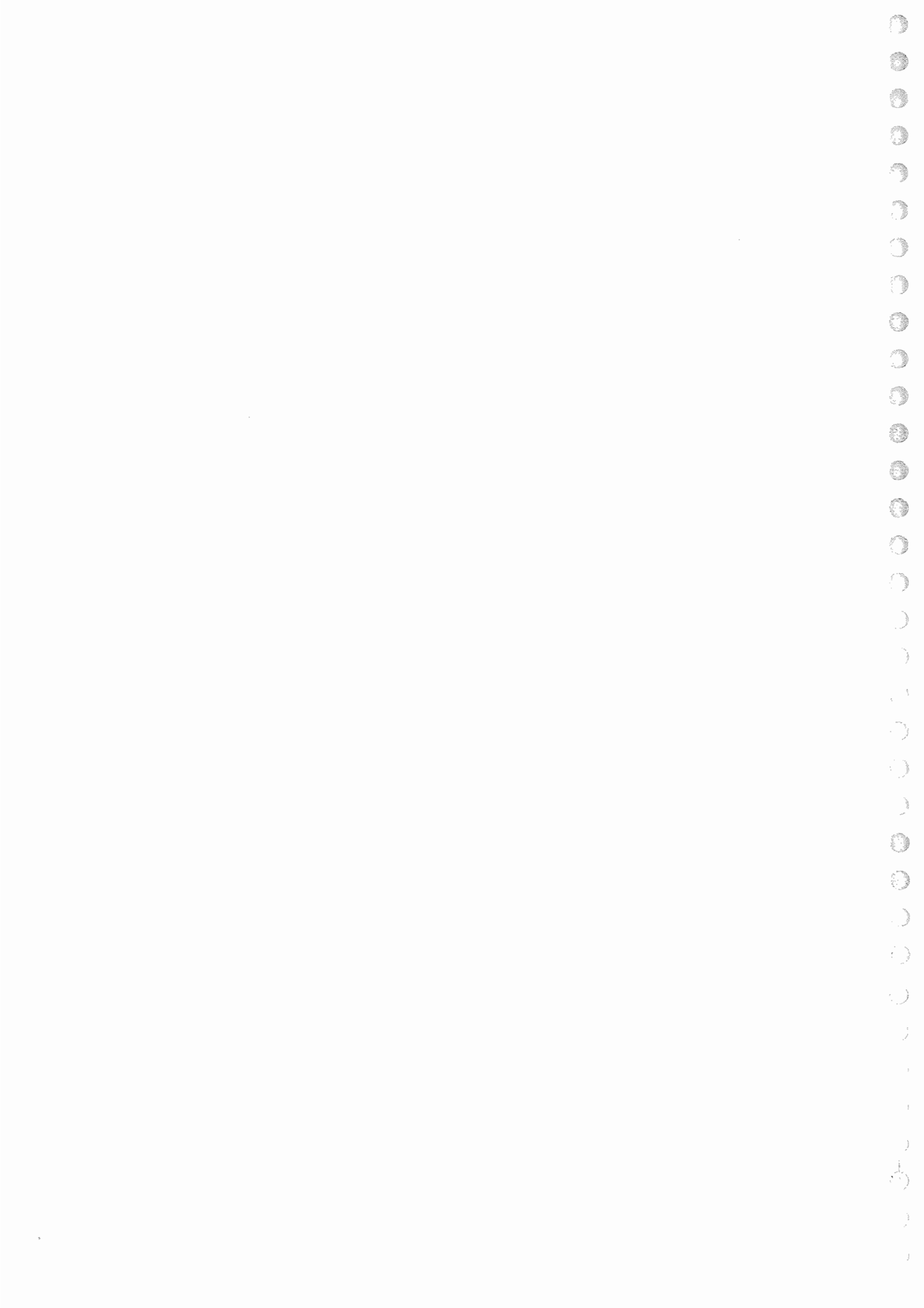


Rothesay Life Limited

Annual FSA Insurance Returns for the year ended

31 December 2009

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6



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Appendix 9.3 Long Term Insurance Business

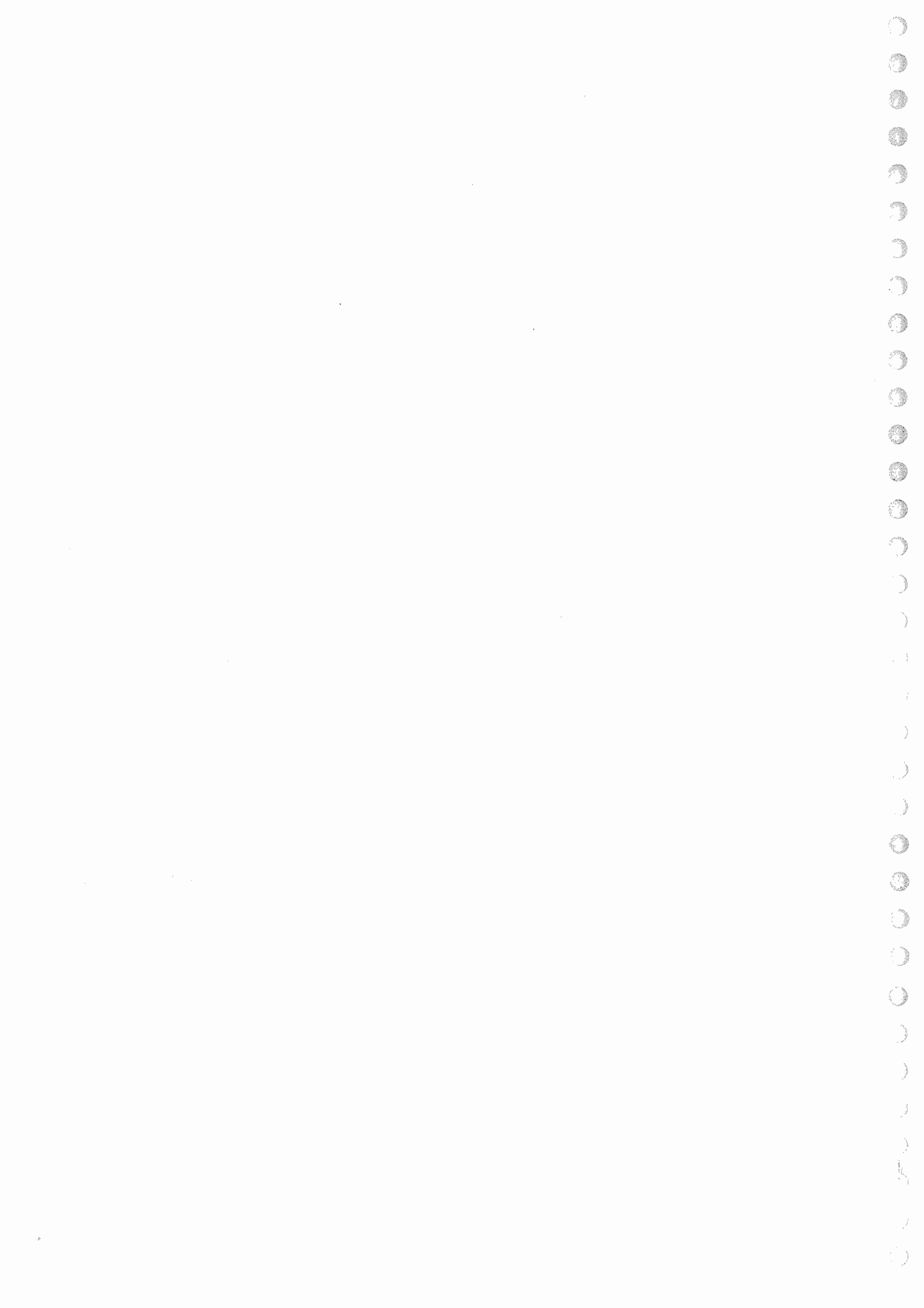
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Statement of solvency - long-term insurance businessName of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	6127279	GL	31	12	2009	£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	16980	42072
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	55017	23318
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	71997	65390

Guarantee fund

Guarantee fund requirement	21	8868	8035
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	63129	57355

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	26603	24106
Resilience capital requirement	32		4348
Base capital resources requirement	33	3128	2231
Individual minimum capital requirement	34	26603	28454
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	26603	28454
Excess (deficiency) of available capital resources to cover 50% of MCR	37	51824	42024
Excess (deficiency) of available capital resources to cover 75% of MCR	38	45173	34910

