



CREATING A BETTER FINANCIAL TOMORROW

SUMMARY FINANCIAL STATEMENT 2006

ROYAL LONDON AT A GLANCE

OUR SPECIALIST BUSINESSES HELP OUR CUSTOMERS GROW THEIR WEALTH AND CREATE A SECURE AND SAFE FINANCIAL ENVIRONMENT FOR THEIR LIVES.

	PRINCIPAL OPERATIONS	KEY PRODUCTS	KEY POINTS FROM 2006
<p>PENSIONS</p> 	<p>Scottish Life is the specialist pensions business within the Royal London Group.</p> <p>Products are distributed in the UK through independent financial advisers (IFAs) and employee benefit consultants (EBCs).</p>	<ul style="list-style-type: none"> Group personal pensions Defined benefit schemes Occupational pension scheme restructure services Individual personal pensions Self invested personal pensions (SIPP) 	<ul style="list-style-type: none"> New business up 8% to £1,425m Further developed the innovative Managed Strategies investment proposition Launched Pension Portfolio, including an extended SIPP facility
<p>PROTECTION</p> 	<p>Bright Grey, a specialist protection business, has brought a fresh approach to the market.</p> <p>Products are distributed through independent UK intermediaries.</p>	<ul style="list-style-type: none"> Individual Life Protection Critical Illness Protection Income Protection 	<ul style="list-style-type: none"> Continued to increase market share – new business totalled £154m Successfully launched extranet system, with over 75% of applications now made online Extended distribution reach with a number of new multi-tie arrangements
<p>INVESTMENTS</p> 	<p>Royal London Asset Management (RLAM) manages all classes of assets on behalf of the Group and for external clients.</p> <p>Products are distributed to the institutional and wholesale sectors.</p>	<ul style="list-style-type: none"> Unit trusts and OEICs Pooled pension funds Segregated investment mandates Cash management services 	<ul style="list-style-type: none"> New business increased by 64% to £1,229m Net new cash mandates £389m New fund launches included UK Strategic Growth and Strategic Bond Funds
<p>INTERNATIONAL</p> 	<p>Based in the Isle of Man, Scottish Life International (SLI) provides specific investment and tax efficient products.</p> <p>Products are distributed through intermediaries in the UK and overseas, in markets including Germany, the Middle East and South Africa.</p>	<ul style="list-style-type: none"> Personal investment management service Offshore investment bonds Protected lifestyle life assurance Royal London European with-profits bonds 	<ul style="list-style-type: none"> Increased new business by 25% to £165m Strengthened its presence in the German market Granted a provisional licence to operate in Dubai
<p>ADMINISTRATION</p> 	<p>Royal London deals directly with 2.3m customers through Royal London Administration Services (RLAS).</p> <p>Products are distributed through our sales contact centres.</p>	<ul style="list-style-type: none"> With-profits bonds With-profits savings Individual Life Protection Home and Car Insurance Funeral Plans 	<ul style="list-style-type: none"> New business, principally pension rebates, up 31% to £248m £1.8bn of annuities, including Scottish Life-branded business, transferred to Prudential Retirement Income Ltd

Note: Where quoted, new business information is the present value of new business premiums (PVNBP).

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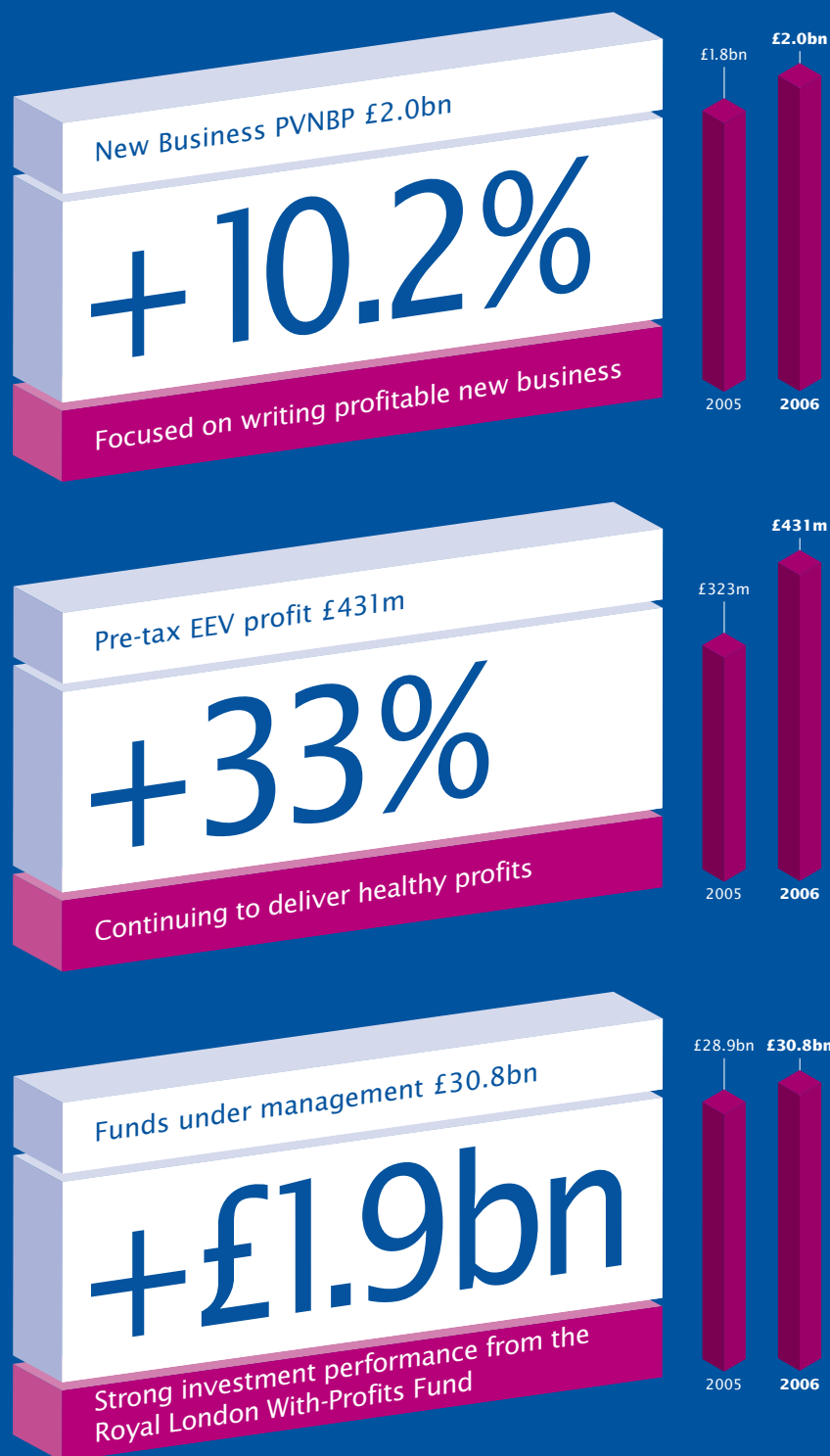
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FULL ANNUAL REPORT AND ACCOUNTS

