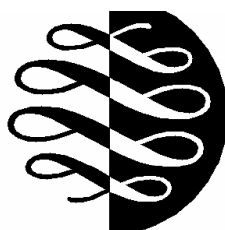


Norwich Union Annuity Limited

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

**Annual FSA Insurance Returns for the year ended
31 December 2007**



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Global Business

Financial year ended **31st December 2007****Contents**

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Statement of solvency - long-term insurance business

Form 2

Name of insurer **Norwich Union Annuity Ltd**

Global business

Financial year ended **31st December 2007**

Solo solvency calculation

	Company registration number	GL/UK/CM	day	month	year	units	
	R2	3253948	GL	31	12	2007	£000
			As at end of this financial year		As at end of the previous year		
			1		2		

Capital resources

Capital resources arising within the long-term insurance fund	11	975668	842497
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	150203	141102
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1125871	983599

Guarantee fund

Guarantee Fund requirement	21	217223	203716
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	908648	779883

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	651670	611148
Resilience capital requirement	32	39100	17300
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	690770	628448
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	690770	628448
Excess (deficiency) of available capital resources to cover 50% of MCR	37	780486	669375
Excess (deficiency) of available capital resources to cover 75% of MCR	38	607794	512263

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	690770	628448

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	690770	628448
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	435101	355151

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Returns under the Accounts and Statements Rules

Covering page to Form 2

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2007**

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

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

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

25 March 2008

Components of capital resources
**Form 3
(Sheet 1)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	3253948	GL	31	12	2007	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Core tier one capital

Permanent share capital	11		50000	50000	50000
Profit and loss account and other reserves	12		1225098	1225098	1151032
Share premium account	13		750	750	750
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		1275848	1275848	1201782

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		1275848	1275848	1201782
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		70356	70356	143677
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		70356	70356	143677
Total tier one capital after deductions (31-37)	39		1205492	1205492	1058105

Components of capital resources
**Form 3
(Sheet 2)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R3	3253948	GL	31	12	2007	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Tier two capital

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

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

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

Components of capital resources
**Form 3
(Sheet 3)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/UK/CM	day	month	year	units	
	R3	3253948	GL	31	12	2007	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year			
	1	2	3	4			

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		1205492	1205492	1058105
Inadmissible assets other than intangibles and own shares	73		79621	79621	74506
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		1125871	1125871	983599

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		1125871	1125871	983599
Available capital resources for 50% MCR requirement	82		1125871	1125871	983599
Available capital resources for 75% MCR requirement	83		1125871	1125871	983599

Financial engineering adjustments

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

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2007	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings			11					

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		109677
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	121113	11415
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	13732
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2007	£000	1
							As at end of this financial year	As at end of the previous year
							1	2
Deposits with ceding undertakings							57	
Assets held to match linked liabilities	Index linked						58	
	Property linked						59	

Reinsurers' share of technical provisions

Provision for unearned premiums							60	
Claims outstanding							61	
Provision for unexpired risks							62	
Other							63	

Debtors and salvage

Direct insurance business	Policyholders						71	
	Intermediaries						72	
Salvage and subrogation recoveries							73	
Reinsurance	Accepted						74	
	Ceded						75	
Dependants	Due in 12 months or less						76	
	Due in more than 12 months						77	
Other	Due in 12 months or less					1609	78	1562
	Due in more than 12 months						79	

Other assets

Tangible assets							80	
Deposits not subject to time restriction on withdrawal with approved institutions						16602	81	10522
Cash in hand							82	
Other assets (particulars to be specified by way of supplementary note)							83	
Accrued interest and rent						244	84	246
Deferred acquisition costs (general business only)							85	
Other prepayments and accrued income							86	

Deductions from the aggregate value of assets							87	
---	--	--	--	--	--	--	-----------	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)						153300	89	147189
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Analysis of admissible assets

**Form 13
(Sheet 3)**

Name of insurer **Norwich Union Annuity Ltd**

Global business

Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2007	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	153300	147189
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	153300	147189
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Analysis of admissible assets
**Form 13
(Sheet 1)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Land and buildings				11		3541		3471

Investments in group undertakings and participating interests

UK insurance dependants	shares	21				
	debts and loans	22				
Other insurance dependants	shares	23				
	debts and loans	24				
Non-insurance dependants	shares	25			251	18120
	debts and loans	26				
Other group undertakings	shares	27				
	debts and loans	28			117109	129580
Participating interests	shares	29				
	debts and loans	30				

