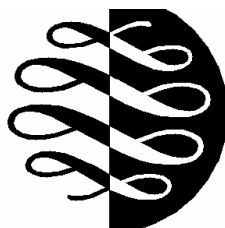


Norwich Union Annuity Limited

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

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



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Global Business

Financial year ended **31st December 2006****Contents**

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

Global business

Financial year ended **31st December 2006**

Solo solvency calculation

Company
registration
number

GL/UK/CM

Period ended

day

month

year

Units

R2	3253948	GL	31	12	2006	£000
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	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	842497	761714
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	141102	158283
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	983599	919997

Guarantee Fund

Guarantee Fund requirement	21	203716	196077
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	779883	723920

Minimum capital requirement (MCR)

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

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	628448	637831

Capital resources requirement (CRR)

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

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 2006**

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

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

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

30 March 2007

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

Global business

Financial year ending **31st December 2006**

	R3	Company registration number 3253948	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2006	
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			Total as at the end of the previous year 4
Core tier one capital							
Permanent share capital	11		50000	50000	50000		
Profit and loss account and other reserves	12		1151032	1151032	1020342		
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		1201782	1201782	1071092		
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		1201782	1201782	1071092		
Investments in own shares	32						
Intangible assets	33						
Amounts deducted from technical provisions for discounting	34						
Other negative valuation differences	35		143677	143677	81863		
Deductions in related undertakings	36						
Deductions from tier one (32 to 36)	37		143677	143677	81863		
Total tier one capital after deductions (31-37)	39		1058105	1058105	989229		

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

Global business

Financial year ending **31st December 2006**

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

Tier two capital

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

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

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

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

Global business

Financial year ending **31st December 2006**

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

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		1058105	1058105	989229
Inadmissible assets other than intangibles and own shares	73		74506	74506	69232
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		983599	983599	919997

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		983599	983599	919997
Available capital resources for 50% MCR requirement	82		983599	983599	919997
Available capital resources for 75% MCR requirement	83		983599	983599	919997

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

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253948	GL	31	12	2006	£000	1
Investments						As at the end of this financial year 1	As at the end of the previous year 2	
Land and buildings				11				
Investments in group undertakings and participating interests								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
Other financial investments								
Equity shares				41		109677		108090
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		11415		9826
Rights under derivative contracts				44				
Fixed interest securities	Approved			45		13767		17762
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assets

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253948	GL	31	12	2006	£000	1
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities			Index linked	58				
			Property linked	59				
Reinsurers' share of technical provisions								
Provision for unearned premiums				60				
Claims outstanding				61				
Provision for unexpired risks				62				
Other				63				
Debtors and salvage								
Direct insurance business			Policyholders	71				
			Intermediaries	72				
Salvage and subrogation recoveries				73				
Reinsurance			Accepted	74				
			Ceded	75				
Dependants			Due in 12 months or less	76				
			Due in more than 12 months	77				
Other			Due in 12 months or less	78		1562		3286
			Due in more than 12 months	79				
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		10522		32477
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		246		285
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets								
				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)								
				89		147189		171726

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

Global business

Financial year ended **31st December 2006**Category of assets **Total other than long term insurance business assets**

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

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

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	147189	171726
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	147189	171726
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		

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

Global business

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

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

Global business

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

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	3253948	GL	31	12	2006	£000	10
						As at the end of this financial year 1		As at the end of the previous year 2
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58		837308		847389
		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		41955		49339
		Intermediaries		72				
Salvage and subrogation recoveries				73				
Reinsurance		Accepted		74		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		43478		78436
		Due in more than 12 months		79		181805		61131
Other assets								
Tangible assets				80				
Deposits not subject to time restriction on withdrawal with approved institutions				81		120951		59607
Cash in hand				82				
Other assets (particulars to be specified by way of supplementary note)				83				
Accrued interest and rent				84		181940		181636
Deferred acquisition costs (general business only)				85				
Other prepayments and accrued income				86				
Deductions from the aggregate value of assets				87				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		16683790		16111089

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

Global business

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

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

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

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

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

Global business

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

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	15278706	14705761
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	15278706	14705761
Claims outstanding	Gross amount	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	14880
	Other	22	4551
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	122013
	Reinsurance accepted	32	
	Reinsurance ceded	33	31691
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	30659
	Other	38	363344
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	562587	643614
Excess of the value of net admissible assets	51	842497	761714
Total liabilities and margins	59	16683790	16111089
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	31528	42210
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		
Total liabilities (11+12+49)	71	15841293	15349375
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	772167	931635
Other adjustments to liabilities (may be negative)	74	(133698)	(81863)
Capital and reserves and fund for future appropriations	75	1060680	912809
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	17540442	17111956