This Summary Financial Statement provides a summary of Royal London's performance during 2006 and the state of affairs of the Group at the end of the year. This document does not contain sufficient information to allow you as full an understanding of the results and state of affairs of Royal London, and of its policies and arrangements concerning directors' remuneration, as would be provided by the Annual Report and Accounts 2006. The Auditors' report in the Annual Report and Accounts 2006 was unqualified and did not contain statements under sections 237(2) or (3) of the Companies Act 1985.

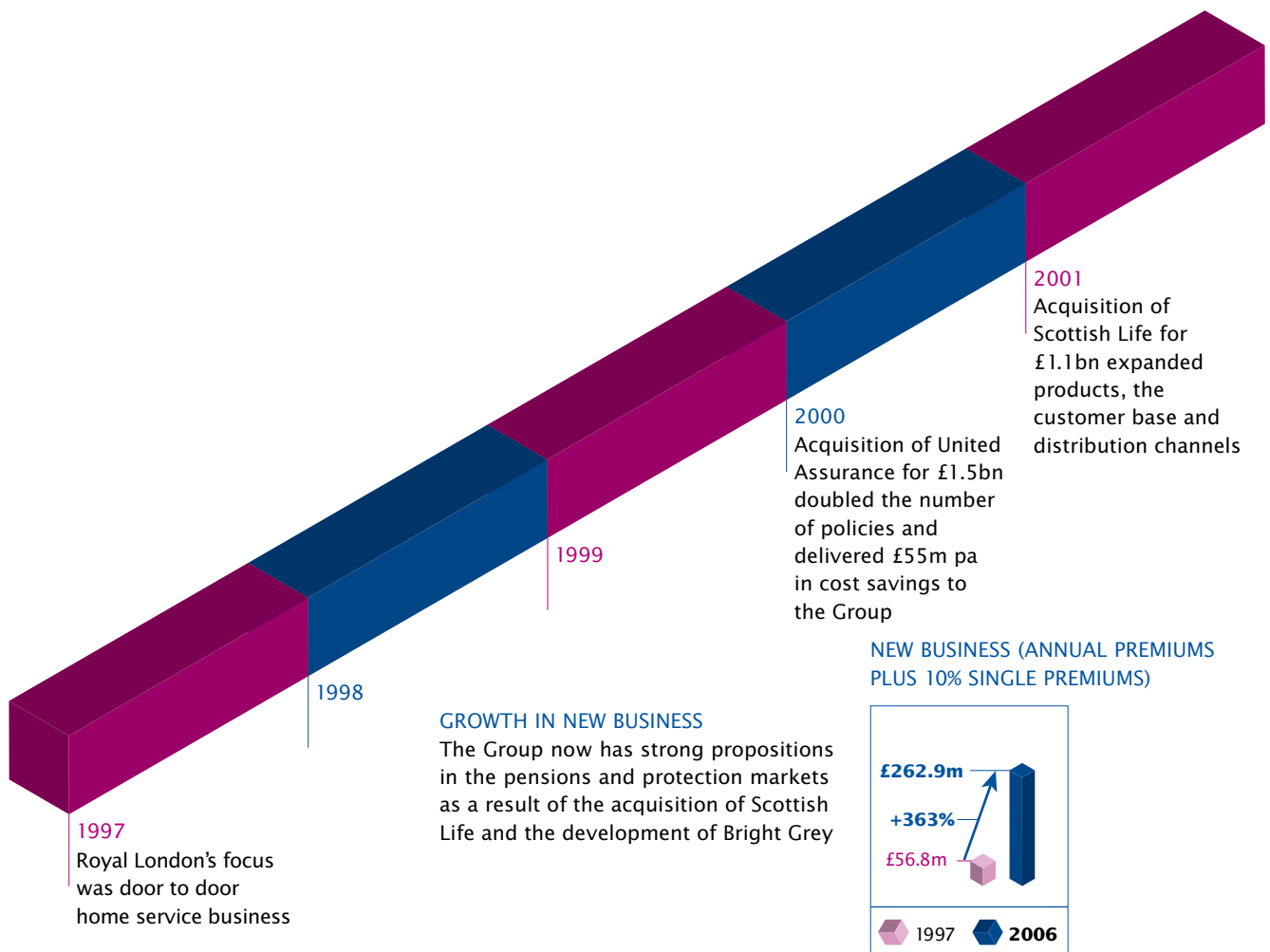
If you would like a copy of the Annual Report and Accounts 2006 free of charge please telephone 0800 085 7835 or e-mail to agm@royallondongroup.co.uk. Alternatively, you can view and print the Annual Report and Accounts 2006 by visiting www.royallondongroup.co.uk.