Other financial investments

Equity shares	41		136	88
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43		141031	254026
Rights under derivative contracts	44		2017	
Fixed interest securities	Approved	45	1112604	921716
	Other	46	3719504	3898423
Variable interest securities	Approved	47	78226	3137
	Other	48	24219	28928
Participation in investment pools	49			
Loans secured by mortgages	50		11011481	9985539
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54		26400
	More than one month withdrawal	55		
Other financial investments	56			

Analysis of admissible assets
**Form 13
(Sheet 2)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	
Deposits with ceding undertakings			57					
Assets held to match linked liabilities	Index linked		58		976577		837308	
	Property linked		59					

Reinsurers' share of technical provisions

Provision for unearned premiums	60			
Claims outstanding	61			
Provision for unexpired risks	62			
Other	63			

Debtors and salvage

Direct insurance business	Policyholders	71	24211	41955
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74	3689	6925
	Ceded	75		
Dependants	Due in 12 months or less	76		
	Due in more than 12 months	77		
Other	Due in 12 months or less	78	93519	43478
	Due in more than 12 months	79	136548	181805

Other assets

Tangible assets	80			
Deposits not subject to time restriction on withdrawal with approved institutions	81	116197	120951	
Cash in hand	82			
Other assets (particulars to be specified by way of supplementary note)	83			
Accrued interest and rent	84	201680	181940	
Deferred acquisition costs (general business only)	85			
Other prepayments and accrued income	86			

Deductions from the aggregate value of assets	87			
---	-----------	--	--	--

Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	17762540	16683790	
---	-----------	----------	----------	--

Analysis of admissible assets
**Form 13
(Sheet 3)**

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

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

	Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
	R13	3253948	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	17762540	16683790
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99	79621	74506
Reinsurers' share of technical provisions excluded from line 89	100	373333	772167
Other asset adjustments (may be negative)	101	2026	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 101)	102	18217520	17540442
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	31626	4414

Long-term insurance business liabilities and margins
Form 14

Name of insurer **Norwich Union Annuity Ltd**

Global business

Financial year ended **31st December 2007**

Fund **Total Long-Term Insurance Business**

Units **£000**

		As at the end of this financial year	As at the end of the previous year
		1	2
Mathematical reserves, after distribution of surplus	11	16291748	15278706
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus / (valuation deficit)	13		
Long term insurance business fund carried forward (11 to 13)	14	16291748	15278706
Claims outstanding	Gross amount	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	4629
	Other risks and charges	22	14880
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	180253
	Reinsurance accepted	32	122013
	Reinsurance ceded	33	31543
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	19400
	Other	38	30659
Accruals and deferred income	39	259299	363344
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	495124	562587
Excess of the value of net admissible assets	51	975668	842497
Total liabilities and margins	59	17762540	16683790
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	9843	31528
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	16786872	15841293
Increase to liabilities – DAC related	72		
Reinsurers' share of technical provisions	73	373333	772167
Other adjustments to liabilities (may be negative)	74	(68330)	(133698)
Capital and reserves and fund for future appropriations	75	1125645	1060680
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	18217520	17540442

Liabilities (other than long-term)
Form 15

 Name of insurer **Norwich Union Annuity Ltd**

Global business

 Financial year ended **31st December 2007**

	Company registration number	GL/ UK/ CM	day	month	year	units	
	R15	3253948	GL	31	12	2007	£000
						As at the end of this financial year	As at the end of the previous year
						1	2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		221	1434
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		2404	1889
	Foreseeable dividend	48			
	Other	49		472	2764
Accruals and deferred income		51			
Total (19 to 51)		59		3097	6087
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		3097	6087

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

Amounts deducted from technical provisions for discounting	82				
Other adjustments (may be negative)	83				
Capital and reserves	84			150203	141102
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85			153300	147189

Profit and loss account (non-technical account)

Form 16

Name of insurer **Norwich Union Annuity Ltd**

Global business

Financial year ended **31st December 2007**

		Company registration number	GL/UK/CM	day	month	year	units	
		R16	3253948	GL	31	12	2007	£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			8145		7729	
	Value re-adjustments on investments	15					2793	
	Gains on the realisation of investments	16				29	695	
Investment charges	Investment management charges, including interest	17				110	460	
	Value re-adjustments on investments	18				60		
	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				8004	10757	
Tax on profit or loss on ordinary activities		31				(1097)	(2062)	
Profit or loss on ordinary activities after tax (29-31)		39				9101	12819	
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				9101	12819	
Dividends (paid or foreseeable)		51					30000	
Profit or loss retained for the financial year (49-51)		59				9101	(17181)	