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

Global business

Financial year ended **31st December 2006**

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

Technical provisions (gross amount)

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

Provisions and creditors

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

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Reinsurers' share of DAC	81		
Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83		
Capital and reserves	84	141102	158283
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)	85	147189	171726

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

Global business

Financial year ended **31st December 2006**

		Company registration number	GL/UK/CM	Period ended			Units
		R16	GL	day	month	year	£000
		3253948	GL	31	12	2006	£000
		This financial year		Previous year			
		1		2			
Transfer (to)/from the general insurance business technical account	From Form 20	11					
	Equalisation provisions	12					
Transfer from the long term insurance business revenue account		13					
Investment income	Income	14	7729			10311	
	Value re-adjustments on investments	15	2793			5160	
	Gains on the realisation of investments	16	695				
Investment charges	Investment management charges, including interest	17	460			928	
	Value re-adjustments on investments	18					
	Loss on the realisation of investments	19					
Allocated investment return transferred to the general insurance business technical account		20					
Other income and charges (particulars to be specified by way of supplementary note)		21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	10757			14543	
Tax on profit or loss on ordinary activities		31	(2062)			(2687)	
Profit or loss on ordinary activities after tax (29-31)		39	12819			17230	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41					
Tax on extraordinary profit or loss		42					
Other taxes not shown under the preceding items		43					
Profit or loss for the financial year (39+41-(42+43))		49	12819			17230	
Dividends (paid or declared)		51	30000				
Profit or loss retained for the financial year (49-51)		59	(17181)			17230	

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

Global business

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

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

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

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

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

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

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

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Gross						
Death or disability lump sums	11	2	12		14	171
Disability periodic payments	12					
Surrender or partial surrender	13	618	878	180	1676	2544
Annuity payments	14	29201	1061634	25241	1116076	1052217
Lump sums on maturity	15					201
Total	16	29821	1062524	25421	1117766	1055133
Reinsurance - external						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24	17893	62146	118	80157	74523
Lump sums on maturity	25					
Total	26	17893	62146	118	80157	74523
Reinsurance - intra-group						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		54336		54336	67376
Lump sums on maturity	35					
Total	36		54336		54336	67376
Net of reinsurance						
Death or disability lump sums	41	2	12		14	171
Disability periodic payments	42					
Surrender or partial surrender	43	618	878	180	1676	2544
Annuity payments	44	11308	945152	25123	981583	910318
Lump sums on maturity	45					201
Total	46	11928	946042	25303	983273	913234

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

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

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

Total business

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

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
Number of new policyholders/scheme members for direct insurance business						
Regular premium business	11					
Single premium business	12	487	46904	580	47971	43950
Total	13	487	46904	580	47971	43950
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	26734	1392847	17227	1436808	1532117
External reinsurance	26					
Intra-group reinsurance	27			7032	7032	7176
Total	28	26734	1392847	24259	1443840	1539293

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

Total business

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

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			482	26283
905	Index linked annuity			5	451

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

Total business

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

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
400	Annuity non-profit (CPA)			46677	1374208
905	Index linked annuity			227	18639

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

Total business

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

Overseas / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			403	16875
905	Index linked annuity			5	352

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

Total business

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

Overseas / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
395	Annuity non-profit (PLA)			172	7032
905	Index linked annuity				

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

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
Assets backing non-profit liabilities and non-profit capital requirement						
Land and buildings	11	3471	3471	282	8.06	
Approved fixed interest securities	12	933264	933264	28541	4.71	
Other fixed interest securities	13	3977157	3977157	232134	5.65	
Variable interest securities	14	32237	32237	801	1.97	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17	88	88			
Other assets	18	10900265	10900265	628432	5.83	
Total	19	15846482	15846482	890190	5.71	
Assets backing with-profits liabilities and with-profits capital requirement						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
Total	29					
Overall return on with-profits assets						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