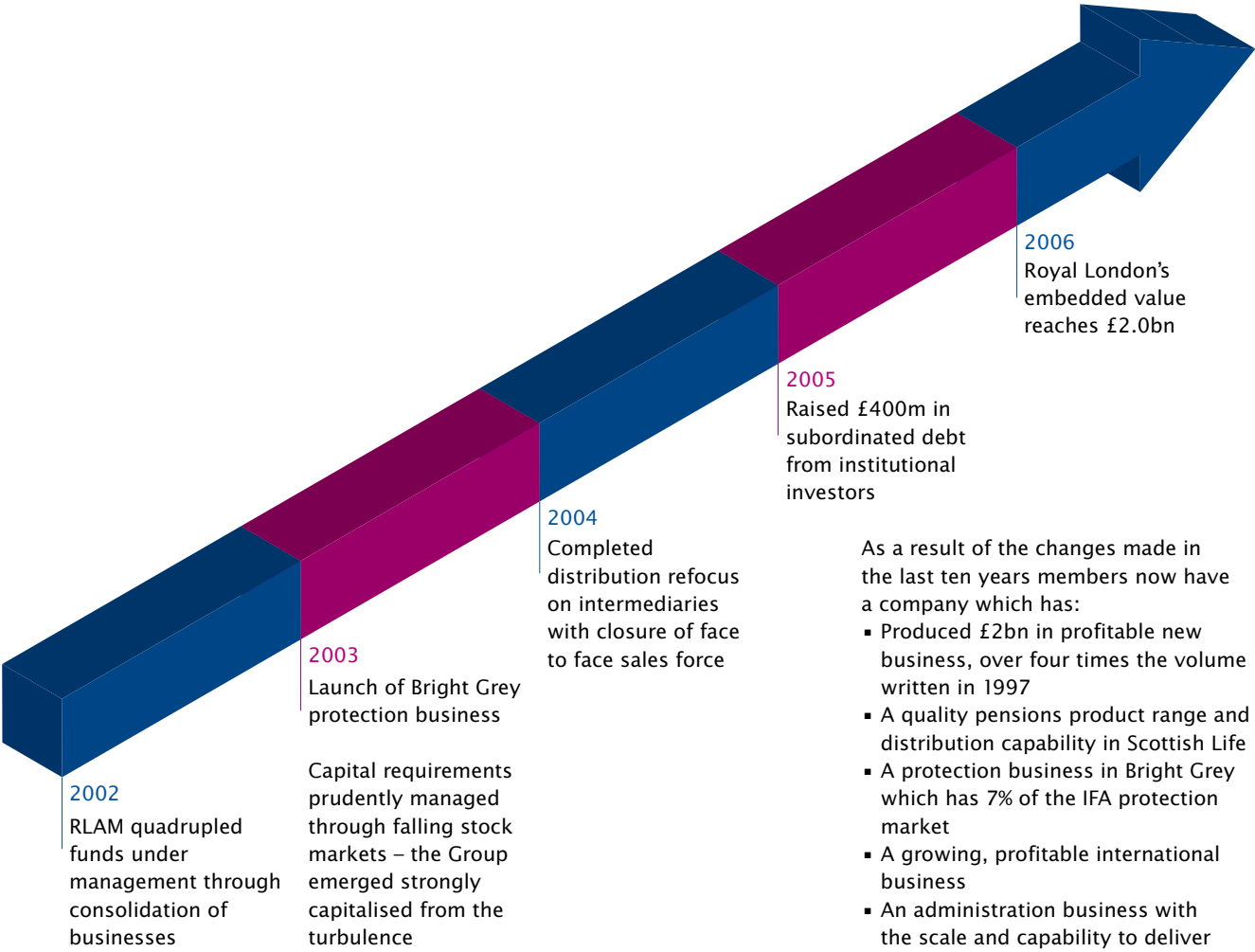
HIGHLIGHTS



RECENT HISTORY

The last ten years have seen major transformations for Royal London. In 1997, Royal London wrote £57m in new annualised premiums from 1,500 home service sales staff. The business was loss-making and the growing weight of regulation and limited scope and scale of the Group meant that the business model was unsustainable. Major change was required for Royal London to continue adding value for members.





Capital requirements prudently managed through falling stock markets – the Group emerged strongly capitalised from the turbulence

- As a result of the changes made in the last ten years members now have a company which has:
- Produced £2bn in profitable new business, over four times the volume written in 1997
 - A quality pensions product range and distribution capability in Scottish Life
 - A protection business in Bright Grey which has 7% of the IFA protection market
 - A growing, profitable international business
 - An administration business with the scale and capability to deliver effective and efficient service to millions of customers
 - An asset management business with the skills and investment record to compete in the market
 - Maintained its position for market leading with-profits maturity payouts
 - The ability to develop new business concepts and turn them into significant market presences
 - The capability to make significant acquisitions for the Group's benefit where appropriate

FUND MANAGEMENT BUSINESS DEVELOPED

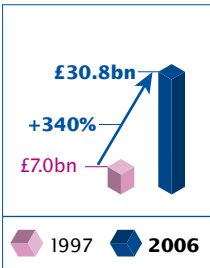
We now have an asset manager with a growing reputation for delivering sustained superior returns

STRONG COST CONTROL

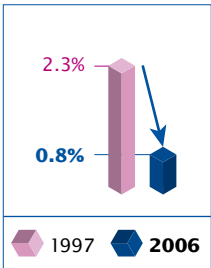
The business is now much more efficient so that returns to members are not eroded by a high cost base

Much has been achieved and we are now in a position of greater strength to take Royal London forward, creating a better financial tomorrow for our customers.

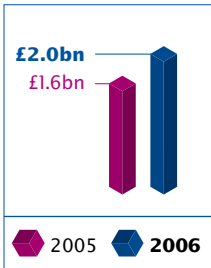
FUNDS UNDER MANAGEMENT (FUM)



COSTS AS A PERCENTAGE OF FUM



INCREASING ROYAL LONDON'S EMBEDDED VALUE



REVIEW OF THE YEAR

ROYAL LONDON DELIVERED A STRONG SET OF RESULTS IN 2006

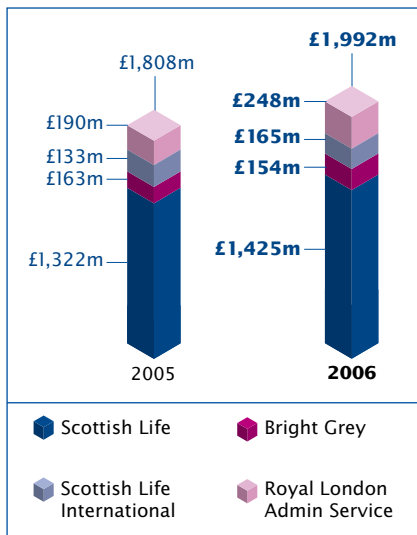


Stephen Shone

Tim Melville-Ross

Mike Yardley

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)



GROUP RESULTS

We are delighted to report that the Group had another successful year in 2006. Once again, the Group produced good financial results with our pre-tax European Embedded Value (EEV) profit up £108m to £431m (2005 £323m). The embedded value at 31 December 2006 was £2.0bn (2005 £1.6bn) and the after tax return on the opening embedded value was 26%.