Analysis of derivative contracts

Form 17

Name of insurer **Norwich Union Annuity Ltd**

Global business

Financial year ended **31st December 2007**

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

		Company registration number	GL/ UK/ CM	day	month	year	units	Category of assets	
		R17	3253948	GL	31	12	2007	£000	10
Derivative contracts		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31	2017	22477	9979	8970			
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41		(17500)	(9979)	(3525)			
Total (11 to 41)		49	2017	4977		5445			

Long-term insurance business: Revenue account

Form 40

Name of insurer **Norwich Union Annuity Ltd**
 Name and number of fund/Summary **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	Financial year	Previous year
	1	2

Income

Earned premiums	11	1859549	1365258
Investment income receivable before deduction of tax	12	1000658	984100
Increase (decrease) in the value of non-linked assets brought into account	13	(679711)	(694723)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	2180496	1654635

Expenditure

Claims incurred	21	1085655	983273
Expenses payable	22	73114	65731
Interest payable before deduction of tax	23	18033	25424
Taxation	24	(9348)	7262
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	1167454	1081690

Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1013042	572945
Fund brought forward	49	15278706	14705761
Fund carried forward (39+49)	59	16291748	15278706

Long-term insurance business: Analysis of premiums

Form 41

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

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

Gross

Regular premiums	11				
Single premiums	12	16489	1885195	25390	1927074
					1443840

Reinsurance - external

Regular premiums	13				
Single premiums	14	1690	65835		67525
					78582

Reinsurance - intra-group

Regular premiums	15				
Single premiums	16				

Net of reinsurance

Regular premiums	17				
Single premiums	18	14799	1819360	25390	1859549
					1365258

Total

Gross	19	16489	1885195	25390	1927074	1443840
Reinsurance	20	1690	65835		67525	78582
Net	21	14799	1819360	25390	1859549	1365258

Long-term insurance business: Analysis of claims

Form 42

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

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

Gross

Death or disability lump sums	11	2	53	55	14
Disability periodic payments	12				
Surrender or partial surrender	13	866	674	27	1567
Annuity payments	14	28378	1139500	27511	1195389
Lump sums on maturity	15				
Total	16	29246	1140227	27538	1197011

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24	9971	67170	77141	80157
Lump sums on maturity	25				
Total	26	9971	67170	77141	80157

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34		34215	34215	54336
Lump sums on maturity	35				
Total	36		34215	34215	54336

Net of reinsurance

Death or disability lump sums	41	2	53	55	14
Disability periodic payments	42				
Surrender or partial surrender	43	866	674	27	1567
Annuity payments	44	18407	1038115	27511	1084033
Lump sums on maturity	45				
Total	46	19275	1038842	27538	1085655

Long-term insurance business: Analysis of expenses

Form 43

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

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

Gross

Commission - acquisition	11	443	16464	73	16980	16358
Commission - other	12					
Management - acquisition	13	106	29941	16	30063	23060
Management - maintenance	14	264	18347	2502	21113	22293
Management - other	15	506	4565	43	5114	4498
Total	16	1319	69317	2634	73270	66209

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34	21	200	(65)	156	478
Management - other	35					
Total	36	21	200	(65)	156	478

Net of reinsurance

Commission - acquisition	41	443	16464	73	16980	16358
Commission - other	42					
Management - acquisition	43	106	29941	16	30063	23060
Management - maintenance	44	243	18147	2567	20957	21815
Management - other	45	506	4565	43	5114	4498
Total	46	1298	69117	2699	73114	65731

Long-term insurance business: Summary of new business

Form 46

Name of insurer **Norwich Union Annuity Ltd**

Total business

Financial year ended **31st December 2007**

Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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Number of new policyholders / scheme members for direct insurance business

Regular premium business	11				
Single premium business	12	257	46876	458	47971
Total	13	257	46876	458	47971

Amount of new regular premiums

Direct insurance business	21				
External reinsurance	22				
Intra-group reinsurance	23				
Total	24				

Amount of new single premiums

Direct insurance business	25	14018	1844529	19072	1877619	1436808
External reinsurance	26					
Intra-group reinsurance	27			6318	6318	7032
Total	28	14018	1844529	25390	1883937	1443840

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			453	18923
905	Index linked annuity			5	149

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)				6318

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Norwich Union Annuity Ltd**

Total business

Financial year ended **31st December 2007**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)			256	14007
905	Index linked annuity			1	11

Long-term insurance business: Analysis of new business**Form 47
(Sheet 1)**Name of insurer **Norwich Union Annuity Ltd**

