liabilities where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes |              |
| - Deferred tax provision  | 131,129      |
| c) Negative valuation differences in respect of assets where valuation in GENPRU and INSPRU 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 GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes       |              |
| - Mathematical reserves   | (274,806)    |
| Net negative valuation difference included in line 35   | (143,677)    |

**1301 Aggregate values of assets**

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

|  | <b>£m</b> |
|--|-----------|
| Unlisted investments on lines 41 and 46  | 110       |
| 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  | -         |

**Supplementary notes**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006****Code****1308 Aggregate values of assets**

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

|  | <b>£m</b> |
|--|-----------|
| Unlisted investments on lines 41 and 46  | 534       |
| 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****1319 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****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.

**Supplementary notes**Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006****Code****1309 Hybrid securities**

The aggregate value of hybrid securities is £390m

**1318 Other asset adjustments**

Amounts included in Form 13 line 100 are analysed as follows.

**Category 10  
£'000**

|   |       |
|---|-------|
| Collateral set off against derivative asset | 9,979 |
|---|-------|

**1401 Reasonably foreseeable adverse variations****1501 Reasonably foreseeable adverse variations**

No provision is required in respect of reasonably foreseeable adverse variations. All derivative assets are covered according to the terms of counterparty ISDAs.

**1402 Contingent liabilities**

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.

**1404 Implicit provision required by INSPRU 3.2.17R(3)**

The amount of implicit provision required by INSPRU 3.2.17R(3) included in line 38 is £8,970k.

**1405 Other adjustments to liabilities**

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

|   |                  |
|---|------------------|
|   | <b>Total</b>     |
|   | <b>£'000</b>     |
| Adjustment to mathematical reserves         | (274,806)        |
| Adjustment to deferred tax provision        | 131,129          |
| Collateral set off against derivative asset | 9,979            |
| Total                                       | <u>(133,698)</u> |

**1502 Contingent liabilities**

A provision of £1.4m 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.



**Supplementary notes**

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

**Code**

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

There are no other fundamental uncertainties.

**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 £207k.

The variation margin is allocated as follows:

|                 | <b>£'000</b> |
|-----------------|--------------|
| Form 13 line 44 | (9,979)      |
| Form 14 line 38 | (8,843)      |

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**

There were no related party transactions during the year which exceeded 5% of the long-term insurance business amount.

**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 not included in column 3 of Form 48. The total expected interest is £2,442k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

**Supplementary notes**

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

**Code**

**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.

**4804 Yield for assets line 18**

The yield shown in column 4 for the following assets is significantly different from the weighted average of the yields for each asset of that type determined in accordance with INSPRU 3.1.34R(2) before any allowance for tax required by INSPRU 3.1.29R.

|  | <b>Yield</b> |
|--|--------------|
| Shares in non-insurance dependants (Form 13 Line 25) | Nil          |
| Direct insurance debtors (Form 13 line 71)           | Nil          |
| Reinsurance debtors (Form 13 line 74)                | Nil          |
| Other debtors (Form 13 line 78)                      | Nil          |

**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 9.4**

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2006**

**1. Introduction**

- (1) The **valuation date** is 31 December 2006.
- (2) The previous valuation was completed with an effective date of 31 December 2005.
- (3) No interim valuations have been carried out.

**2. Product Range**

During 2006, Norwich Union Annuity Limited entered the bulk purchase annuity market. At 31 December 2006 the amount of this business in force was not material.

**3. Discretionary charges and benefits**

- (1) There is no accumulating with-profits business.
- (2) Not applicable.
- (3) There are no deposit administration benefits.
- (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) Valuation methodology**

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) Valuation interest rates**

The following table gives the valuation interest rates at the end of 2006 compared with those at the end of 2005. 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 |           |
|---|--------------------------|-----------|
|   | 2006<br>%                | 2005<br>% |
| Non-linked pensions annuities           | 4.892                    | 4.591     |
| Non-linked life and general annuities   | 4.392                    | 4.091     |
| Index linked pensions annuities         | 1.449                    | 1.315     |
| Index linked life and general annuities | 0.963                    | 0.830     |

**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 2006****(3) Adjustment to yield for credit risk**

In accordance with INSPRU 3.1.41R, 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.

This adjustment took account of:

- (a) Market margins of gross yield over the yields of risk-free investments of a similar term in the same currency, where available
- (b) 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
- (c) The future outlook for bad debt experience.
- (d) The historic experience of bad debts for each of the major fixed interest asset classes
- (e) The need to take a prudent view of the above.