The total present value of new life and pensions business premiums (PVNBP) increased by 10% to £2.0bn (2005 £1.8bn). Markets were intensely price-competitive with increasing temptation to grow new business at the expense of profitability. We have refused to be tempted and the increase we achieved in new business is a positive reflection of our reputation for innovation and quality. By following this strategy we, once again, increased the total value of the Group for our members while still registering healthy growth in new business and producing strong investment returns on monies invested.

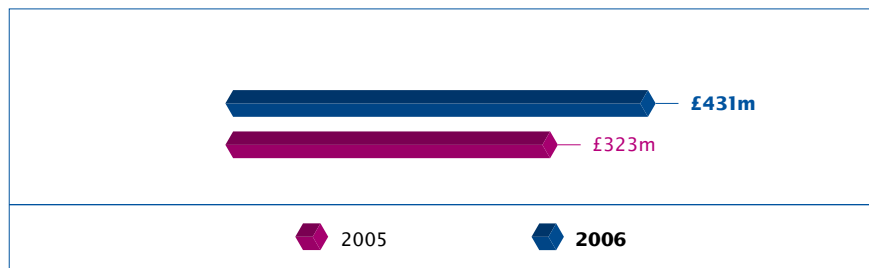
Royal London Asset Management had an outstanding year, attracting significantly higher levels of new business from a range of institutional investors. This was driven by a strong investment track record, most notably in the UK fixed interest sector. The Royal London with-profits fund delivered a pre-tax return of 11.0%, in excess of its benchmark for the third consecutive year. Group funds under management increased during 2006 by £1.9bn to £30.8bn.

GROUP STRATEGY

Our vision for Royal London is to “Create A Better Financial Tomorrow For Our Customers”, which shapes our strategy for the Group. We deliver on this vision by owning and managing a number of high-performing financial services businesses, each of which is a specialist in its target market with its own unique brand.

The reputation and positioning of each of our brands is underpinned by a focus and commitment to delivering a high-quality proposition, backed by excellent service and technology, and a drive for continual innovation.

GROUP EEV PROFIT BEFORE TAX



SIGNIFICANT VALUE ADDED

our businesses have developed and added significant long-term value, despite operating in a highly competitive environment particularly in the UK pensions market

Our aim is to treat our customers fairly in all we do, providing products and services which:

- Help our customers build their wealth and create a secure and safe financial environment for their lives
- Deliver good investment returns
- Are easy to use for our customers and appropriate for their changing needs

We distribute our products through independent channels, primarily in the UK but also in selected overseas markets. Our strategy is to identify and build strong trust-based relationships with good quality distributor partners in each market in which we operate. We provide them with the propositions, pricing, tools, support and service to make us both more commercially successful.

Our financial objective is to increase the value of the Group by developing profitable financial services businesses, delivering good investment performance and providing superior sustainable returns to our members.

LEGISLATION AND REGULATION

The Group's businesses can be significantly affected by Government developments and 2006 saw the announcement of a wide range of initiatives. Most significant was the publication by Government of its response to the Pensions Commission in the form of a new Pensions Bill (due to come into effect during 2007) and a White Paper on 'Personal Accounts' as a new way to save for retirement. Given the importance of pensions to our business, we remain fully engaged with Government officials and politicians on the key issues.

Another important legislative development is the Financial Mutuals Arrangements Bill, which is currently before Parliament. This aims to relax the rules on transfers of business between financial mutuals. We strongly support this Bill as we believe that it will help in strengthening the sector.

CORPORATE GOVERNANCE

Royal London is now the largest mutual insurer in the UK. The Board firmly believes that mutuality has served our members well over the years and that it continues to do so today. We therefore have no plans to change our corporate structure.

Any company, whether mutual or shareholder-owned, should be able to demonstrate the highest standards in corporate governance. For the first time, the Association of Mutual Insurers will be reporting formally to HM Treasury during 2007 on the sector's compliance with the Annotated Combined Code for Mutual Insurers. We hope this process will help build public confidence in standards of governance in mutuals.

THE BOARD

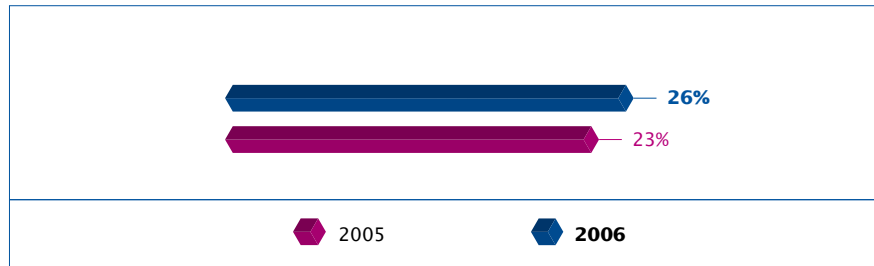
In 2007 we welcome to the Board two new executive directors, Andy Carter and John Deane. Andy is Chief Executive of RLAM and John will head up the new dedicated intermediary division, the formation of which will enable our intermediary brands of Scottish Life, Bright Grey and Scottish Life International to work together more closely. In accordance with the Articles both Andy and John will offer themselves for reappointment at the Annual General Meeting.

“ROYAL LONDON IS NOW THE LARGEST MUTUAL INSURER IN THE UK.”

STRONG RETURNS

profits generated by our business operations, as well as favourable equity and property markets

AFTER-TAX RETURN ON OPENING EMBEDDED VALUE (%)



Brian Duffin leaves the Group after many years of service with Scottish Life, and latterly the Royal London Group. He leaves with the thanks and goodwill of the Board and all his colleagues in the Group for his tremendous contribution over the years.

DISTRIBUTION DEVELOPMENTS

The FSA launched a review of distribution during 2006 looking for market-led solutions to the issues in the retail investment market, covering banks, life insurers, financial advisers, building societies and fund managers. Industry-led groups are assessing five key areas:

- Sustainability of the distribution sector
- Consumer access to financial products and services
- The impact of incentives
- Regulatory barriers and enablers
- Professionalism and reputation

With the Financial Adviser's Fee, Royal London has been at the forefront of finding ways to create a more sustainable distribution sector. We believe this to be very important for the long-term health of the industry and it is therefore very pleasing that Mike Yardley has been asked to chair the 'impact of incentives' group.

PRESENTATION OF FINANCIAL INFORMATION

Our summary results and financial position are presented on page 18 on an International Financial Reporting Standards (IFRS) basis. In addition, we have presented our results and financial position on page 19 as supplementary information on what is known as the European Embedded Value (EEV) basis. In the directors' opinion, the EEV basis of profit assessment provides a more transparent view of the performance of the life and related operations year on year. Royal London is the first mutual insurer to report on an EEV basis.