Enhanced capital requirement

With-profits insurance capital component	39		
Enhanced capital requirement	40	26603	28454

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	26603	28454
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	45395	36936

Contingent liabilities

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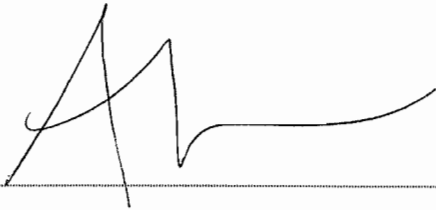
Covering Sheet to Form 2

Form 2

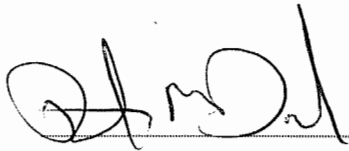
Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**



Director



Director



Director

Date **30 March 2010**

Components of capital resources

Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	6127279	GL	31	12	2009	£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		135000	135000	80000
Profit and loss account and other reserves	12		(58360)	(58360)	(43080)
Share premium account	13				
Positive valuation differences	14				19331
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		76640	76640	56251

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		76640	76640	56251
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35		11515	11515	
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		11515	11515	
Total tier one capital after deductions (31-37)	39		65125	65125	56251

Components of capital resources

Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	6127279	GL	31	12	2009	£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		20000	20000	20000
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59		20000	20000	20000

Total tier two capital before restrictions (49+59)	61		20000	20000	20000
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69		20000	20000	20000

Components of capital resources

Name of insurer **Rothsay Life Limited**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/UK/CM	day month year			Units	
	R3	6127279	GL	31	12	2009	£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		85125	85125	76251
Inadmissible assets other than intangibles and own shares	73		13128	13128	10861
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		71997	71997	65390

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		71997	71997	65390
Available capital resources for 50% MCR requirement	82		65125	65125	56251
Available capital resources for 75% MCR requirement	83		65125	65125	56251

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				36000
Sum of financial engineering adjustments (91+92-93+94+95)	96				36000

Analysis of admissible assetsName of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**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	6127279	GL	31	12	2009	£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		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	55106	23158
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	
	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		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assets

Name of insurer **Rothsay Life Limited**

Global business

Financial year ended **31 December 2009**

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	6127279	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year	
						1	2	

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	
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	25	160
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	55131	23318
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Analysis of admissible assetsName of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**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	6127279	GL	31	12	2009	£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	55131	23318
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 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	55131	23318
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

Name of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2009	£000	10
					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		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	80356	153768
Rights under derivative contracts	44	51154	26964
Fixed interest securities	Approved	45	
	Other	46	125314 78585
Variable interest securities	Approved	47	
	Other	48	3530 4885
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		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	493999 136848
	Property linked	59	36269 38889

Analysis of admissible assetsName of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
	R13	6127279	GL	31	12	2009	£000	10
						As at end of this financial year	As at end of the previous year	
						1	2	

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	18439
	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	17427
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	351	1800
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	14005	5479
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86	154	578

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	840997	447796
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Analysis of admissible assets

Name of insurer **Rothsay Life Limited**

Global business

Financial year ended **31 December 2009**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	6127279	GL	31	12	2009	£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	840997	447796
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	13128	10861
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 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		359151
Other asset adjustments (may be negative)	101	(6413)	51563
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	847712	869371
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**Total business/Sub fund **Long Term Fund 1**Units **£000**

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

Mathematical reserves, after distribution of surplus	11	700995	352302	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	16980	42073	
Long term insurance business fund carried forward (11 to 13)	14	717975	394375	
Claims outstanding	Gross	15	28853	28905
	Reinsurers' share	16		
	Net (15-16)	17	28853	28905
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	93864	24055
Accruals and deferred income	39	305	460	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	123022	53420	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	840997	447795	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	80140	24056
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	36269	38889

Total liabilities (11+12+49)	71	824017	405722
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		359151
Other adjustments to liabilities (may be negative)	74	(17927)	70896
Capital and reserves and fund for future appropriations	75	41622	33602
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	76	847712	869371

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

Global business

Financial year ended **31 December 2009**

R15	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	6127279	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

Technical provisions (gross amount)

Provisions 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		
	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		
	Foreseeable dividend	48		
	Other	49	114	
Accruals and deferred income		51		
Total (19 to 51)		59	114	
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	20000	20000
Total (59 to 63)		69	20114	20000

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		35017	3318
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		55131	23318

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

Global business

Financial year ended **31 December 2009**Company
registration
numberGL/
UK/
CM

day month year

Units

		R16	6127279	GL	31	12	2009	£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			(23000)	(78247)
Investment income	Income			14			541	3124
	Value re-adjustments on investments			15				
	Gains on the realisation of investments			16				
Investment charges	Investment management charges, including interest			17			728	1113
	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			(23187)	(76236)
Tax on profit or loss on ordinary activities				31			114	
Profit or loss on ordinary activities after tax (29-31)				39			(23300)	(76236)
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			(23300)	(76236)
Dividends (paid or foreseeable)				51				
Profit or loss retained for the financial year (49-51)				59			(23300)	(76236)

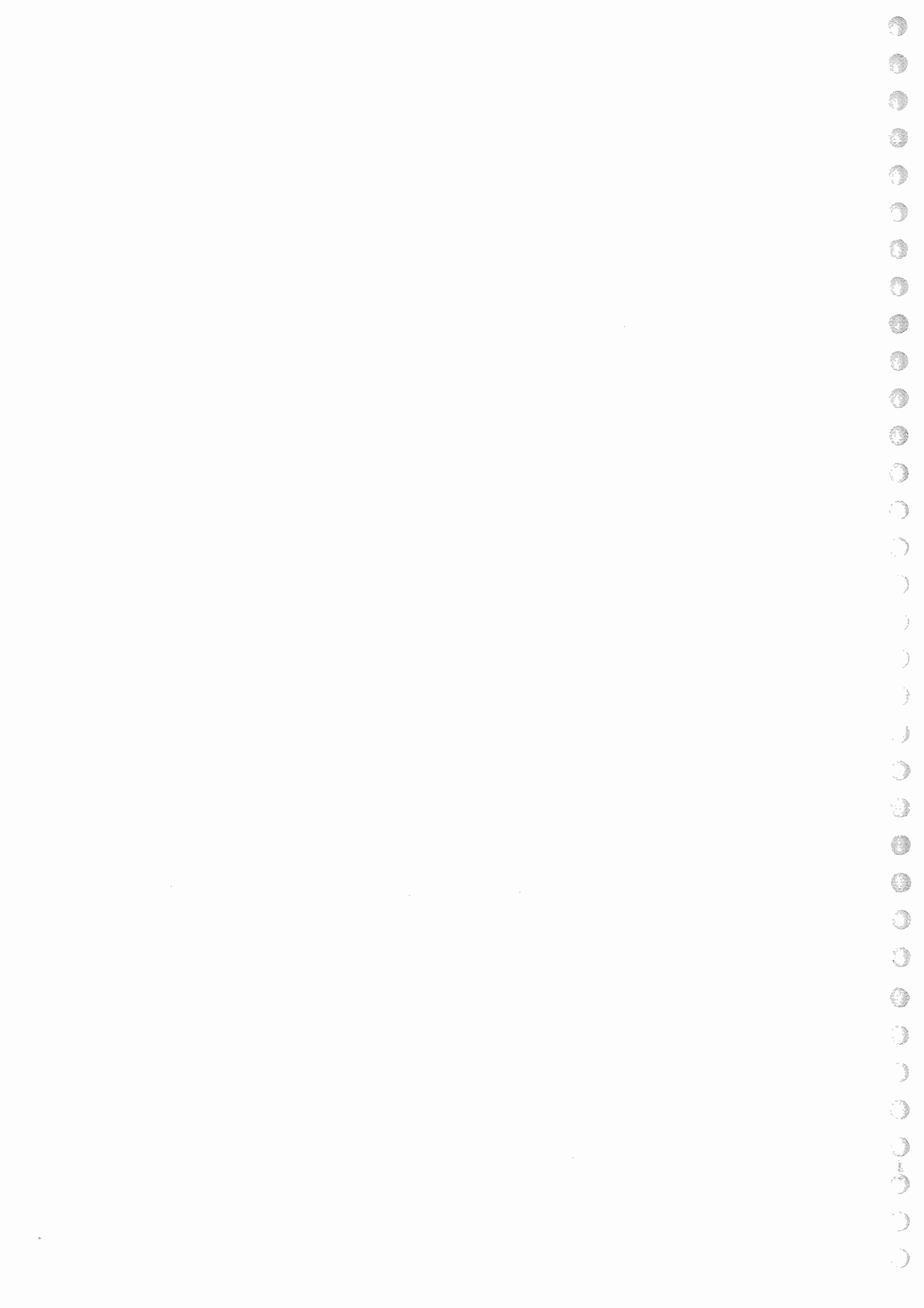
Analysis of derivative contractsName of insurer **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	6127279	GL	31	12	2009	£000	10
Derivative contracts		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets 1		Liabilities 2		Bought / Long 3		Sold / Short 4	
Futures and contracts for differences	Fixed-interest securities	11							
	Interest rates	12	18892		11591		142888		
	Inflation	13							
	Credit index / basket	14	53975		62645		80731		
	Credit single name	15	1868		945		42843		32004
	Equity index	16							
	Equity stock	17							
	Land	18							
	Currencies	19							
	Mortality	20							
	Other	21	1499		2626		42843		32004
In the money options	Swaptions	31							
	Equity index calls	32							
	Equity stock calls	33							
	Equity index puts	34							
	Equity stock puts	35							
	Other	36							
Out of the money options	Swaptions	41							
	Equity index calls	42							
	Equity stock calls	43							
	Equity index puts	44							
	Equity stock puts	45							
	Other	46							
Total (11 to 46)		51	76234		77807		309305		64008
Adjustment for variation margin		52	(25080)		(29857)				
Total (51 + 52)		53	51154		47950				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.
Please see instructions 11 and 12 to this Form for the meaning of these figures.