Total business

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

UK Pension / Direct insurance business

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
390	Deferred annuity non-profit			47	2829
400	Annuity non-profit (CPA)			45397	1713967
401	Annuity non-profit (bulk transfer)			467	27675
905	Index linked annuity			213	28882
906	Index linked annuity (bulk transfer)			134	33331
907	Index linked deferred annuity			618	37845

Long-term insurance business: Assets not held to match linked liabilities

Form 48

Name of insurer **Norwich Union Annuity Ltd**
 Financial year ended **31st December 2007**
 Category of assets **Total long-term insurance business assets**
 Units **£000**

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

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

Land and buildings	11	3541	3541	288	8.14	
Approved fixed interest securities	12	1128903	1128903	41255	4.78	
Other fixed interest securities	13	3798038	3798038	232425	6.17	
Variable interest securities	14	103076	103076	1911	1.46	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	136	136			
Other assets	18	11752269	11752269	862038	6.08	
Total	19	16785963	16785963	1137917	5.98	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					

Overall return on with-profits assets

Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long-term insurance business: Fixed and variable interest assets

Form 49

Name of insurer **Norwich Union Annuity Ltd**
 Financial year ended **31st December 2007**
 Category of assets **Total long-term insurance business assets**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK government approved fixed interest securities	11	350678	10.56	4.62	4.59
Other approved fixed interest securities	21	778225	15.81	4.86	4.75
Other fixed interest securities					
AAA/Aaa	31	655749	11.54	5.43	5.34
AA/Aa	32	1247851	10.20	6.01	5.74
A/A	33	1138271	9.57	6.21	5.84
BBB/Baa	34	743872	7.68	6.43	5.56
BB/Ba	35	5155	9.25	6.77	4.40
B/B	36				
CCC/Caa	37	4966	3.13	68.63	0.00
Other (including unrated)	38	2174	1.81	68.74	0.00
Total other fixed interest securities	39	3798038	9.73	6.17	5.65
Approved variable interest securities	41	78738	13.00	1.21	1.21
Other variable interest securities	51	24338	12.17	2.26	2.05
Total (11+21+39+41+51)	61	5030017	10.79	5.76	5.35

Long-term insurance business: Summary of mathematical reserves

Form 50

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	UK Life 1	UK Pension 2	Overseas 3	Total Financial Year 4	Total Previous Year 5
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Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	203889	15057699	421413	15683001
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17	14135	984786	5696	1004617
Total	18	218024	16042485	427109	16687618

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	16842	103707	1895	122444
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27	8036	20002		28038
Total	28	24878	123709	1895	150482

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		245388		245388
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		245388		245388

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	187047	14708604	419518	15315169
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47	6099	964784	5696	976579
Total	48	193146	15673388	425214	16291748

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

**Form 51
(Sheet 1)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit	1	2		n/a	n/a	n/a	10
395	Annuity non-profit (PLA)	3475	14562		n/a	n/a	n/a	215878
400	Annuity non-profit (CPA)	5400	14591		n/a	n/a	n/a	204896
440	Additional reserves non-profit OB				n/a	n/a	n/a	628

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

**Form 51
(Sheet 2)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

Overseas / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		119		n/a	n/a	n/a	1651
400	Annuity non-profit (CPA)		16		n/a	n/a	n/a	244

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

**Form 51
(Sheet 3)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)	6040	21983		n/a	n/a	n/a	192207
400	Annuity non-profit (CPA)	3643	1291		n/a	n/a	n/a	11401
440	Additional reserves non-profit OB				n/a	n/a	n/a	280

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

**Form 51
(Sheet 4)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		3521		n/a	n/a	n/a	16841
400	Annuity non-profit (CPA)				n/a	n/a	n/a	1

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

**Form 51
(Sheet 5)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
390	Deferred annuity non-profit	47	153		n/a	n/a	n/a	3628
400	Annuity non-profit (CPA)	565119	1170518		n/a	n/a	n/a	14994581
440	Additional reserves non-profit OB				n/a	n/a	n/a	59490

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

**Form 51
(Sheet 6)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
395	Annuity non-profit (PLA)		6439		n/a	n/a	n/a	103707

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

**Form 51
(Sheet 7)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Pension / Reinsurance ceded intra-group

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
400	Annuity non-profit (CPA)		21519		n/a	n/a	n/a	245388

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

**Form 54
(Sheet 1)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

Overseas / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	73	306				5687	5687
915	Additional reserves index linked						9	9