MANAGING OUR CAPITAL

Royal London's capital structure consists of the amount by which our assets exceed our policyholder liabilities – our free assets – and subordinated debt.

We assess the adequacy of our capital in various ways and our capital position remains strong on each such measure. The embedded value of the Group as shown in our EEV balance sheet on page 19 best reflects our overall capital position, as this incorporates the FSA's 'Realistic Balance Sheet' methodology. During 2006, our embedded value increased by £406m to £1,991m (2005 £1,585m).

The continuing improvement in the capital position of the Royal London Fund enabled us to increase its with-profits equity backing ratio from 56% to 64% during 2006, an action that we expect to benefit longer-term policy returns.

WITH-PROFITS BONUSES

We aim to add value for our members and to continue to ensure that Royal London's with-profits policyholders receive competitive returns on their savings with us.

Following another year of good investment returns, the Board was pleased to be able to increase final bonus rates and payouts on some shorter-term life policies. However, as explained in last year's report, payouts on many Royal London longer-term policies are still in excess of asset shares and as a result are continuing to reduce as we apply our smoothing policy to bring them more into line with asset shares. The reductions in payout that we have applied have been smaller than those seen last year, mainly due to our continued excellent investment performance and the strength of the Royal London with-profits fund.

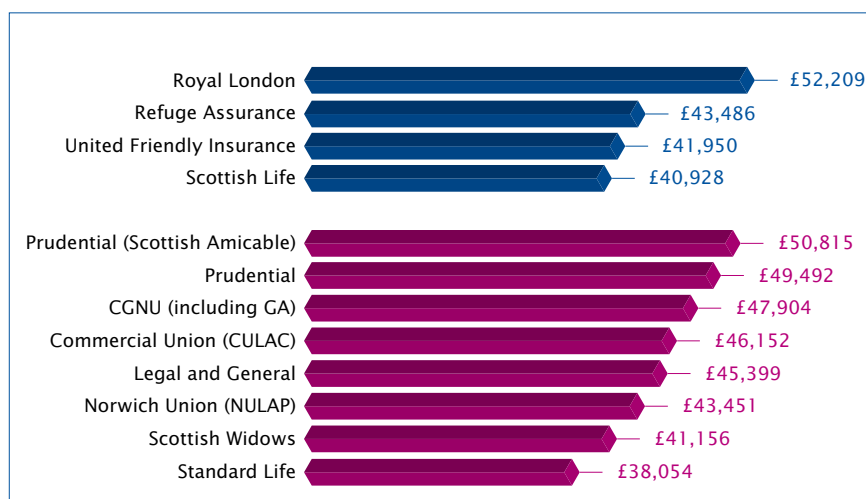
Despite these reductions in payouts Royal London maintains strong with-profits credentials.

Key points on bonuses:

- We aim to pay benefits at maturity broadly in line with asset shares (underlying values), after allowing for smoothing.
- The asset share for each policy is essentially the premiums paid during the policy's life, less sums deducted to cover expenses, mortality charges and (where applicable) tax plus the investment return earned on the underlying assets.
- The use of asset shares is the means by which we aim to ensure our payouts are treating all classes and generations of policyholder fairly.
- In managing the with-profits business, including setting bonuses and maturity payouts, directors follow the Principles and Practices of Financial Management (PPFM). These were first published on 30 April 2004. The latest version was published in December 2006 and is available on the Group's website.
- The amount of smoothing we apply follows the approach laid out in the PPFM and depends on the strength of the fund and also on whether payouts are above or below asset shares.
- We expect future investment returns from equities and fixed interest assets to be lower than they were during the 1990s. As a result we expect asset shares on longer-term policies (for example 25-year term) maturing in the future to reduce gradually. This means that even if equity markets remain strong we are likely to reduce maturity payouts on longer-term policies to bring them more in line with asset shares.

The extent of these reductions will depend on how quickly we realign maturity payouts with asset shares. However, maturity payouts on most shorter-term policies are now reasonably aligned with asset shares. So if equity markets are strong, we may increase maturity payouts on these policies.

WITH-PROFITS ENDOWMENTS – TERM 25 PAYOUTS



Source: Royal London internal figures and company press releases for all companies with over £10bn funds under management.

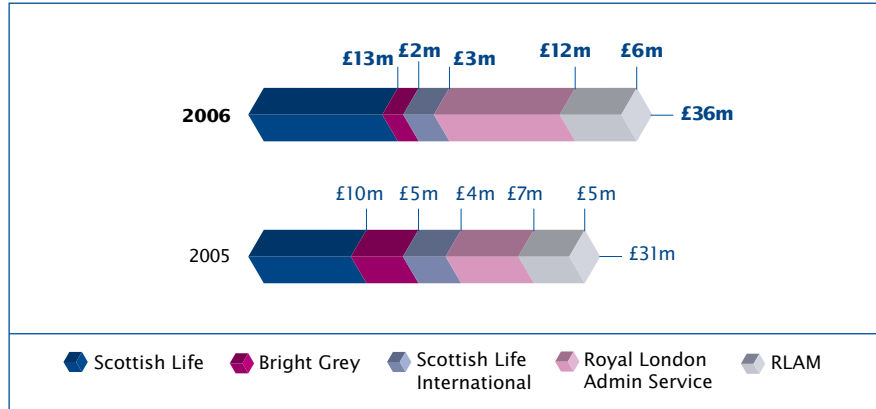
Note: Payouts are based on a 25-year endowment policy maturing in 2007 taken out by a male aged 29 paying £50 a month. Past performance is not a guide to future performance.

NEW BUSINESS PROFITS UP 16%

we have delivered new business profits from each of our brands

NEW BUSINESS PROFITS

Value added by new business grossed up for tax at 9%



ANNUITY BUSINESS

During 2006 the Group completed the transfer to Prudential Retirement Income Limited (PRIL) of £1.8bn of annuity business previously sold under the Royal London, Scottish Life and United Assurance brands. All new pension annuities now written by the Group are either reinsured or written under direct offer by PRIL. These arrangements have had the combined effect of reducing the Group's capital requirements by £35m.

OUR PEOPLE

The Group's employees are key to the achievements of our businesses. Their efforts are the primary reason for our successful year and the Board would like to thank each of them for their continued contribution and commitment.