Long-term insurance business : Revenue account

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Income

Earned premiums	11	388498	437097
Investment income receivable before deduction of tax	12	17766	9096
Increase (decrease) in the value of non-linked assets brought into account	13	4714	(10325)
Increase (decrease) in the value of linked assets	14	16913	(7293)
Other income	15		
Total income	19	427891	428575

Expenditure

Claims incurred	21	75851	61345
Expenses payable	22	44533	54023
Interest payable before the deduction of tax	23	10346	6770
Taxation	24	(3439)	(9691)
Other expenditure	25		
Transfer to (from) non technical account	26	(23000)	(78247)
Total expenditure	29	104291	34200

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	323600	394375
Fund brought forward	49	394375	
Fund carried forward (39+49)	59	717975	394375

Long-term insurance business : Analysis of premiums

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Regular premiums	11		48404		48404	
Single premiums	12		370071		370071	732654

Reinsurance - external

Regular premiums	13		38837		38837	
Single premiums	14		(8860)		(8860)	295557

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17		9567		9567	
Single premiums	18		378931		378931	437097

Total

Gross	19		418475		418475	732654
Reinsurance	20		29977		29977	295557
Net	21		388498		388498	437097

Long-term insurance business : Analysis of claims

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 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		218		218	158
Disability periodic payments	12					
Surrender or partial surrender	13		56197		56197	48879
Annuity payments	14		70476		70476	13005
Lump sums on maturity	15		6200		6200	9687
Total	16		133091		133091	71729

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		57240		57240	10384
Lump sums on maturity	25					
Total	26		57240		57240	10384

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41		218		218	158
Disability periodic payments	42					
Surrender or partial surrender	43		56197		56197	48879
Annuity payments	44		13236		13236	2621
Lump sums on maturity	45		6200		6200	9687
Total	46		75851		75851	61345

Long-term insurance business : Analysis of expenses

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 Units **£000**

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

Gross

Commission - acquisition	11				39116
Commission - other	12				
Management - acquisition	13		39179	39179	12766
Management - maintenance	14		5354	5354	1967
Management - other	15				174
Total	16		44533	44533	54023

Reinsurance - external

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

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				39116
Commission - other	42				
Management - acquisition	43		39179	39179	12766
Management - maintenance	44		5354	5354	1967
Management - other	45				174
Total	46		44533	44533	54023

Long-term insurance business : Linked funds balance sheet

Name of insurer **Rothesay Life Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11		
Directly held assets in collective investment schemes of connected companies	12	36269	38889
Directly held assets in other collective investment schemes	13		
Total assets (excluding cross investment) (11+12+ 13)	14	36269	38889
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		
Total net assets (14-15-16-17)	18	36269	38889

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	36269	38889
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34	36269	38889

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **Rothesay Life Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11		39116
Investment income attributable to the funds before deduction of tax	12		
Increase (decrease) in the value of investments in the financial year	13	415	810
Other income	14		
Total income	19	415	39926

Expenditure

Value of total cancellation of units	21	3015	1027
Charges for management	22	20	10
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25		
Other expenditure	26		
Total expenditure	29	3035	1037

Increase (decrease) in funds in financial year (19-29)	39	(2620)	38889
Internal linked fund brought forward	49	38889	
Internal linked funds carried forward (39+49)	59	36269	38889

Long-term insurance business : Summary of new business

Name of insurer **Rothesay Life Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

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

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11		2		2	
Single premium business	12		917		917	19103
Total	13		919		919	19103

**Amount of new regular
premiums**

Direct insurance business	21		116170		116170	
External reinsurance	22					
Intra-group reinsurance	23					
Total	24		116170		116170	

**Amount of new single
premiums**

Direct insurance business	25		370071		370071	732655
External reinsurance	26					
Intra-group reinsurance	27					
Total	28		370071		370071	732655

Long-term insurance business : Analysis of new business

Name of insurer
Rothsay Life Limited

Total business

Financial year ended
31 December 2009

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
390	Deferred annuity non-profit			9	943
401	Annuity non-profit (bulk transfer)			6	1575
906	Index linked annuity (bulk transfer)	2	116170	479	250688
907	Index linked deferred annuity			423	116865

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

Name of insurer **Rothesay Life Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2009**
 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					
Approved fixed interest securities	12					
Other fixed interest securities	13	139152				
Variable interest securities	14	3665	133944	4257	5.05	
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	167912	176785	3010	4.06	
Total	19	310729	310729	7267	4.48	

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

Name of insurer **Rothesay Life Limited**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2009**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11				
Other approved fixed interest securities	21				
Other fixed interest securities					
AAA/Aaa	31				
AA/Aa	32				
A/A	33				
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38				
Total other fixed interest securities	39				
Approved variable interest securities	41				
Other variable interest securities	51	133944	13.57	5.05	5.05
Total (11+21+39+41+51)	61	133944	13.57	5.05	5.05

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 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		144148	144148	419595
Form 52	13				
Form 53 - linked	14		36269	36269	38889
Form 53 - non-linked	15				
Form 54 - linked	16		493999	493999	274918
Form 54 - non-linked	17		26579	26579	14052
Total	18		700995	700995	747454

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				257083
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				138069
Form 54 - non-linked	27				
Total	28				395152

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42		144148	144148	162512
Form 52	43				
Form 53 - linked	44		36269	36269	38889
Form 53 - non-linked	45				
Form 54 - linked	46		493999	493999	136849
Form 54 - non-linked	47		26579	26579	14052
Total	48		700995	700995	352302

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

Name of insurer **Rothesay Life Limited**

Total business / subfund **Long Term Fund 1**

Financial year ended **31 December 2009**

Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
390	Deferred annuity non-profit	1489	14016					111508
400	Annuity non-profit (CPA)	447	2214					26325
440	Additional reserves non-profit OB - expense provision							3403
440	Additional reserves non-profit OB - miscellaneous							2912

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

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 Units **£000**

UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
755	Trustee investment plan	1	36269		36269	36269		36269

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

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
905	Index linked annuity(CPA)	1076	115466	110410	287743	287743		287743
907	Index linked deferred annuity	1935	24504		206256	206256		206256
915	Additional reserves index linked - expense provision						17179	17179
915	Additional reserves index linked - miscellaneous						9400	9400

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

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 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(CPA)	2	80718	85550				

Long-term insurance business : Index linked business

Name of insurer **Rothesay Life Limited**
 Total business
 Financial year ended **31 December 2009**
 Units **£000**