Long term insurance business : Fixed and variable interest assetsName of insurer **Norwich Union Annuity Limited**Category of assets **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
UK government approved fixed interest securities	11	533210	14.71	4.85	4.75
Other approved fixed interest securities	21	400054	17.39	4.52	4.41
Other fixed interest securities					
AAA/Aaa	31	707168	12.04	5.04	4.95
AA/Aa	32	1300701	12.01	5.52	5.20
A/A	33	1255576	10.62	5.59	5.27
BBB/Baa	34	691737	8.58	5.90	5.23
BB/Ba	35	12109	7.85	6.26	4.21
B/B	36				
CCC/Caa	37	4917	3.18	77.93	
Other (including unrated)	38	4949	1.28	32.47	3.98
Total other fixed interest securities	39	3977157	10.94	5.65	5.17
Approved variable interest securities	41	3154	20.15	1.45	1.36
Other variable interest securities	51	29083	12.79	2.02	1.81
Total (11+21+39+41+51)	61	4942658	11.89	5.45	5.04

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

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
Gross						
Form 51 - with-profits	11					
Form 51 - non-profit	12	221615	14571373	419327	15212315	14798819
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17	17069	843921	5156	866146	857555
Total	18	238684	15415294	424483	16078461	15656374
Reinsurance - external						
Form 51 - with-profits	21					
Form 51 - non-profit	22	22570	101507	1736	125813	124120
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27	9677	19161		28838	29213
Total	28	32247	120668	1736	154651	153333
Reinsurance - intra-group						
Form 51 - with-profits	31					
Form 51 - non-profit	32		645104		645104	797280
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		645104		645104	797280
Net of reinsurance						
Form 51 - with-profits	41					
Form 51 - non-profit	42	199045	13824762	417591	14441398	13877419
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47	7392	824760	5156	837308	828342
Total	48	206437	14649522	422747	15278706	14705761

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

Global business

Total business

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

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

Long-term insurance business - analysis of valuation interest ratesName of insurer **Norwich Union Annuity Limited**Total business / subfund **Ordinary Long Term**Financial year ended **31st December 2006**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK L&GA NP Form 51 annuities	111202	4.39	4.89	5.13
UK L&GA NP Form 51 annuities	87545		4.89	5.13
UK Pens NP Form 51 annuities	13750230		4.89	5.13
OS NP Form 51 annuities	10	4.39	4.89	5.13
OS NP Form 51 annuities	416955		4.89	5.13
UK L&GA NP Form 54 annuities	7382	0.96	1.45	1.67
UK Pens NP Form 54 annuities	823525		1.45	1.67
OS NP Form 54 annuities	5148		1.45	1.67
Misc	76709	n/a	n/a	
Total:	15278706	n/a	n/a	n/a

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

		Financial year	Previous year
		1	2
Valuation result			
Fund carried forward	11	15278706	14705761
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	15278706	14705761
Mathematical reserves	21	15278706	14705761
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		
Composition of Surplus			
Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34		
Total	39		
Distribution of Surplus			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49		
Total (48+49)	59		
Percentage of distributed surplus allocated to policyholders			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long term insurance capital requirementName of insurer **Norwich Union Annuity Limited**

Global business

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

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

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

Global business

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

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

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

	£'000
i) Net admissible assets	
Form 13 Line 89 (Long term business)	16,683,790
Form 13 Line 89 (Other than long term business)	147,189
Form 14 Lines 11, 12 and 49	(15,841,293)
Form 15 Line 69	(6,087)
	<hr/> 983,599
ii) Components of Capital resources that are treated as a liability	-
iii) Components of capital resources not included in ii) that arise as a result of a waiver and are not represented by admissible assets included in Form 13	-
iv) Any other items	-
Total i) to iv) above	983,599
Form 3, line 79	983,599

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

	£'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	131,129
c) Negative valuation differences in respect of assets where valuation in GENPRU and INSPRU is lower than the valuation that the firm uses for external financial reporting purposes	-
d) Negative valuation differences in respect of liabilities where valuation in GENPRU and INSPRU exceeds the valuation that the firm uses for external financial reporting purposes	
- Mathematical reserves	(274,806)
Net negative valuation difference included in line 35	(143,677)

1301 Aggregate values of assets

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

	£m
Unlisted investments on lines 41 and 46	110
Listed investments on lines 41, 46 and 48 which are not readily realisable	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act	-
Reversionary interests or remainders in property other than land or buildings	-

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

Global business

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

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

	£m
Unlisted investments on lines 41 and 46	534
Listed investments on lines 41, 46 and 48 which are not readily realisable	-
Units in collective investment schemes that are not schemes falling within the UCITS Directive or are not authorised unit trust schemes or recognised schemes within the meaning of Part XVII of the Act	-
Reversionary interests or remainders in property other than land or buildings	-

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

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

1305 Counterparty limits**1319 Counterparty limits**

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

Deposits

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

Fixed Income Securities

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

Derivatives

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

1306 Counterparty exposure**1312 Counterparty exposure**

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

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

Global business

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

The aggregate value of hybrid securities is £390m

1318 Other asset adjustments

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

**Category 10
£'000**

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

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

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

1402 Contingent liabilities

Deferred tax arising from potential capital gains tax on unrealised gains is nil.