The deductions for bad debts were:

|   | <b>31 December<br/>2006</b> | <b>31 December<br/>2005</b> |
|---|-----------------------------|-----------------------------|
| Commercial mortgages                                | 0.42%                       | 0.41%                       |
| Non-linked equity release mortgages funded pre 2006 | 0.90%                       | 0.90%                       |
| Non-linked equity release mortgages 2006 funded     | 0.72%                       | N/A                         |
| RPI linked equity release mortgages                 | 2.25%                       | 2.25%                       |
| Index linked property                               | 0.69%                       | 0.69%                       |
| Corporate Bonds – AAA                               | 0.09%                       | 0.09%                       |
| Corporate Bonds – AA                                | 0.28%                       | 0.28%                       |
| Corporate Bonds – A                                 | 0.32%                       | 0.32%                       |
| Corporate Bonds – BBB                               | 0.67%                       | 0.67%                       |
| Corporate Bonds – BB                                | 1.68%                       | 1.68%                       |
| Corporate Bonds – B                                 | 3.10%                       | 3.10%                       |
| Corporate Bonds – C                                 | 4.95%                       | 4.95%                       |
| Corporate Bonds – unrated                           | 0.67%                       | 0.67%                       |
| Private placements                                  | <i>See Note</i>             | 0.69%                       |
| Swaps   | 0.00%                       | 0.00%                       |

*Note: Rating-specific deductions were applied to private placements in line with the corporate bond deductions in the above table.*

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 Mortgage Holding 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.

**(4) Mortality assumptions**

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 2006 mortality basis is unchanged from the 2005 mortality basis for the majority of NUA annuity business. 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.

**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 2006**

The following table summarises the standard NUA mortality basis and improvement rates.

|   | Base table                         | 31 December 2006 |          | 31 December 2005 |          |
|---|------------------------------------|------------------|----------|------------------|----------|
|   |                                    | Male %           | Female % | Male %           | Female % |
| Pensions Annuity (business up to 31/12/2002)                    | PCMA00/PCFA00                      | 85.5             | 80.0     | 85.5             | 80.0     |
| Pension Annuity (business post 31/12/2002)                      | PCMA00/PCFA00                      | 69.5             | 65.0     | 69.5             | 65.0     |
| General Annuity   | IML00/IFL00                        | 69.0             | 72.0     | 69.0             | 72.0     |
| Improvement rates applied to both Pension and General Annuities | Medium cohort applicable from 2005 | 100.0            | 75.0     | 100.0            | 75.0     |
|   | Minimum rate p.a.                  | 2.0              | 1.5      | 2.0              | 1.5      |

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.

The mortality basis for the non-profit pension immediate annuity business that had been written in Provident Mutual and was transferred into NUA in 2005 was reviewed during 2006. The 2006 and 2005 mortality bases and improvement rates for this Provident Mutual originated business are as follows.

|   | 31 December 2006                   |        |          | 31 December 2005                   |        |          |
|---|------------------------------------|--------|----------|------------------------------------|--------|----------|
|   | Base table                         | Male % | Female % | Base table                         | Male % | Female % |
| Individual business   | IML00/IFL00                        | 90.0   | 90.0     | IMA92/IFA92 modified               | 99.0   | 99.0     |
| Group business  | PCMA00/PCFA00                      | 100.0  | 110.0    | PMA92/PFA92 modified               | 89.0   | 89.0     |
| Improvement rates applied to both Individual and Group business | Medium cohort applicable from 2005 | 100.0  | 75.0     | Medium cohort applicable from 2005 | 100.0  | 75.0     |
|   | Minimum rate p.a.                  | 2.0    | 1.5      | Minimum rate p.a.                  | 2.0    | 1.5      |

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)                          | 31 December 2006 |      |        |      | 31 December 2005 |      |        |      |
|---|------------------|------|--------|------|------------------|------|--------|------|
|   | Male             |      | Female |      | Male             |      | Female |      |
|   | 65               | 75   | 65     | 75   | 65               | 75   | 65     | 75   |
| Standard Pensions Annuity (Business Up To 31/12/2002) | 23.7             | 14.4 | 25.8   | 16.4 | 23.5             | 14.3 | 25.7   | 16.3 |
| Standard Pensions Annuity (Business Post 31/12/2002)  | 25.9             | 16.3 | 27.9   | 18.2 | 25.7             | 16.1 | 27.8   | 18.0 |
| General Annuity                                       | 25.9             | 16.1 | 27.6   | 17.5 | 25.7             | 15.9 | 27.4   | 17.3 |
| Provident Mutual originated individual annuity        | 23.3             | 14.0 | 25.5   | 15.7 | 22.9             | 14.0 | 25.1   | 15.3 |
| Provident Mutual originated group annuity             | 22.1             | 13.2 | 22.8   | 13.9 | 23.4             | 14.1 | 25.8   | 16.5 |

(5) Not applicable.

**(6) Expense assumptions**

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%. Expense assumptions are shown for pension annuities only. The per policy expenses are shown gross and no tax relief is assumed.

**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 2006**

|                              | Per policy expense £ per annum |       |
|------------------------------|--------------------------------|-------|
|                              | 2006                           | 2005  |
| Annuity non-profit CPA (400) | 20.54                          | 19.81 |

An additional reserve of £3m has been established in respect of project costs.