Value of assets	Mean Term
1	2

Analysis of assets

Approved variable interest securities	11		
Other variable interest securities	12	429976	13.57
Approved fixed interest securities	13		
Other fixed interest securities	14		
Cash and deposits	15	35035	
Equity index derivatives	16		
Inflation swaps	17	4491	
Other assets	18	41621	
Variation margin	19	(17124)	
Total (11 to 19)	20	493999	

Credit rating of other fixed interest and other variable interest securities

AAA/Aaa	31		
AA/Aa	32		
A/A	33		
BBB/Baa	34		
BB/Ba	35		
B/B	36		
CCC/Caa	37		
Other (including unrated)	38	429976	13.57
Total other fixed interest and other variable interest securities	39	429976	13.57

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **Rothesay Life Limited**
 Total business **Long Term Fund 1**
 Financial year ended **31 December 2009**
 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
Form 51; Immediate & Deferred Annuities	137833	4.45	4.45	4.65
Form 51; Additional Reserves - Miscellaneous Reserve	2912	4.45	4.45	4.65
Form 51; Additional Reserve - Expense Reserve	3403	4.45	4.45	4.65
Form 54; Additional Reserve - Miscellaneous Reserve	9400	4.45	4.45	4.65
Form 54; Additional Reserve - Expense Reserve	17179	4.45	4.45	4.65
Total	170727			

Long-term insurance business : Distribution of surplus

Name of insurer **Rothesay Life Limited**
 Total business / subfund **Long Term Fund 1**
 Financial year ended **31 December 2009**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	717975	394375
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	717975	394375
Mathematical reserves	21	700995	352302
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	16980	42073

Composition of surplus

Balance brought forward	31	42073	
Transfer from non-technical account	32	23000	78247
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(48093)	(36174)
Total	39	16980	42073

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	16980	42073
Total (48+49)	59	16980	42073

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 **Rothesay Life Limited**

Global business

Financial year ended **31 December 2009**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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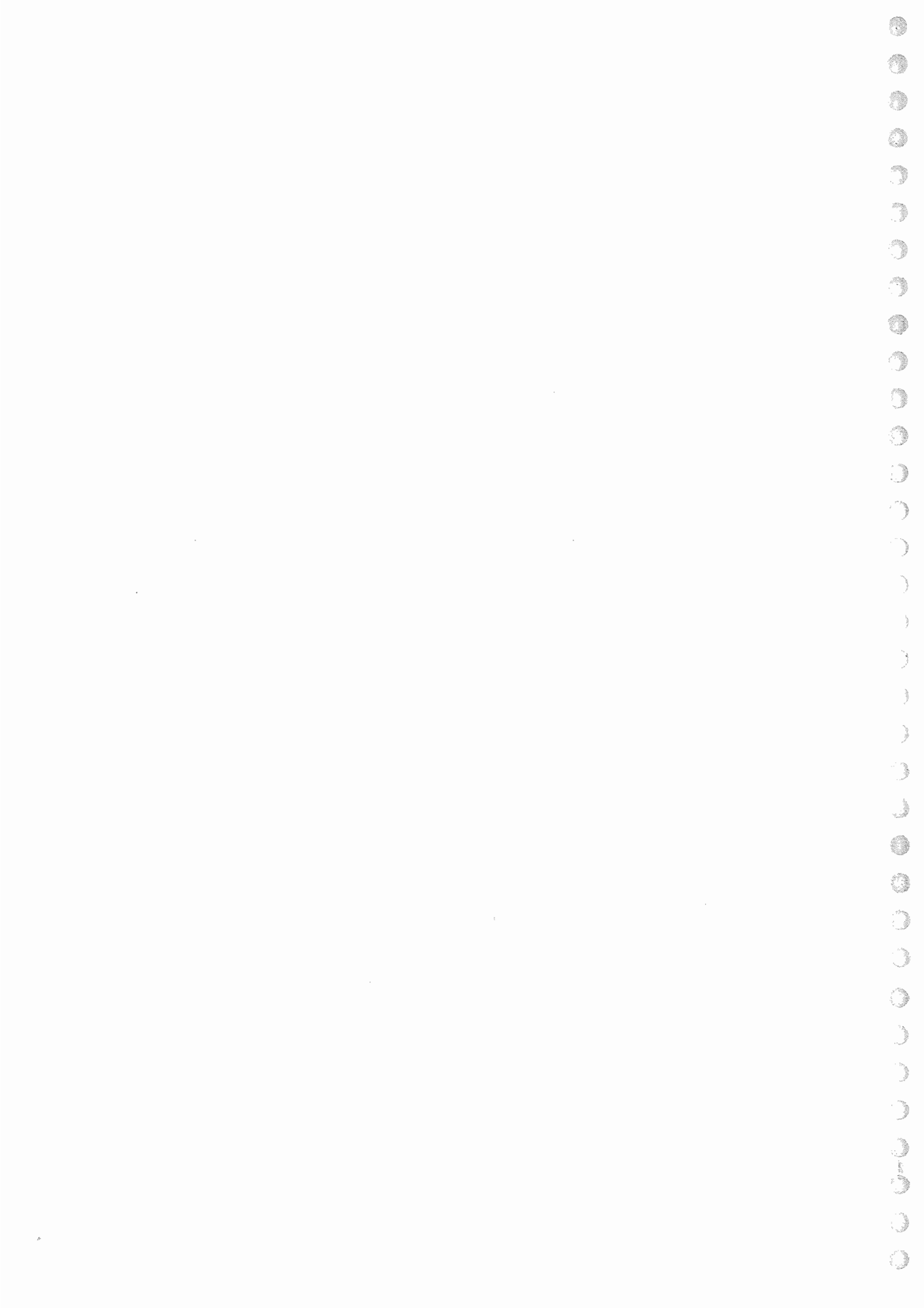
Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	144149	144149	1.00	1441	3567
Classes III, VII and VIII (investment risk)	33	1%	520577	520577	1.00	5206	2456
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%					
Classes III, VII and VIII (other)	35	25%				14	15
Class IV (other)	36	1%					
Class V	37	1%					
Class VI	38	1%					
Total	39					6661	6038

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	144149	144149	1.00	4324	10700
Classes III, VII and VIII (investment risk)	43	3%	520577	520577	1.00	15617	7369
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%					
Classes III, VII and VIII (other)	45	0%	36269	36269			
Class IV (other)	46	3%					
Class V	47	0%					
Class VI	48	3%					
Total	49		700995	700995		19942	18068

Long term insurance capital requirement	51					26603	24106
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SUPPLEMENTARY NOTES

Form 2

0201 Waivers under Section 148, financial Service and Markets Act 2000.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2008. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in December 2009. The effect of the direction is to modify the provisions of IPRU(INS) 9.3.(4)R and IPRU(INS) 9.4.(1)(a) so that the firm's accounting period could exceed 12 months.

Form 3

0301 Reconciliation of net admissible assets to total capital resources.

	2009 £'000
Line 89 Form 13 (OLTF)	55,017
Line 89 Form 13 (LTF)	823,567
Line 11 Form 14	(700,995)
Line 49 Form 14	(123,022)
Line 69 Form 15	(20,114)
Net admissible assets	34,453
Line 63 Form 15	20,000
Line 79 Form 3	54,453

ROTHESAY LIFE LIMITED
For the year ended 31 December 2009

SUPPLEMENTARY NOTES

	2009 £'000
Line 89 Form 13 (OLTF)	55,131
Line 89 Form 13 (LTF)	840,997
Line 11 Form 14	(700,995)
Line 49 Form 14	(123,022)
Line 69 Form 15	(20,114)
Net admissible assets	<hr/> 51,998
Line 63 Form 15	20,000
Line 79 Form 3	<hr/> <hr/> 71,997

0308 Any other charges on future profits.

In prior year the amount represented the analogous non-reinsurance financing agreement. The agreement expired on 28 February 2009.