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

There are no charges over any assets of the Company.

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

There are no other fundamental uncertainties.

1404 Implicit provision required by INSPRU 3.2.17R(3)

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

1405 Other adjustments to liabilities

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

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

1502 Contingent liabilities

A provision of £1.4m has been included within deferred tax at line 21 for potential capital gains tax on unrealised gains.

There are no contingent liabilities applicable to shareholders' funds.

There are no charges over any assets of the Company.

Supplementary notes

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

Code

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

There are no other fundamental uncertainties.

1601 Rates of exchange

4005 Rates of exchange

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

1700 Form omitted

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

1701 Variation margin

The aggregate amount of any excess variation margin which has been received by the Company is £207k.

The variation margin is allocated as follows:

	£'000
Form 13 line 44	(9,979)
Form 14 line 38	(8,843)

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

4008 Management services

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

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

4009 Related party transactions

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

4702 UK Life and overseas annuities

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

4802 Expected interest

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

Supplementary notes

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

Code

4803 Redemption of securities

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

4804 Yield for assets line 18

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

	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

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

5402 Number of policyholders

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

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

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31 December 2006**

1. Introduction

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

2. Product Range

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

3. Discretionary charges and benefits

- (1) There is no accumulating with-profits business.
- (2) Not applicable.
- (3) There are no deposit administration benefits.
- (4) The guaranteed annuity benefit is calculated incorporating an allowance for service charges.
- (5) Not applicable.
- (6) There is no accumulating with profit business.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.

4. Valuation basis

(1) Valuation methodology

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

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

(2) Valuation interest rates

The following table gives the valuation interest rates at the end of 2006 compared with those at the end of 2005. Non-linked and index-linked liabilities are backed by different assets and hence have different valuation interest rates. Index linked yields are real yields.

Product Group	Valuation interest rates	
	2006 %	2005 %
Non-linked pensions annuities	4.892	4.591
Non-linked life and general annuities	4.392	4.091
Index linked pensions annuities	1.449	1.315
Index linked life and general annuities	0.963	0.830

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

Global business

Financial year ended **31 December 2006****(3) Adjustment to yield for credit risk**

In accordance with INSPRU 3.1.41R, a prudent adjustment, excluding that part of the yield estimated to represent compensation for the risk that the income from the asset might not be maintained or that capital repayments might not be received as they fall due, was made to the yield on assets.

This adjustment took account of:

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

The deductions for bad debts were:

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

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

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

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

(4) Mortality assumptions

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

The 2006 mortality basis is unchanged from the 2005 mortality basis for the majority of NUA annuity business. The 2005 mortality basis was derived by taking a percentage of the base table mortality rates (where the percentages are given in the table below) and applying the improvement rates from CMI Working Paper 1 (December 2002) for calendar years 2005 and beyond.

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

Global business

Financial year ended **31 December 2006**

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

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

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

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

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

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

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

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

(5) Not applicable.

(6) Expense assumptions

The value of future maintenance expenses is calculated from current maintenance expense levels by broad category of business, increasing by future expense inflation over the lifetime of each contract. The following expense assumptions are based on the terms of the Management Services Agreement between Norwich Union Life Services Limited and Norwich Union Annuity Limited and increased by 10%. Expense assumptions are shown for pension annuities only. The per policy expenses are shown gross and no tax relief is assumed.

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

Global business

Financial year ended **31 December 2006**

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

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

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

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

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

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

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

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

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

5. Options and Guarantee

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

6. Expense Reserves

- (1) Based on the non-linked business in force at 31 December 2006, the explicit allowance for maintenance expenses during 2007 is £10.6m and the implicit allowance for investment expenses, in the valuation rate of interest, during 2007 is £11.4m. All expenses have been treated as attributable.
- (2) The implicit allowance for investment expenses was estimated by applying the investment expense deductions by asset class assumed in the valuation interest rate calculation to the assets allocated to the valuation liabilities.
- (3) The maintenance expenses in line 14 of Form 43 are £21.8m. This compares with the £22m from 6(1).