OUTLOOK

Royal London delivered healthy financial results in 2006, our capital position remains very sound and all our business unit propositions are getting stronger. Royal London is well placed to continue to grow profitable new business in 2007, despite the competitive conditions in financial services markets. We are committed to our strategy of writing profitable business and remain determined to avoid loss-making areas of the market. 2007 will see Royal London use its skills and competitive edge to build further on the value created for our members during 2006. The market continues to value those companies which can offer strong service, product performance and specialist expertise – Royal London is such a business.

BUSINESS UNIT REVIEW

SCOTTISH LIFE

2006 was a period of enormous change for the pensions industry as a result of the implementation of the new simplified pensions regime, which came into force on 6 April 2006. The changes placed our business under significant pressure. At times during the year we were unable to provide the levels of service customers rightly expect. Our employees responded positively to this challenge, constantly striving to balance the priorities of the new regime and of meeting our customers' expectations while continuing to grow new business profitably.

The achievements of our employees are shown in that the business continued to deliver on its financial targets for 2006. Focusing on writing only good quality business delivered an 8% increase in new business to £1,425m. This was a creditable performance and provides a solid platform to maximise on the launch of our expanded range of products and services supported by a rapidly improving standard of customer service in 2007.

We developed a number of important new products and services in 2006. In April Scottish Life launched the Fund Matrix, a range of investment funds managed to tightly defined mandates by specialist external investment managers. In November we launched new services for defined benefit pension schemes, completing our full range of services for the corporate market for both defined benefit and defined contribution business. In December we launched our new Pension Portfolio proposition fulfilling our promise to customers to expand our already successful individual personal pension with a full Self Invested Personal Pension (SIPP) service.

Scottish Life remains 100% committed to the independent advice sector as the best means of delivering a competitive, healthy market focused on the needs of customers. For our part, we also believe that customers should be at the heart of our business. Fundamental to this is our service proposition and the primary focus continues to be to meet and exceed our customers' expectations.

BRIGHT GREY

Bright Grey strengthened its position and reputation among IFAs in 2006 with record new business and application volumes, which resulted in a market share of over 7% across the product portfolio. We made particular gains in the mortgage term market resulting in a 9% market share by year end. On the PVNBP basis, Bright Grey's new business did fall by 6% reflecting lower persistency assumptions than had been used for the previous year's figures. However, in volume terms, new annual premiums were up 15% on 2005.

Bright Grey's standing among intermediaries was further evidenced by our appointment to the panels of several multi-ties during the year. Sales through these channels grew strongly.

Service standards contributed strongly to sales growth with significant improvements again made in 2006. The IFA market reacted particularly positively to our online application service, launched in January 2006. Online applications had risen to 75% of all applications by year end due to the simplicity of design and speed of the service.

Despite continuing pressure on price, margins held up well through effective management of underwriting and reinsurance. Sales volumes were also maintained by the identification of new product opportunities including those geared to the longer-term mortgage market.

Prospects for Bright Grey are very positive. Application levels in the second half of the year were significantly higher than in the same period in 2005, reaching record levels by year end. Bright Grey's appointment to IFA multi-tie panel positions is additional evidence of our growing strength. Further development of web-based services is intended and will strengthen our proposition even more.

SCOTTISH LIFE INTERNATIONAL

SLI delivered another year of successful growth in 2006. New business was up by 25% over 2005, building on the foundation of the last two years. All areas of SLI's operations achieved or exceeded their targets, in particular the sales in Germany which, once again, increased substantially.

We are also exploring new markets. A representative office licence has already been granted to operate in Dubai and during 2007 we will begin the process of seeking a licence in Hong Kong.

ROYAL LONDON ADMINISTRATION SERVICES

RLAS focuses on administering the Royal London branded life, pensions and general insurance business, managing 4.8m policies on behalf of 2.3m customers who include the majority of Royal London members.

The deployment of new technology enables our business to deal with an increasing percentage of customer requests at point of call, so improving service for our customers. Our sales contact centre continues to offer customers a range of products to meet their needs, underwritten by ourselves and carefully selected provider partners. During 2006, we added a new whole of life product to the range available to our customers.

ROYAL LONDON ASSET MANAGEMENT

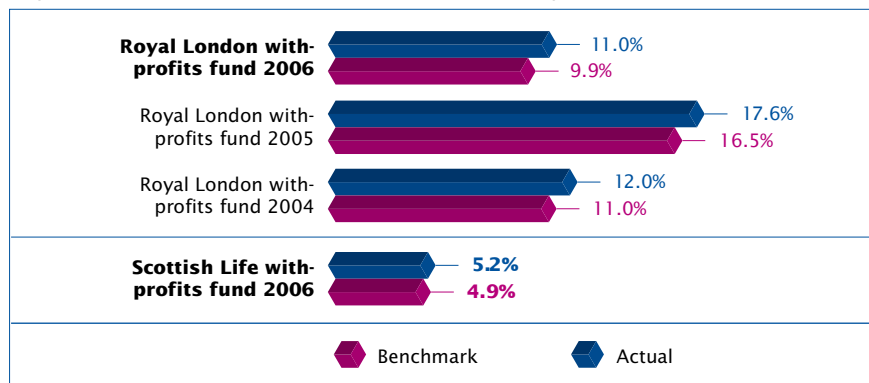
During the year total funds under management increased to just over £30bn. New external monies invested with RLAM were just over £1.2bn – a rise of over 60% on the previous year.

Institutional business revenue increased by 75% from £1.2m to over £2.0m. We had a very good year in the unit trust and open-ended investment companies (OEICs) sector with net sales of nearly £195m. As with our institutional business our largest inflows were into corporate bonds.

Royal London Cash Management achieved £389m of net new business in 2006, building on the successes of recent years. For the first time the team's assets under management exceeded £2bn.

INVESTMENT RETURN ON WITH-PROFITS FUNDS

Royal London Fund Investment Performance for the year ended 31 December 2006



11% RETURN ON THE ROYAL LONDON WITH-PROFITS FUND

consistently beating investment benchmarks

All three of the major asset classes posted positive returns in 2006. The FTSE All Share Index returned 16.7% over the year, property returned 18% and UK gilts returned 0.7%. Of less significance, overseas bonds saw negative returns as they were impacted by the strength of sterling.

The assets used to back Royal London with-profits business generated a pre-tax return of 11.0%, exceeding its benchmark by 1.1%.

The Fixed Income team continued their good performance in 2006, building on their record as one of the strongest in the UK – the reason why we have been able to attract an increasing number of external clients.