SUPPLEMENTARY NOTES

0310 Valuation differences.

	2009 <u>£'000</u>
<i>Negative Valuation Difference where liabilities are higher than in the shareholder account</i>	
Closure reserve	(11,515)
Form 3 Line 35	<u>(11,515)</u>

0313 Reconciliation of profit and loss account and other reserves.

	2009 <u>£'000</u>	2008 <u>£'000</u>
Profit & loss account and reserves b/fwd	(43,080)	(448)
Profit & loss account and reserves c/fwd (Line 12 Form 3)	<u>(58,360)</u>	<u>(43,080)</u>
Movement	(15,280)	(42,632)
Movement in additional reserves held for FSA	5,154	(16,669)
Inadmissible assets	1,169	(1,170)
Movement in deferred tax	<u>(3,437)</u>	<u>(9,691)</u>
Total Profit and Loss for the year	(12,394)	(70,162)
Surplus retained in Long Term Fund	25,093	(42,072)
Analogous non-reinsurance financing agreement	<u>(36,000)</u>	<u>36,000</u>
Line 59 Form 16	<u>(23,300)</u>	<u>(76,234)</u>

SUPPLEMENTARY NOTES

Form 13

Notes 1305 to 1306 apply to the other than long term business fund.

1305 Insurer's maximum counterparty limit.

The maximum counterparty limit for any one counterparty is limited to the counterparty limits as noted in the Prudential Sourcebook for Insurers. No counterparty exposure at the year end exceeded these limits.

1306 No counterparty exposure on the assets other than collective investment schemes at the year end exceeded 5% of the business amount.

Notes 1311 to 1319 apply to the long term business fund.

1312 No counterparty exposure on the assets other than collective investment schemes at the year end exceeded 5% of the business amount.

1313 Exposures secured by collateral or charges, or mitigated by a credit derivative.

	2009
	<u>£'000</u>
Exposures mitigated by a credit derivative	<u>623,035</u>
	<u>623,035</u>

1318 Other asset adjustments.

	2009
	<u>£'000</u>
<i>Total long term business assets</i>	
Adjustment for variation margin on non-linked derivatives (Form 17)	29,857
Adjustment for trustee investment policy	<u>(36,269)</u>
Line 101 Form 13	<u>(6,412)</u>

ROTHESAY LIFE LIMITED

For the year ended 31 December 2009

SUPPLEMENTARY NOTES

1319 Insurer's maximum counterparty limit.

The maximum counterparty limit for any one counterparty is limited to the counterparty limits as noted in the Prudential Sourcebook for Insurers. No counterparty exposure at the year end exceeded these limits.

1321 Variation Margin

The amount included in line 78 includes excess variation margin.

Form 14

1401 Provision for reasonably foreseeable adverse variations.

The long term fund held a number of interest rate, credit default, total return, currency and inflation-linked swaps during the year. These swaps involved the exchange of cash flows and not of the underlying principal amount. No provision for adverse change is required, as all derivatives that impose an obligation on the fund are covered.

1402 Liabilities.

(a) During the prior year Rothesay Life granted a deed of charge to Prudential Retirement Income Limited in respect of the assets held in the name of Rothesay Life Limited in a Secured Account. This Secured Account was established for the purposes of collateralising reinsurance ceded. Given the restricted purpose to which the assets in the Secured Account could be used, they were not recognised in the balance sheet of Rothesay Life and the corresponding liability to pay such assets to Prudential Retirement Income Limited was consequently not recognised in Form 14. This deed of charge terminated on 31 October 2009.

(b) Increases in the value of assets do not incur tax. Consequently, no provision, potential or otherwise, has been made for any liability to tax which may arise if the company disposed of its assets at the values stated in this return.

(c) There were no contingent liabilities in Rothesay Life Limited during the year or at the year end.

(d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of business, and in respect of related companies.

SUPPLEMENTARY NOTES

1405 Other liability adjustments

	2009 £'000
Adjustment for variation margin on non-linked derivatives (Form 17)	29,857
Adjustment for trustee investment policy	(36,269)
Adjustment for closure to new business reserve	(11,515)
Line 74 Form 14	<u>(17,927)</u>

Form 15

1501 Provision for reasonably foreseeable adverse variations.

The other than long term fund did not hold any derivatives during the year. Therefore, no provision for adverse change is required.

1502 Liabilities.

- (a) There were no charges attributable to other than long term business assets.
- (b) there is no potential capital gains tax liability in the other than long term business fund.
- (c) There were no contingent liabilities during the year or at the year end.
- (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of business, and in respect of related companies.

Form 16

1601 Revenue account items are translated at rates ruling on the transaction date.

Form 17

1701 Treatment of the variation margin.

- (a) There is no excess variation margin which has been received.
- (b) The variation margin on assets of £25,080k has been allocated to line 44 on Form 13. The variation margin on liabilities of £29,857k has been allocated to line 38 on Form 14.

ROTHESAY LIFE LIMITED

For the year ended 31 December 2009

SUPPLEMENTARY NOTES

Form 40

4008 Management Services.

Management services are provided to the Company for day to day administration by Rothesay Pensions Management Limited and Goldman Sachs International. Both are group companies.

Form 44

4401 Assets valuation basis.

This asset represents a trustee investment policy which has been invested in a UCITS collective investment scheme. The asset is marked to market on a daily basis.

Form 47

4702 Approximations to apportion business among product codes.

Number of policyholders:

Number of policyholders has been split between pensioners and deferred members. The number of policyholders within these sub-groups is apportioned as a percentage of the amount of benefit received by these particular sub-groups as reflected in Forms 51 and 54.

Amount of premiums:

Amount of premiums has been split between pensioners and deferred members. The amount of premium allocated to these sub-groups is apportioned as a percentage of gross mathematical reserves applicable to these sub-groups.

Form 48

4807 Allocation of assets to column 2 of Form 48.

The fund holds fixed and variable interest securities, with values given in column 1 rows 13 and 14, that are all individually covered by derivatives of value £7.301 million in row 18. The combined assets, for which risk adjusted yields are determined in accordance with INSPRU 3.1.30R(1), provide variable interest and therefore have economic exposures equivalent to non-approved variable interest securities.

SUPPLEMENTARY NOTES

Form 51

5104 Apportioning products between codes.

Code 440 – Additional reserves – Miscellaneous:

This reserve was apportioned as a percentage of the non-linked reserves which make up the total gross mathematical reserve

Code 440 – Additional reserves – expense provision:

This reserve was apportioned as a percentage of the non-linked reserves which make up the total gross mathematical reserve.

Form 54

5404 Apportioning products between codes.

Code 915 – Additional reserves – Miscellaneous:

This reserve was apportioned as a percentage of the linked reserves which make up the total gross mathematical reserve

Code 915 – Additional reserves – expense provision:

This reserve was apportioned as a percentage of the linked reserves which make up the total gross mathematical reserve

Form 56

5601 Credit Ratings

Management use their internal ratings except in circumstances which they deem to be seriously prejudicial, in which case they use external ratings. Credit default swaps have been purchased to mitigate the credit exposure on the company's corporate bonds, collateralised with cash.

5602 Variation margins.

Derivative positions are reflected net of variation margins in the return.

However, on a statutory basis, the derivatives are reflected on a gross basis with a collateral payable liability.

ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS

Statement required by Rule 9.29 of the Prudential Sourcebook for Insurers

(a) Investment guidelines

As requested by Rule 9.29 of the Interim Prudential Sourcebook for Insurers (IPRU(INS)), the investment guidelines for the use of derivative contracts for both long term and other than long term funds are set out below.

- (i) Derivatives are used for the purpose of efficient portfolio management or for the reduction of investment risk, specific examples being to hedge credit risk on corporate bonds, convert foreign currency receipts into sterling or manage duration and inflation risks
- (ii) A number of restrictions on the use of derivatives have been set:
 - All derivatives that impose obligations on the fund must be strictly covered.
 - All derivative contracts must satisfy the definition of approved under INSPRU 3.2.5R.
 - All derivative positions such as interest and inflation rate swaps, total return and credit default swaps must be collateralised no less frequently than weekly.
- (iii) During the year the Company has used interest rate, inflation-linked, credit default, total return and currency swaps in the long term business fund.

(b) Derivatives where exercise is unlikely

No provision was made in the investment guidelines to prohibit such contracts.

(c) Quantification of derivatives in (b) above

Certain swaptions with a strike that was 'out of the market' at the purchase date were entered into during the prior year to reduce the risk of exposure to a movement in interest rates under certain options granted to customers under the terms of insurance contracts. These swaptions were terminated during the year end 31 December 2009.

ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS

Statement required by Rule 9.29 of the Prudential Sourcebook for Insurers

(d) Effect on Form 13 at 31 December 2009 of exercising derivatives where it would be prudent to assume options would be exercised

No material difference would be made to the figures in Form 13.

(e) Effect on Form 13 at 31 December 2009 of exercising all derivatives

The situation would not have been materially different.

(f) Effect on Form 13 under the conditions noted in (d) and (e) above at any other time during the year.

The situation would not have been materially different at any time during the financial year.

(g) Maximum Exposure

All derivative contracts are collateralised on a weekly basis under industry standard (ISDA) documentation. There is therefore normally no material exposure to counterparties in respect of derivative contracts.

The maximum loss which could be incurred would be in the event of a large market movement at a time of failure of a counterparty requiring replacement of the derivative at an unfavourable time.

The situation would not have been significantly different at any other time in the financial year.

ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS

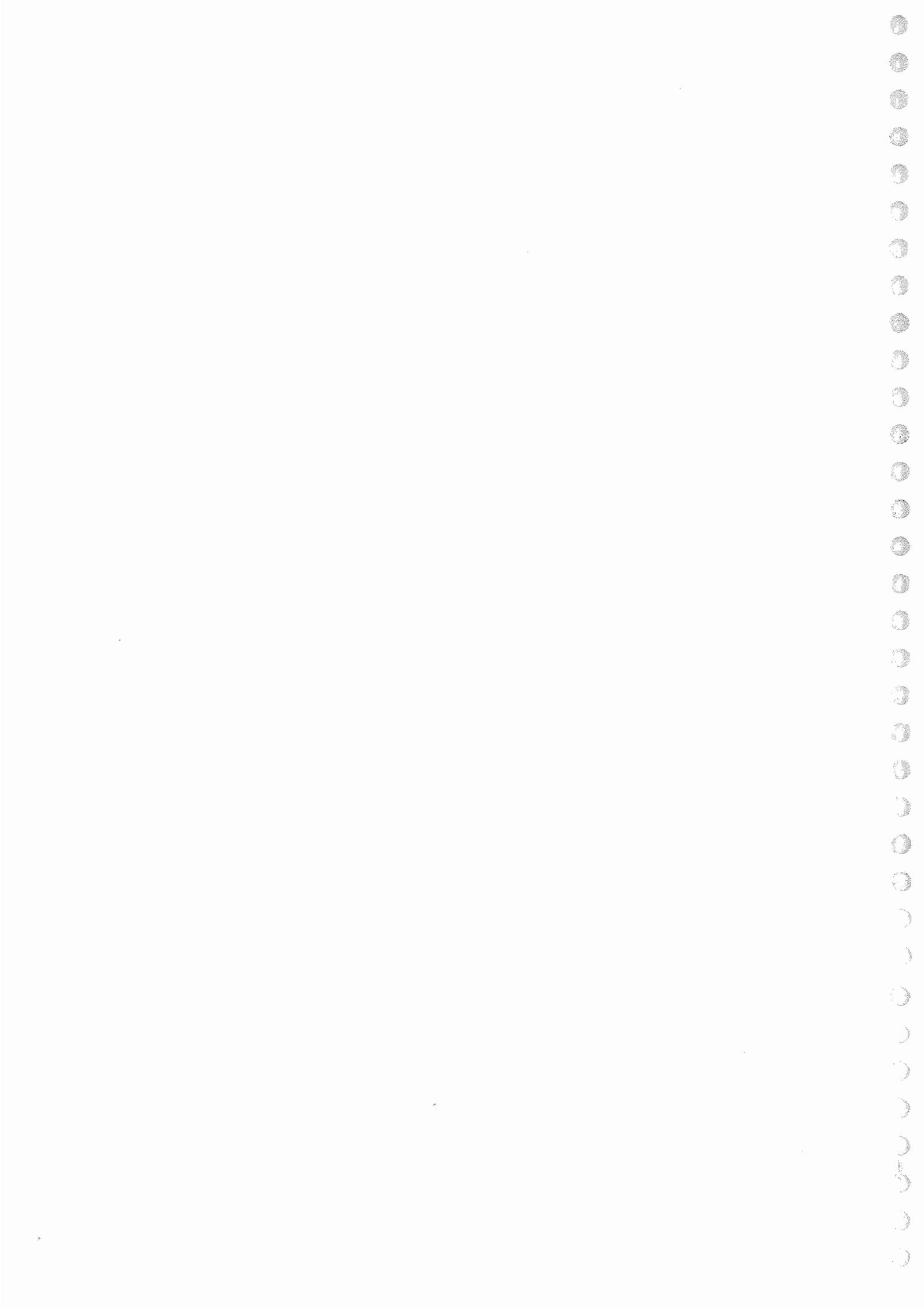
Statement required by Rule 9.29 of the Prudential Sourcebook for Insurers

(h) Derivatives not covered by the definition of an admissible derivative contract in the Prudential Sourcebook.

The insurer has not made use of any derivative contract at any time during the financial year which required a significant provision to be made under INSPRU 3.2.17R or did not fall within the definition of a permitted derivative contract.

(i) Consideration for granting rights under derivative contracts

The insurer received no fixed consideration in the financial year for granting rights under derivative contracts.



ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

ADDITIONAL INFORMATION ON CONTROLLERS

Statement required by Rule 9.30 of the Prudential Sourcebook for Insurers

The following is a statement of:

- a) Each person who at any time during the period ended 31 December 2009, was a controller of Rothesay Life Limited (“RLL”); and
- b) In the case of each person so named, a statement of -
 - i) the percentage of shares he held in RLL, or another company of which RLL was a subsidiary undertaking; and
 - ii) the percentage of voting power which he was entitled to exercise, or control the exercise of, at any general meeting of RLL, or another company which it is a subsidiary undertaking,

in each case, either alone or with any associate or associates.

<u>Controller</u>	<u>Percentage of Shares</u>	<u>Percentage of Voting Power</u>
Rothesay Life (Cayman) Limited <i>Immediate Holding Co.</i>	100%	100%
Rothesay Life, L.L.C <i>Limited Liability Co.</i>	100%	100%
Goldman Sachs Global Holdings L.L.C. <i>Ultimate Holding Co.</i>	25%	25%
The Goldman Sachs Group, L.P. <i>Ultimate Parent</i>	75%	75%



ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

Abstract of valuation report pursuant to the Interim Prudential Sourcebook (IPRU(INS)) rules 9.4 and 9.31 and Appendix 9.4

Valuation Report as at 31 December 2009

1. Introduction

- (1) The actuarial investigation relates to the valuation as at 31 December 2009.
- (2) The previous actuarial investigation was carried out as at 28 November 2008.
- (3) No interim valuations have been carried out for the purposes of rule 9.4.

2. Product Range

Since 28 November 2008 the company has written two new products: a longevity swap and a collateralised buy-in with occupational pension schemes.

Both of these are available for the purposes of providing longevity protection for UK occupational pension schemes and qualify as pensions business. Under these arrangements the company makes regular payments to the scheme reflecting their actual longevity experience, while the scheme in return make an agreed set of regular payments to the company (based on an expected pattern of longevity experience), thus removing the risk from the scheme of future mortality experience being lighter than expected.

The company does not transact with-profits business.

3. Discretionary charges and benefits

- (1) The company has not written any business where it has the option to apply a market value reduction (or equivalent).
- (2) The company has not written reviewable protection policies.
- (3) The company has not written any non-profit deposit administration policies.
- (4) The company normally has no charges on property linked contracts other than an investment management fee expressed as a percentage of the value of the internal linked fund. The contract does contain the right to levy other charges, for example on acceptance of a premium, but such charges are not on standardised rates that are subject to standard percentage changes from year to year.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

- (5) The company has not written any linked policies with benefit charges for mortality or morbidity cover, or similar.
- (6) The company has not written any accumulating with-profits business.
- (7) The company has one internal linked fund. The liability in respect of this is equal to the value of the fund.
- (8) All internal linked funds relate to pensions business and no deductions are made by the company for tax on realised and unrealised gains and losses.
- (9) All internal linked funds relate to pensions business and no provisions are made by the company for tax on realised and unrealised gains and losses.
- (10) The terms of the trustee investment contract quote the investment management fee for the contract on an aggregate basis that includes investment management charges on any underlying collective investment schemes held by the internal linked fund. If any discount or commission were to be received by the company, the extent to which it would be passed on to the policyholder would be subject to this contractual commitment.