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

Global business

Financial year ended **31 December 2006**

- (4) The costs of acquiring new business assumed in the next twelve months would have little impact on the Company and would be charged to the new business written.
- (5) An assessment was made of the cost of closure of the Company to new business at the end of 2006 and a reserve for £5m, corresponding to the full cost, was established on Form 51.
- (6) There are no expenses which have been treated as non-attributable.

7. Mismatching Reserves

- (1) Mathematical reserves for overseas business, as reported in Forms 51 and 54, are all in respect of sterling liabilities and are fully matched by sterling assets.
- (2) Not applicable.
- (3) There are no significant liabilities in currencies different to the matching assets.
- (4) Two tests were applied at December 2006, in line with INSPRU 3.1.16R
 - (a) a rise in risk free interest yields for all outstanding terms of 20% of the long term gilt yield
 - (b) a fall in risk free interest yields for all outstanding terms of 20% of the long term gilt yield

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

The most onerous scenario as at 31 December 2006 was test (a).

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

8. Additional Special Reserves

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

9. Reinsurance

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

	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 2006	£7.120m
Deposit back arrangements	Not applicable
Open/closed to new business	Treaty 1 was closed to new business in March 2001. New business is placed with either Munich Re under Treaty 2 or Hannover Re under Treaty 3.
Undischarged liabilities	None
Mathematical reserves ceded	Total reserves ceded under the 3 treaties are £32.382m
Retention limit for new policies	10% retained of each new annuity

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

Global business

Financial year ended **31 December 2006**

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

	Treaty 4
Reinsurer	Hannover Re
Nature of cover	75% Quota share on UK Impaired Life Annuity business
Premiums payable in 2006	£12.330m
Deposit back arrangements	Not applicable
Open/closed to new business	Open to new business
Undischarged liabilities	None
Mathematical reserves ceded	£54.171
Retention limit for new policies	25% retained of each new annuity

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

	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 2006	£42.974m	£18.418m
Deposit back arrangements	Not applicable	Not applicable
Open/closed to new business	Closed to new business	Closed to new business
Undischarged liabilities	None	None
Mathematical reserves ceded	£28.622m	£12.267m
Retention limit for new policies	Not applicable	Not applicable

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

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

Global business

Financial year ended **31 December 2006**

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

Internal Reinsurance Treaty 33	
Reinsurer	NULAP (Provident Mutual Sub-Fund)
Nature of cover	Reinsurance of 52.5% of the non-profit immediate pension annuities which were originally written in the Provident Mutual sub-fund of NU Linked Life before 2001 and in 2004, and were transferred to Norwich Union Annuity Limited as at 1 January 2005.
Premiums payable in 2006	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£394.509m
Retention limit for new policies	Not applicable

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 2006	£NIL
Deposit back arrangements	Not applicable
Open/closed to new business	Closed to new business
Undischarged liabilities	None
Mathematical reserves ceded	£250.595m
Retention limit for new policies	Not applicable

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

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

10. Reversionary bonus

Not relevant. The Company has no with-profit business.

Returns under the Accounts and Statements Rules

Statement on derivatives required by IPRU (INS) 9.29

Name of Company **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

The following summarises investment policy for the use of derivatives:

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

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

The maximum loss in the event of failure by any one counterparty to fulfil its obligations at the end of the financial year would have been nil. This would have been £9m had the position been assessed at 31 January 2006.

No significant provisions have been required under INSPRU 3.2.17R for any derivative contracts held at any time during the financial year. All contracts held fall under the definition of approved, admissible contracts as detailed in INSPRU 3.2.5R.

Returns under the Accounts and Statements Rules

Statement on controllers required by IPRU (INS) 9.30

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

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

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

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

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

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

All shares are voting shares.

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

Name of insurer **Norwich Union Annuity Limited**

Global business

Financial year ended **31st December 2006**

We certify that:

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

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

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

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

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

30 March 2007

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Annuity Limited**

Global Business

Financial year ended **31st December 2006**

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

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

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

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

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

Respective responsibilities of the insurer and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation report) under the provisions of the Rules. The requirements of the Rules have been modified by the direction issued under section 148 of the Act on 30 September 2006 referred to in supplementary note 0204. Under rule 9.11 the Forms, the statement and the valuation report are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31(a) are required to reflect appropriately the requirements of INSPRU 1.2.

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

Basis of opinion

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

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

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

Returns under the Accounts and Statements Rules

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

Name of insurer **Norwich Union Annuity Limited**

Global Business

Financial year ended **31st December 2006**

Opinion

In our opinion:

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

Ernst & Young LLP
Registered Auditor
London
30 March 2007