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

**Form 54
(Sheet 2)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Life / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	160	2675				14126	14126
915	Additional reserves index linked						9	9

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

**Form 54
(Sheet 3)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1601				8036	8036

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

**Form 54
(Sheet 4)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Pension / Gross

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity	10030	49117				939309	939309
907	Index linked deferred annuity	625	1565				44165	44165
915	Additional reserves index linked						1312	1312

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

**Form 54
(Sheet 5)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
905	Index linked annuity		1389				20002	20002

Long-term insurance business: index linked business

Form 56

Name of insurer **Norwich Union Annuity Ltd**

Global business

Total business

Financial year ended **31st December 2007**

Units **£000**

Type of assets and liabilities	Name of index link 1	Value of assets or liabilities 2	Gross derivative value 3
Corporate index linked bonds	LPI	23943	
Sub total assets		23943	
Sub total liabilities			
Sub total net assets		23943	
Government and public body index linked bonds	RPI	238978	
Fully secured loans (Equity Release)	RPI	100050	
Rights under derivative contracts	RPI	(2026)	
Corporate index linked bonds	RPI	557584	
Land and buildings	RPI	58048	
Sub total assets		954660	
Sub total liabilities		(2026)	
Sub total net assets		952634	
Total assets		978603	n/a
Total liabilities		(2026)	n/a
Net total assets		976577	n/a

Long-term insurance business - analysis of valuation interest rate

**Form 57
(Sheet 1)**

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

Product Group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK L&GA NP Form 51 individual annuities	186767	5.23	5.23	5.48
UK Pens NP Form 51 individual annuities	14611119		5.23	5.48
UK Pens NP Form 51 bulk annuities	37995		4.81	5.09
OS L&GA NP Form 51 individual annuities	418889	5.23	5.23	5.48
UK L&GA NP Form 54 individual annuities	6090	1.32	1.32	1.54
UK Pens NP Form 54 individual annuities	874816		1.32	1.54
UK Pens NP Form 54 bulk annuities	88655		4.81	5.09
OS L&GA NP Form 54 individual annuities	5687	1.32	1.32	1.54
miscellaneous	61730			
TOTAL	16291748	n/a	n/a	n/a

Long-term insurance business: distribution of surplus

Form 58

Name of insurer **Norwich Union Annuity Ltd**
 Total business / subfund **Total Long-Term Insurance Business**
 Financial year ended **31st December 2007**
 Units **£000**

	Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	16291748	15278706
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	16291748	15278706
Mathematical reserves	21	16291748	15278706
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		

Composition of surplus

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34		
Total	39		

Distribution of surplus

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

Percentage of distributed surplus allocated to policyholders

Current year	61	0.00	0.00
Current year - 1	62	0.00	0.00
Current year - 2	63	0.00	0.00
Current year - 3	64	0.00	0.00

Long-term insurance capital requirement

Form 60

Name of insurer **Norwich Union Annuity Ltd**

Global business

Financial year ended **31st December 2007**

Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
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%				
Total	16					

Insurance health risk and life protection reinsurance capital component

Class IV, supplementary classes 1 and 2 and life protection reinsurance	21					
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%	16687618	16291748	0.98	162918
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%				
Total	39					162918

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%	16687618	16291748	0.98	488752
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%				
Total	49		16687618	16291748		488752

Long term insurance capital requirement	51					651670
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Supplementary notesName of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2007****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

	£'000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	17,762,540
Form 13 Line 89 (Other than long term business)	153,300
Form 14 Lines 11, 12 and 49	(16,786,872)
Form 15 Line 69	(3,097)
	<hr/> 1,125,871
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	1,125,871
Form 3, line 79	1,125,871

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

	£'000
a) Positive valuation differences in respect of assets where valuation in 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	224,047
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	(294,403)
Net negative valuation difference included in line 35	(70,356)

0313 Reconciliation of profit and loss account and other reserves

	£'000
Profit and loss account and other reserves at the end of the previous financial year (Form 3 Line 12 Column 4)	1,151,032
Profit retained for the financial year (Form 16 Line 59)	9,101
Profit arising in the long-term insurance fund that has not been transferred to the shareholder fund	64,965
Profit and loss account and other reserves at the end of this financial year (Form 3 Line 12 Column 3)	1,225,098

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

Global business

Financial year ended **31st December 2007****Code****1301 Aggregate values of assets**

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

	£m
Unlisted investments on lines 41 and 46	-
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	109
Reversionary interests or remainders in property other than land or buildings	-

1308 Aggregate values of assets

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

	£m
Unlisted investments on lines 41 and 46	834
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 Investment Management Agreement with Morley Fund Management Limited and approved by the Norwich Union Life Investment 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.