RLAM launched its UK Strategic Growth Fund in June 2006. Performance since then has been strong: the fund has ranked in the 1st percentile since launch. January 2007 saw the launch of RLAM's Ethical Bond Trust for which we have high hopes. The trust offers access to RLAM's award-winning fixed interest skills in an ethically sensitive framework.

External monies invested with RLAM are increasing strongly and we expect this to continue. At present just over one third of RLAM's revenues are externally generated. Our target is to have over half of its revenues generated by non-Group clients.

CORPORATE SOCIAL RESPONSIBILITY

As a mutual insurance company, Royal London has a long tradition of serving the community in which it operates from both an economic and social perspective. We recognise our responsibility to conduct our business in a responsible and ethical manner, taking into account our economic, social and environmental impacts, including the effect on local communities. During 2006 we undertook several initiatives, including the improvement of waste recycling and the setting up of a carbon offsetting scheme for air travel.

MARKETPLACE

Treating customers fairly

Royal London is committed to the principle of treating customers fairly and this is seen as an integral part of the Group achieving its vision and strategy. As part of our policy:

- We will act with integrity and honesty in all of our dealings with customers, treating everyone with respect and dealing with requests as quickly as possible
- Products are developed and designed with a sense of responsibility to consumers and society, and with a purpose of providing customers with the products and services they need
- Products are designed with clear features, so that customers can easily understand the main risks of what they are being offered and will not be misled or confused
- Communication with customers and intermediaries is clear, straightforward, balanced and easy to understand, and complies with all relevant legislation and codes of practice
- We will handle any complaints promptly and in a fair manner
- Customers are kept informed about the progress of their investments in an appropriate manner that will meet their reasonable information needs.

Customer impact

In March 2006 the Association of British Insurers launched the Customer Impact Scheme. We agreed to join the scheme from commencement for three of our brands (Royal London, Scottish Life and Bright Grey) by resolving to ensure that the needs of our customers continue to be at the core of the way in which we run our business. Full reports on our performance and progress in delivering the commitments made as members of the Scheme will be published annually on the Royal London Group website.

Institutional shareholder

The Group's asset management business RLAM enters into a dialogue with companies in which its funds are invested, evaluates and gives due weight to the governance arrangements within these companies and makes considered use of votes at their general meetings.

In support of our belief that investors will increasingly seek specific investment opportunities which explicitly highlight ethical or environmental considerations we have recently launched an Ethical Bond Unit Trust. This allows for investment in the corporate bond market but in addition has a policy of abstaining from investing in companies or organisations that are involved in certain activities such as armaments. This launch has attracted favourable interest from the marketplace.

ENVIRONMENT

The green commuting policy at our Wilmslow site provides employees with alternatives to commuting by car and has achieved a significant reduction in single-occupancy car journeys. The Group's procurement policy aims to ensure that suppliers of goods and services consider environmental issues as part of their service provision. Environmental issues are also a major consideration in the acquisition and disposal of consumables.

In 2007, the Group has implemented initiatives on carbon offsetting for air travel, a time-off process for employees undertaking volunteer work and an increased role in the Personal Finance Education Group.

BOARD OF DIRECTORS

Tim Melville-Ross (62)

CBE Chairman

Tim Melville-Ross was appointed to the Board in June 1999 and became Non-Executive Deputy Chairman and Senior Independent Director in June 2002. He became Chairman on 1 January 2006. He was chief executive of the Nationwide Building Society from 1985 to 1994 and director-general of the Institute of Directors from 1994 to 1999. He is chairman of DTZ Holdings plc, Manganese Bronze Holdings plc and Bovis Homes Group plc, and a non-executive director of Katalyst Ventures Ltd. He is also chairman of the Council of the University of Essex and president of the Chartered Management Institute.

Mike Yardley (50)

FIA Group Chief Executive

Mike Yardley has spent more than 30 years in the insurance and investment industries in the UK. He took up his current position in April 1998 having spent the previous 5 years as Executive Chairman of Royal London Asset Management. He joined Royal London in 1978 after 3 years at Pearl Assurance. In 1988 he was instrumental in forming the new asset management subsidiary of the Group that would manage third parties' assets as well as those of the Group. Mike was appointed to the Royal London Board in November 1989. He is a Fellow of the Institute of Actuaries, a member of the Life Insurance Committee of the Association of British Insurers and a founder director of the Association of Mutual Insurers.

Stephen Shone (50)

BSc (Econ) FCA Group Finance Director

Stephen Shone was appointed to the Board in January 1999 when he joined Royal London as Group Finance Director. He trained as a chartered accountant with KPMG and has nearly 20 years' experience in the financial management of life companies. On leaving KPMG in 1987 he became finance director of Prolific Group. From 1990 to 1998 he was with Irish Life plc based in Dublin and St Albans, where he held a number of posts, including group chief financial officer.

Andy Carter (46)

MA Executive Director

Andy Carter was appointed to the Board on 2 January 2007. He joined Royal London Asset Management in September 2001 as Chief Investment Officer and was promoted to Chief Executive Officer in September 2003. Andy has extensive experience of managing all of the major asset classes beginning his career in investment management in 1983 with Provident Life. Prior to joining Royal London he held a number of investment management positions at Gartmore from 1987 to 2001, leaving as head of UK equities.

Brian Duffin (52)

MA FFA Executive Director

Brian Duffin was appointed to the Board on 1 July 2001 following the acquisition of Scottish Life. He joined Scottish Life in 1976 and has significant experience of investment management and marketing. He qualified as an actuary in 1979. He was appointed to the Board of Scottish Life in 1996 and became its group chief executive on 1 January 1999. Brian steps down from the Board on 31 March 2007.

Trevor Bish-Jones (46)

Non-Executive Director

Trevor Bish-Jones was appointed to the Board as a Non-Executive Director in October 2005. He is the chief executive of Woolworths Group plc having been appointed in March 2002. Prior to that, he held various senior positions at Dixons Group plc between 1994 and January 2002, latterly as managing director of Currys, and was at Boots plc for 13 years in a number of senior retail, buying and marketing roles. He is a trustee of The Ashridge (Bonar Law Memorial) Trust, a charitable trust.