4. Valuation Basis

- (1) The mathematical reserves for the immediate and deferred annuities have been determined, using a gross premium method, as the present value of benefits and expected future expenses of administering the contracts in force using prudent assumptions. For index linked benefits an explicit allowance is made for future changes in the Retail Prices Index ("RPI") or National Average Earnings Index ("NAEI") to allow for increases in benefits consistent with terms and conditions of the annuities.

For the longevity swaps, where the contracts are regular premium rather than single premium, the reserves are calculated as the present value of future claims and expenses less the present value of future premiums (a set of agreed guaranteed payments) received from the pension schemes. However for certain contracts where this calculation gives rise to a negative reserve on the valuation basis, this may be set to be a minimum value that is not less than the calculated amount.

The mathematical reserves for the trustee investment contract are set at the value of the corresponding internal linked fund.

Additional expense reserves are held for the contingency of closure to new business and for future acquisition costs as set out in 4(6) below.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

- (2) The interest rates used to discount the liabilities shown below are determined in accordance with the provisions of INSPRU 3.1.28R and are limited to a level of not more than 97.5% of the risk adjusted yield on the relevant assets. The discount rates used to value the liabilities are then further reduced by a prudent allowance for the costs of investment expenses (see 4(6) below).

The FSA, on the application of the firm, made a direction under section 148 of the Financial Services and Markets Act 2000 in September 2008. The effect of the direction is to modify the provisions of INSPRU 3.1.35R and IPRU(INS) Appendix 9.3 so that a more appropriate rate of interest is used for assets taken in combination.

The nominal rates used are:

Non-linked

Product Group	31 December 2009	28 November 2008	Product Code
Deferred annuity non profit	4.45%pa	4.20%pa	390
Annuity non profit (CPA)	4.45%pa	4.20%pa	400

Index-linked

Product Group	31 December 2009	30 November 2008	Product Code
Index linked annuity (CPA)	4.45%pa	4.20%pa	905
Index linked deferred annuity	4.45%pa	4.20%pa	907

- (3) No equity shares or property was held to back non-linked or index-linked liabilities. The risk adjusted yield on fixed interest securities was determined for each asset held as the market yield of the asset less prudent allowance for default and other risks based on the implied credit ratings within credit default swaps at the valuation date.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

- (4) Mortality bases have been determined separately for each pension scheme and the average, weighted by the valuation of annuity benefits for each pension scheme, are as follows:

Product Group	31 December 2009		28 November 2008		Product Code
	Males	Females	Males	Females	
Deferred annuity non profit	88.7% PCMA00 ⁽²⁾	88.6% PCFA00 ⁽³⁾	87.3% PCMA00 ⁽²⁾	82.8% PCFA00 ⁽³⁾	390
Annuity non profit (CPA)	88.7% PCMA00 ⁽²⁾	88.6% PCFA00 ⁽³⁾	87.3% PCMA00 ⁽²⁾	82.8% PCFA00 ⁽³⁾	400
Index linked annuity (CPA)	88.7% PCMA00 ⁽²⁾	88.6% PCFA00 ⁽³⁾	87.3% PCMA00 ⁽²⁾	82.8% PCFA00 ⁽³⁾	905
Index linked deferred annuity	88.7% PCMA00 ⁽²⁾	88.6% PCFA00 ⁽³⁾	87.3% PCMA00 ⁽²⁾	82.8% PCFA00 ⁽³⁾	907

Notes:

1. Ultimate mortality has been used in all cases.
2. Annual improvements (males): For the 31 December 2009 valuation, from 2001 onwards 100% of the average of the CMI Medium and Long cohort projections, with a 1.7% floor. For the 28 November 2008 valuation, from 2006 onwards 100% of the average of the CMI Medium and Long cohort projections, with a 1.2% floor.
3. Annual improvements (females): For the 31 December 2009 valuation, from 2001 onwards 100% of the CMI Medium cohort projections, with a 1.7% floor. For the 28 November 2008 valuation, from 2006 onwards 100% of the CMI Medium cohort projections, with a 1.2% floor.
4. The mortality basis is set at a prudent margin relative to the recent mortality specific to the population of annuitants involved where the data is statistically credible or based on additional analysis where the data is not statistically credible.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

For annuity contracts, life expectations have been calculated in years for males weighted by the valuation of annuity benefits for each pension scheme, and are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
This valuation	24.9	15.7	28.7	26.8
The previous valuation	22.7	14.1	25.3	24.0

For annuity contracts, life expectations have been calculated in years for females weighted by the valuation of annuity benefits for each pension scheme, and are:

Product Group	Annuities in payment		Deferred annuities: life expectation at age 65	
	Age 65	Age 75	Age 45	Age 55
This valuation	27.1	17.3	30.7	28.8
The previous valuation	25.3	16.0	27.7	26.5

- (5) No morbidity bases have been used.
- (6) The management expenses, weighted by valuation of annuity benefits for each pension scheme, included within the mathematical reserves are:

Product Group	Per annuity (£ p.a.)		% of Assets under Management (p.a.)		Product Code
	2009	2008	2009	2008	
Immediate annuities	18.60	25.18	0.04	0.09	390
Deferred annuities	18.60	25.18	0.04	0.09	400
Index linked annuities	18.60	25.18	0.04	0.09	905
Index linked deferred annuities	18.60	25.18	0.04	0.09	907

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

The per annuity expenses include the charges (after allowing for 17.5% VAT) payable to third party administrators (which differ by pension scheme), together with an allowance for a share of fixed overhead expenses. An additional mathematical reserve (expense overrun reserve) of £11.736 million has been included to allow for a short term overrun of the actual expected expenses over the aggregate of these loadings in the event of the company continuing to write new business. As set out in 6(5) a further expense reserve is included in considering the contingency of closure to new business.

The allowance for investment management expenses of 4 basis points allows for a prudent margin over the level of charges currently payable.

No tax relief on expenses has been assumed in the valuation as all contracts are pensions business.

- (7) The unit growth rate for the linked business is set at 0% pa to reflect the nature of the assets held in the fund, the low interest rate environment and the short duration over which the contract is expected to remain in-force. There are no charges on the contract that are assumed to increase in future.
- (8) Not applicable as no with-profits business has been written.
- (9) No future lapses have been allowed for in the valuation.
- (10) All deferred annuity contract policyholders are assumed to retire at the normal retirement date for their scheme. Where individuals have passed the scheme normal retirement date, they are assumed to retire immediately.
- (11) Various derivative contracts are held by the company. These include inflation swaps, interest rate swaps, credit default swaps, exchange rate swaps and total return swaps. Each of the credit default and exchange rate swaps have been treated as covering specific bonds maturing at the same time as the swap with capital redemption amounts equal to the nominal of the swap. The cash flows involved in these arrangements (bond plus swaps) were combined with the cashflows from the interest rate swaps to determine the internal rate of return before any additional allowance for credit risk in determining the valuation rate of interest. All liabilities linked to RPI, NAEI or a proxy to RPI (including expenses) are covered by inflation linked swaps of appropriate durations. The approach to valuing the liabilities has been to project the cashflows allowing for the level of the RPI at each future date implied by swap prices. To be consistent with this, the yield on the assets has allowed for the same level of the RPI at each future date.

The yields shown in Form 48 column 4 were determined in accordance with the requirements of INSPRU 3.1.33R.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

- (12) There were no changes in valuation methodology arising from changes in INSPRU valuation rules effective from 31 December 2006.

5. Options and Guarantees

- (1) No guaranteed annuity rate options have been granted.
- (2) No guaranteed surrender values or maturity values have been granted within the policy contracts. However, by reason of pensions legislation, transfer values that have been quoted to members are required to be honoured for at least a specified time interval. Allowance has been made for the cost of such short term options within the mathematical reserves.
- (3) No guaranteed insurability options have been granted.
- (4) No additional allowance has been made for early or late retirement or lump sum commutation. Deferred annuitants are assumed to retire at their normal retirement date. The adjustments to benefits made on early or late retirements, commutation terms for benefits on vesting and determination of transfer values are (subject to 5(2) above) not made on guaranteed terms and are assumed to be cost neutral.