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

Global business

Financial year ended **31st December 2007****Code****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.

1309 Hybrid securities

The aggregate value of hybrid securities is £323m

1318 Other asset adjustments

Amounts included in Form 13 line 101 are analysed as follows.

Category 10
£'000

Derivative liability backing index linked reserves included in Form 13 line 58	2,026
--	-------

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 tax on capital 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 £22,477k.

1405 Other adjustments to liabilities

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

	Total
	£'000
Adjustment to mathematical reserves	(294,403)
Adjustment to deferred tax provision	224,047
Derivative liability backing index linked reserves included in Form 13 line 58	2,026
Total	(68,330)

Supplementary notes

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2007**

Code

1502 Contingent liabilities

A provision of £0.2m has been included within deferred tax at line 21 for potential tax on capital gains.

There are no contingent liabilities applicable to shareholders' funds.

There are no charges over any assets of the Company.

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

There are no other fundamental uncertainties.

1601 Rates of exchange

4005 Rates of exchange

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

1700 Form omitted

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

1701 Variation margin

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

The variation margin is allocated as follows:

	£'000
Form 14 line 38	(17,500)

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 liabilities.

4702 UK 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.

For Bulk Purchase Annuities, the single premiums have been apportioned between product codes in proportion to the split of the corresponding reserves.

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

Global business

Financial year ended **31st December 2007****Code****4703 UK and overseas annuities**

Where a policyholder holds a plan with both non-linked and index-linked benefits the policyholder count is assigned to column 5 for the highest benefit amount. Where a policyholder holds more than one plan, the policyholder count is assigned to column 5 for each plan.

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 £2,556k. The yield on these assets is not required to support the valuation basis rates of interest in Forms 51 and 57.

4803 Redemption of securities

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

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.

	Yield
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**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.

5104 Apportionment between product codes**5404 Apportionment between product codes**

The Bulk Purchase Annuity reserves have been split between product codes 390, 400, 905 and 907 using information available at a scheme level. This information includes number of members, annuity amounts and escalation type.

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

Global business

Financial year ended **31 December 2007****1. Introduction**

- (1) The **valuation date** is 31 December 2007.
- (2) The previous valuation was completed with an effective date of 31 December 2006.
- (3) No interim valuations have been carried out.

2. Product Range

There have been no significant changes to the product range during 2007.

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) 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 is described in 5 (4) below.

Reserves in respect of Bulk Purchase Annuities were then scaled up in order to incorporate an additional margin for prudence.

- (2) The following table gives the valuation interest rates at the end of 2007 compared with those at the end of 2006. Non-linked and index-linked liabilities are backed by different assets and hence have different valuation interest rates. Index linked yields are real yields. The exception to this is for Bulk Purchase annuities, where a nominal weighted average of the non-linked and index-linked yields has been used.

Product Group	Valuation interest rates	
	2007 %	2006 %
Non-linked pensions annuities	5.227	4.892
Non-linked life and general annuities	5.227	4.392
Index linked pensions annuities	1.317	1.449
Index linked life and general annuities	1.317	0.963
Bulk Purchase Annuities	4.813	n/a

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

Global business

Financial year ended **31 December 2007**

- (3) 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:

	31/12/2007	31/12/2006
Commercial mortgages	0.42%	0.42%
Non-linked equity release mortgages funded pre 2006	0.90%	0.90%
Non-linked equity release mortgages 2006 funded	0.72%	0.72%
Non-linked equity release mortgages 2007 funded	0.90%	n/a
RPI linked equity release mortgages pre 2007	2.25%	2.25%
RPI linked equity release mortgages 2007	3.60%	n/a
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>	<i>See Note</i>
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 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) Except for Bulk Purchase Annuities, mortality is based on UK standard published tables with prudent allowance for current experience, and adjustments for improving longevity. For Bulk Purchase Annuities, mortality for pensions in payment is based upon “NUA Model C” mortality 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 2007 mortality basis is largely unchanged from the 2006 mortality basis for the majority of NUA annuity business. The only change for the NUA (excluding Provident Mutual originated business) base tables was to increase the period for which lighter tables apply but decrease the size of the adjustment.

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

Global business

Financial year ended **31 December 2007**

The following tables summarise the standard NUA mortality basis and improvement rates.