The assumed future inflation rate applying to maintenance expenses is 4.4% pa.

- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) The valuation interest rate was adjusted to allow for investment expenses based on actual investment charges incurred. There were no other material basis assumptions.
- (11) 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.

- (12) There is no impact on mathematical reserves arising from changes in the INSPRU valuation regulations effective from 31 December 2006.

**5. Options and Guarantee**

- (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 2006, the explicit allowance for maintenance expenses during 2007 is £10.6m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2007 is £11.4m. All expenses have been treated as attributable.
- (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 £21.8m. This compares with the £22m from 6(1).

**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 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 2006 and a reserve for £5m, corresponding to the full cost, was established on Form 51.
- (6) There are no expenses which have been treated as non-attributable.

**7. Mismatching Reserves**

- (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 2006, in line with INSPRU 3.1.16R
  - (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term gilt yield
  - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term gilt yield

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 2006 was test (a).

- (5) There are no investments outside of the United Kingdom at 31 December 2006.
- (6) The assets and liabilities have been revalued on this interest basis.
  - (a) The calculations have led to a resilience capital requirement of £ 17.3 m.
  - (b) The aggregate value of assets has decreased by £1,343.3m
  - (c) The aggregate value of liabilities has decreased by £1,326.0m
- (7) The valuation liabilities include an allowance of an 11bp deduction from the valuation interest rate for duration mismatch as mentioned in section 4(3). No further reserve is required to satisfy INSPRU 1.1.34R.

**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.

|                                  | <b>Treaties 1 to 3</b>  |
|----------------------------------|---|
| 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 2006         | £7.120m   |
| Deposit back arrangements        | Not applicable  |
| 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 £32.382m  |
| Retention limit for new policies | 10% retained of each new annuity  |

**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 2006**

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.

|                                  | <b>Treaty 4</b>                                      |
|----------------------------------|--|
| Reinsurer                        | Hannover Re  |
| Nature of cover                  | 75% Quota share on UK Impaired Life Annuity business |
| Premiums payable in 2006         | £12.330m   |
| Deposit back arrangements        | Not applicable                                       |
| Open/closed to new business      | Open to new business                                 |
| Undischarged liabilities         | None   |
| Mathematical reserves ceded      | £54.171  |
| 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.

|                                  | <b>Treaty 5</b>   | <b>Treaty 6</b>   |
|----------------------------------|---|---|
| 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 2006         | £42.974m  | £18.418m  |
| 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      | £28.622m  | £12.267m  |
| Retention limit for new policies | Not applicable  | Not applicable  |

XL Re is authorised to carry on insurance business in the UK. Partner Re is not authorised to carry on insurance business in the UK. Neither reinsurer is 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.



**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 2006**

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.

| <b>Internal Reinsurance Treaty 33</b> |  |
|---------------------------------------|--|
| Reinsurer                             | NULAP (Provident Mutual Sub-Fund)  |
| Nature of cover                       | Reinsurance of 52.5% 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 2006              | £NIL   |
| Deposit back arrangements             | Not applicable   |
| Open/closed to new business           | Closed to new business   |
| Undischarged liabilities              | None   |
| Mathematical reserves ceded           | £394.509m  |
| Retention limit for new policies      | Not applicable   |

| <b>Internal Reinsurance Treaty 34</b> |  |
|---------------------------------------|--|
| 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 2006              | £NIL   |
| Deposit back arrangements             | Not applicable   |
| Open/closed to new business           | Closed to new business   |
| Undischarged liabilities              | None   |
| Mathematical reserves ceded           | £250.595m  |
| 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. Reversionary bonus**

Not relevant. The Company has no with-profit 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 2006**

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 nil. This would have been £9m had the position been assessed at 31 January 2006.

No significant provisions have been required under INSPRU 3.2.17R 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 INSPRU 3.2.5R.

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 2006**

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 Aviva Group Holdings Limited.

100% of the issued share capital of Aviva Group Holdings Limited is held by the Ultimate Parent Undertaking, Aviva plc.

During 2006, Norwich Union Holdings Limited changed its name to Aviva Group Holdings Limited. There have been no other changes to the above position during the year.

All shares are voting shares.

**Certificate by the directors required by IPRU (INS) 9.34(1) and IPRU (INS) Appendix 9.6**

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and  
(b) the directors are satisfied 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), GENPRU and INSPRU; and
  - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
  
- 2 (a) in 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 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 from every actuary appointed by the insurer to perform the actuarial function in accordance with SUP 4.3.13R.

..... **M S HODGES**  
Chief Executive

..... **N A NICANDROU**  
Director

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

30 March 2007

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 2006**

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, the General Prudential Sourcebook and the Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("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(1).

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

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

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act on 30 September 2006 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 INSPRU 1.2.

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

**Basis of opinion**

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom (revised)" issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 29 March 2007. 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 2006**

**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 INSPRU 1.2.

Ernst & Young LLP  
Registered Auditor  
London  
30 March 2007