6. Expense Reserves

- (1) The aggregate amount of expenses, gross of any eligible tax relief, arising during the twelve months after the valuation date from implicit and explicit allowances made in the valuation to meet expenses in fulfilling contracts in force at the valuation date, is £5.283 million.

	Explicit allowances (investment management)	Explicit allowances (per annuity expenses)	Release of expense overrun reserve	Total (£million)
All immediate and deferred annuities	0.266	0.421	4.596	5.283

- (2) Not applicable
- (3) The maintenance expenses for the 13 month financial period ending in 2009 shown at line 14 of Form 43 were £5.354 million which includes £0.876 million of charges met by the Trustee Investment Plan.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

The allowance for maintenance costs during the financial year ending in 2010, of £5.283 million, has been determined based on contractual costs that the company is likely to incur based on the internal business plan. Any expenses in relation to the Trustee Investment Plan are met directly and so are not included in the implicit allowance shown for the coming year.

(4) New business expense overrun reserve

The prudent estimate of acquisition expenses for the next 12 months has been made, based on budgeted expenses for that year. An estimate of the margins available in new business premiums has also been made, based on prudent estimates of likely new business volumes at levels significantly lower than planned and initial mathematical reserves compared with premiums. The new business acquisition expenses allow for the cost of quoting on all business and a new business expenses overrun arises as the prudent planned sales do not generate sufficient margins to support the new business acquisition expenses.

A reserve of £0.575 million was held in this respect.

(5) Maintenance expense overrun reserve

An explicit expense reserve has been held for the expenses likely to be incurred in the future in fulfilling the contracts in-force at the valuation date. This has been derived with reference to the expected annual maintenance costs including the effect of assumed inflation and a margin for prudence required to administer the contracts in force at the valuation date until their eventual exit.

The future rate of expense inflation is set at approximately 1.55% per annum above the future rates of RPI at each duration implied by the RPI swap curve

In addition, allowance has been made for any costs expected if the company was to cease writing new business 12 months after the valuation date. These costs allow for the full amount of anticipated maintenance expenses in 2010, and reduced levels of expenses in subsequent years, however no significant allowance has been made for redundancy costs as the terms of management services agreements would mean such costs would not be met by the company. These costs on the closed basis allow for a higher rate of future expense inflation (3.30% above RPI) than indicated above, reflecting the diseconomies of scale that would arise in the event of closure to new business.

At the valuation date, an additional reserve of £10.937 million was established to cover this shortfall. This is in addition to all of the expense allowances set out in 4(6) and 6(4) above.

(6) Not applicable as all expenses are attributable.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

7. Mismatching Reserves

- (1) All the mathematical reserves are payable in sterling and the assets which match the liabilities are sterling assets. There are some US Dollar and Euro denominated assets which, in conjunction with specific currency derivative contracts, produce returns in sterling.
- (2) Not applicable
- (3) Not applicable
- (4) The most onerous scenario under INSPRU 3.1.16R was a fall in yield on all fixed interest securities of 0.89%. No equity or real estate related assets were held. The reduction in the yield has been taken to apply to all interest related assets at all durations.
- (5) Not applicable.
- (6) In respect of the scenario described in 7(4) above:
 - a. No resilience capital requirement was required.
 - b. The increase in the aggregate amount of the long-term insurance liabilities was £153.5 million.
 - c. The increase in the aggregate amount the assets backing these liabilities was £153.5 million.
- (7) No further reserve was required arising from the test on assets in INSPRU 1.1.34R.

8. Other Special Reserves

Not applicable

9. Reinsurance

- (1) The company has a reinsurance arrangement in place with Royal Bank of Canada Insurance Company Ltd, a Bermuda registered reinsurer not authorised to carry out insurance business in the UK.
 - (a) Premiums of £27.584m were payable to Royal Bank of Canada Insurance Company Ltd over the year.
 - (b) The company has no reinsurance arrangements with any connected company of the reinsurer.

ROTHESAY LIFE LIMITED

For the period ended 31 December 2009

Appendix 9.4 report

(2)

- (d) As at the end of the year the company had reinsurance treaties in place with Pacific Life Re Limited and Royal Bank of Canada Insurance Company Ltd.
- (e) Under these treaties the company reinsured approximately 85% of the future annuity payments it is liable to pay to certain pension schemes under longevity swap arrangements it has with these schemes.
- (f) Premiums payable under the reinsurance treaties during the reporting period were £11.252m and £27.584m to Pacific Life Re Limited and Royal Bank of Canada Insurance Company Ltd respectively.
- (g) No amounts were deposited with the insurer at the valuation date under any deposit back arrangements.
- (h) The treaties are closed to new business.
- (i) There are no undischarged obligations to the reinsurers in respect of these treaties.
- (j) No mathematical reserves are ceded under these treaties.
- (k) No new policies are covered by these treaties.
- (l) Pacific Life Re Limited is authorised to carry on insurance business in the United Kingdom. Royal Bank of Canada Insurance Company Ltd is not authorised to carry out insurance business in the United Kingdom.
- (m) None of the reinsurers is a connected company of the company.
- (n) There is no credit risk under the reinsurance treaties as no mathematical reserves are ceded.
- (o) No reinsurance commission is refundable on any of the treaties above.
- (p) The company has no undischarged obligations under any "financing arrangements" from any of the treaties above.

10. Reversionary (or annual) bonus

Not applicable

ROTHESAY LIFE LIMITED

For the year ended 31 December 2009

DIRECTORS' CERTIFICATE

Directors' Certificate required by Rule 9.34 (1) of the Prudential Sourcebook for Insurers in accordance with Appendix 9.6

We certify that:

- 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 ended 31 December 2009, 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) in our 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 meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- d) the mathematical reserves 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;
- e) in preparing the return, the directors have 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.

DIRECTORS' CERTIFICATE

Directors' Certificate required by Rule 9.34 (1) of the Prudential Sourcebook for Insurers in accordance with Appendix 9.6

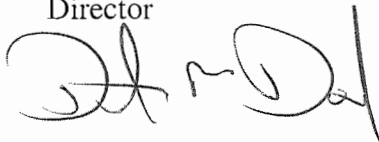
Keith Satchell,
Chairman



Addy Loudiadis,
Chief Executive



Dermot McDonogh,
Director



Peterborough Court
133 Fleet Street
London
EC4A 2BB

30 March 2010

ROTHESAY LIFE LIMITED

For the year ended 31 December 2009

AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY

Global business

Report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13 to 17, 40 to 45, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 3, 5, 8, 9, 10, 11, 12, 13, 14,15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 33, 35, and 36 ("the Forms");
- the statement required by IPRU(INS) rule 9.29 on pages 45 to 47 ("the Statement");
- the valuation report required by IPRU(INS) rule 9.31(a) ("the valuation report") on pages 49 to 58 and

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

- Forms 46, 47, 50, 51, 53, 54 and 57 (including the supplementary notes) on pages 24, 25, 28, 29, 30, 31,32 and 34;
- the statements required by IPRU(INS) rules 9.30 on pages 48; and
- the certificate required by IPRU(INS) rule 9.34 on pages 59 to 60 ("the certificate").

ROTHESAY LIFE LIMITED
For the year ended 31 December 2009

AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY

Respective responsibilities of the company and its auditors

The company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report), the forms and statements not examined by us and the certificate under the provisions of the Rules. The requirements of the Rules have been modified by waivers issued under section 148 of the Financial Services and Markets Act 2000 on 18 September 2008 and 30 December 2009. Under IPRU(INS) rule 9.11 the Forms, the Statement, the valuation report, the forms and statements not examined by us and the certificate 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 company and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with IPRU(INS) rule 9.31 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 opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information we require for our examination. This report has been prepared for the directors of Rothesay Life Limited to comply with their obligations under IPRU(INS) rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

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 company for the financial year. It also included an assessment of the significant estimates and judgements made by the company 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, Statement and the valuation report are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

ROTHESAY LIFE LIMITED

For the year ended 31 December 2009

AUDITORS' REPORT: REGULATORY RETURN FOR A LIFE INSURANCE COMPANY

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

Opinion

In our opinion:

(i) 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

(ii) 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 IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2.



PricewaterhouseCoopers LLP
Chartered Accountants

30 March 2010