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

	Base table	31 December 2007	
		Male %	Female %
Pensions Annuity (business up to 31/12/2000)	PCMA00/PCFA00	85.5	80.0
Pension Annuity (business post 31/12/2000)	PCMA00/PCFA00	75.0	70.5
General Annuity	IML00/IFL00	69.0	72.0
Improvement rates applied to both Pension and General Annuities	Medium cohort applicable from 2005	100.0	75.0
	Minimum rate p.a.	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 is unchanged. The 2007 and 2006 mortality bases and improvement rates for this Provident Mutual originated business are as follows.

	31 December 2007			31 December 2006		
	Base table	Male %	Female %	Base table	Male %	Female %
Individual business	IML00/IFL00	90.0	90.0	IML00/IFL00	90.0	90.0
Group business	PCMA00/PCFA00	100.0	110.0	PCMA00/PCFA00	100.0	110.0
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

The mortality basis for Bulk Purchase Annuities was explicitly used for valuation purposes for the first time in 2007. Separate assumptions are used for annuities in deferment and annuities in payment.

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

Global business

Financial year ended **31 December 2007**

Bulk Purchase Annuity Mortality in Deferment						
	31 December 2007			31 December 2006		
	Base table	Male %	Female %	Base table	Male %	Female %
Bulk Purchase Annuities	AM00 (ultimate) / AF00 (ultimate)	83.6	86.0	n/a	n/a	n/a
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	n/a	n/a	n/a
	Minimum rate p.a.	2.0	1.5	n/a	n/a	n/a

The base mortality table used for Bulk Purchase Annuity mortality in payment is a bespoke table and is denoted "NUA Model C". Individuals are categorised into 1 of 4 groups, using postcode as a proxy for socio-economic group. The mortality basis for Bulk Purchase Annuity mortality in payment is shown in the table below.

Bulk Purchase Annuity Mortality in Payment: Modified "NUA Model C"						
	31 December 2007			31 December 2006		
	Base table	Male %	Female %	Base table	Male %	Female %
Bulk Purchase Annuities	NUA Model C	93.5	93.5	n/a	n/a	n/a
Improvement rates	Medium cohort applicable from 2005	100.0	75.0	n/a	n/a	n/a
	Minimum rate p.a.	2.0	1.5	n/a	n/a	n/a

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 for annuities in payment are shown in the table below at sample ages. Bulk Purchase Annuities life expectancies are shown for the average policyholder.

Expectations of life (years)	31 December 2006			
	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business Up To 31/12/2002)	23.7	14.4	25.8	16.4
Standard Pensions Annuity (Business Post 31/12/2002)	25.9	16.3	27.9	18.2
General Annuity	25.9	16.1	27.6	17.5
Provident Mutual originated individual annuity	23.3	14.0	25.5	15.7
Provident Mutual originated group annuity	22.1	13.2	22.8	13.9
Bulk Purchase Annuities	n/a	n/a	n/a	n/a

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

Global business

Financial year ended **31 December 2007**

Expectations of life (years)	31 December 2007			
	Male		Female	
	65	75	65	75
Standard Pensions Annuity (Business Up To 31/12/2000)	23.9	14.6	26.0	16.5
Standard Pensions Annuity (Business Post 31/12/2000)	25.3	15.8	27.2	17.6
General Annuity	26.1	16.3	27.7	17.6
Provident Mutual originated individual annuity	23.5	14.2	25.7	15.8
Provident Mutual originated group annuity	22.3	13.3	23.0	14.0
Bulk Purchase Annuities	23.3	14.4	25.7	16.1

The resulting life expectancies at age 65 for deferred annuities are shown in the table below at sample ages:

Expectations of life (years)	At Age 65			
	Male		Female	
	31/12/07	31/12/06	31/12/07	31/12/06
Bulk Purchase Annuities:				
Current Age 45	27.3	n/a	27.8	n/a
Current Age 55	25.2	n/a	26.7	n/a

- (5) Not applicable.
- (6) The value of future maintenance expenses is calculated from current maintenance expense levels by broad category of business, increasing by future expense inflation over the lifetime of each contract. The following expense assumptions are based on the terms of the Management Services Agreement between Norwich Union Life Services Limited and Norwich Union Annuity Limited and increased by 10% in respect of project costs. For the first time, at the December 2007 valuation a further prudent loading of 10% was introduced. Expense assumptions are shown for pension annuities only. The per policy expenses are shown gross and no tax relief is assumed.

	Per policy expense £ per annum	
	2007	2006
Annuity non-profit CPA (400)	23.33	20.54
Annuity non-profit (bulk transfer) (401)	25	n/a

An additional reserve of £11.7m has been established in respect of project cost overruns.

The assumed future inflation rate applying to maintenance expenses is 4.5% 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 five 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.

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 2007**

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.

The fourth and fifth swaps provide fixed interest cash flows in exchange for RPI interest cash flows from two corporate bond 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.

Supplementary note 0204 gives details of the valuation interest rate approach.

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

5. Options and Guarantees

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

6. Expense Reserves

- (1) Based on the non-linked business in force at 31 December 2007, the explicit allowance for maintenance expenses during 2008 is £13.7m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2008 is £12.7m. 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 £21.1m. This compares with the £26.4m from 6(1).
- (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 2007 and a reserve for £9.9m, 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 2007, 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 accompanied by a fall in property values of 20%
 - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term gilt yield accompanied by a fall in property values of 20%

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

Global business

Financial year ended **31 December 2007**

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 2007 was test (a).

- (5) There are no investments outside of the United Kingdom at 31 December 2007.
- (6) The assets and liabilities have been revalued on this interest basis.
- (a) The calculations have led to a resilience capital requirement of £39.1m.
- (b) The aggregate value of liabilities has decreased by £1,340.1m
- (c) The aggregate value of assets has decreased by £1,379.2m
- (7) The valuation liabilities include an allowance of a 0.11% 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 7 reinsurance treaties with external reinsurers where the Company was the ceding insurer and under which business was in force at the valuation date.

Treaties 1 to 3	
Reinsurer	Munich Re (Treaty 1 and 2) and Hannover Re (Treaty 3)
Nature of cover	50% (Treaty 1) or 90% (Treaties 2 and 3) Quota share on UK Long Term Care (Immediate Care) business
Premiums payable in 2007	£0.591m
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 £25.009m
Retention limit for new policies	10% retained of each new annuity

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

Treaty 4	
Reinsurer	Hannover Re
Nature of cover	75% Quota share on UK Impaired Life Annuity business
Premiums payable in 2007	£6.722m
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£59.244m
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.

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

Global business

Financial year ended **31 December 2007**

	Treaty 5	Treaty 6
Reinsurer	XL Re	Partner Re
Nature of cover	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of 7% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.	Quota share mortality swap where fixed premiums are payable in exchange for reinsurance claims linked to actual claims. The mortality risk is in respect of 3% of a defined block of in-force UK pension annuity business agreed at the treaty commencement date.
Premiums payable in 2007	£42.974	£18.418
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	£26.572m	£11.388m
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.

	Treaty 7
Reinsurer	RGA Reinsurance UK Limited
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 new enhanced pension annuities written from the treaty commencement date.
Premiums payable in 2007	£0.199m
Deposit back arrangements	Not applicable
Open/closed to new business	Open to new business
Undischarged liabilities	None
Mathematical reserves ceded	£0.364m
Retention limit for new policies	25% retained of Purchase Price up to and including £1m, plus 100% retained of any Purchase Price in excess of £1m

RGA Reinsurance UK Limited is authorised to carry on insurance business in the UK and is not connected. 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 either treaty. The treaty is not a financing arrangement.

There was one reinsurance treaty with another Group company where the Company was the ceding insurer and under which business was in force at the valuation date.

	Internal Reinsurance Treaty 34
Reinsurer	NULAP (Non Profit Sub-Fund 2)
Nature of cover	100% reinsurance of non-profit immediate pension annuities which were originally written in Norwich Union Linked Life and were transferred to Norwich Union Annuity Limited as at 1 January 2005. The effect of the treaty is to transfer all the liabilities to NULAP as if the business had been written in NULAP.
Premiums payable in 2007	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£245.388m
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

Returns under the Accounts and Statements Rules

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

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2007**

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 profits business.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2007**

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 any time during the financial year would have been nil.

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 2007**

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.

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

All shares are voting shares.

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

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2007**

We certify that:

- 1 (a) the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU; and
 - (b) 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.
 - (c) the directors note that the FSA issued a decision notice on 10th December 2007 in respect of breaches of Principle 3 of the FSA's Principles for Businesses which occurred between 1 March 2005 and 30 November 2006 and have paid due regard to this
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- 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

25 March 2008

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

Name of insurer **Norwich Union Annuity Limited**
Global Business
Financial year ended **31st December 2007**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and the INSPRU 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. 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 0201. 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 27 March 2008. 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 Interim Prudential Sourcebook for

Insurers

Name of insurer **Norwich Union Annuity Limited**

Global Business

Financial year ended **31st December 2007**

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
27 March 2008