Robert Jeens (53)

FCA Non-Executive Director

Robert Jeens was appointed to the Board in May 2003. He is Chairman of the Audit Committee. He has some 30 years' experience within large financial services businesses, initially as a partner at Touche Ross & Co and latterly as finance director at Kleinwort Benson Group plc and Woolwich plc. He is currently a non-executive director of Bank Insinger de Beaufort N.V., Dialight plc and TR European Growth Trust plc and chairman of nCipher plc, as well as a number of private companies.

Tom Ross (62)

OBE FFA Senior Independent Director

Tom Ross was appointed to the Board as a Non-Executive Director in July 2001 following the acquisition of Scottish Life and became Senior Independent Director on 1 January 2006. He was appointed to the Board of Scottish Life as a non-executive director in 1996, became deputy chairman in 1998 and chairman in 1999. He is chairman of Penta Capital Partners (Holdings) Limited, the Edinburgh UK Tracker Trust plc, the Pensions Policy Institute and the trustee boards of two large pension funds. He is a past president of the Faculty of Actuaries.

David Williams (60)

MSc Non-Executive Director

David Williams was appointed to the Board on 1 March 2006. He is Chairman of the Remuneration Committee. He is currently an operating partner with Duke Street Capital LLP and chairman of Accantia Ltd. He is also a non-executive director of Mothercare plc and a former director of DX Services plc and Avanti Screen Media Group plc. He is a former chairman of Wyevale Garden Centres plc. He was chief executive of the Thresher Group Ltd from 2001 to 2004 and has also held a number of senior appointments with Diageo plc, PepsiCo Inc and Whitbread plc. David holds an MSc from London Graduate School of Business Studies where he is a governor.

WITH EFFECT FROM 1 APRIL 2007

John Deane (48)

FIA Executive Director

John Deane joins the Board, with effect from 1 April 2007, from Old Mutual plc where he was latterly corporate development director and played a significant part in the successful acquisition of Skandia. John was also involved in the successful sales and product redesign in Old Mutual's South African life business to meet a changing economic environment. Prior to joining Old Mutual, John formed Adepta in 2000, an outsourcing company, which contracted with major life companies. He held senior positions within the life insurance industry at Laurentian Life and Century Life between 1987 and 2000. John is a Fellow of the Institute of Actuaries.

SUMMARY DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2006

This information is extracted from the Directors' remuneration report of Royal London.

Policy

The Remuneration Committee decides executive directors' remuneration. It considers it is in members' interests for remuneration packages to be competitive in order to attract and retain people of the required calibre. The policy is for total remuneration to be at the median of the UK financial services market. Bonus plans are designed to encourage and reward increases in the value of the business for the benefit of members.

Remuneration package – executive directors

Salaries

The salaries of directors are determined by considering the individual's responsibility and performance and the remuneration paid in companies of comparable size and nature.

The salaries paid during 2006 to the executive directors were: Brian Duffin £286,000 (2005 £270,000), Stephen Shone £329,000 (2005 £305,000) and Mike Yardley £500,000 (2005 £463,000).

Performance-related bonus plans

▪ Short-Term Incentive Plan (STIP)

This annual plan is designed to focus participants on the results that need to be achieved to meet Royal London's annual targets in the context of the agreed strategy. The target and cap are 50% (2005 25%) and 100% (2005 50%) respectively of the salary at the end of the year, except for Mike Yardley, who has a target and cap of 60% (2005 30%) and 120% (2005 60%) of salary respectively.

Payment of one third of Mike Yardley's STIP and 30% of other executive directors' STIP is deferred for three years and is dependent on the change in the value of Royal London over this time.

Performance-related bonuses in respect of the year ended 31 December 2006 for the executive directors were: Brian Duffin £254,000 (2005 £115,000), Stephen Shone £318,000 (2005 £135,000) and Mike Yardley £551,000 (2005 £246,000) of which the payment of £76,000, £96,000 and £184,000 respectively was deferred until 2010.

▪ Long-Term Incentive Plan (LTIP)

The LTIP is a phantom share option plan with rewards directly related to increases in Royal London's value over the long term on a financially equivalent basis to a share based option plan. Allocations are fixed in new plans starting annually, the final payout under each plan being determined by the increase in the Group's value in excess of the threshold return.

Under the 2001 to 2002 plans, participants were granted options over notional units in the value of the Royal London

Group and may exercise those options between the third and tenth anniversary of their grant, provided that the value of the Group has increased by at least 15% at the time of exercise.

Under the 2003 to 2006 plans, participants may exercise their options between the third and tenth anniversary of their grant, provided that the value of the Group has increased by at least 15% at the end of the third year. If the target is missed, the options will lapse.

Under the 2002 to 2006 plans, Brian Duffin, Stephen Shone and Mike Yardley were granted additional options which only reward growth in the value of the Group of over 5% per annum compounded to the date of exercise between the third and tenth anniversaries of their grant.

Total exercisable awards at 31 December 2006 for the executive directors were: Brian Duffin £2,878,000 (2005 £1,002,000), Stephen Shone £3,312,000 (2005 £1,159,000) and Mike Yardley £5,404,000 (2005 £1,878,000). No amounts were paid during 2006.

Benefits

Benefits offered are private medical insurance, medical screening, mortgage subsidy and either a company car or a cash allowance.

The total value of taxable benefits in respect of the year ended 31 December 2006 for the executive directors were: Brian Duffin £15,000 (2005 £15,000), Stephen Shone £24,000 (2005 £25,000) and Mike Yardley £23,000 (2005 £23,000).

Pensions

For each of the executive directors, the main terms applying to their final salary pensions accrued since 30 November 2001 are:

- Payable from normal retirement age of 60;
- Spouse's pension payable on death of 55% of the director's pension;
- Pensions increase in payment in line with inflation, to a maximum of 7.5% each year.

The main terms applying to final salary pensions accrued before 30 November 2001 varied by director.

In respect of service prior to 6 April 2006, the executive directors are members of the Company's pension scheme which is a funded non-contributory defined benefits arrangement.

Pension benefits for executive directors in respect of service since 5 April 2006 have been provided on an unapproved basis and 5% of salary has been sacrificed.

Stephen Shone was affected by the earnings cap on approved pension benefits prior to 6 April 2006 and the Company provided benefits above the cap on an unapproved basis.

The increases in accrued pension during 2006 for the executive directors were: Brian Duffin £12,000 (2005 £16,000), Stephen Shone £14,000 (2005 £14,000) and Mike Yardley £33,000 (2005 £30,000). The changes in the transfer values of their pension entitlements were £274,000 (2005 £277,000), £257,000 (2005 £210,000) and £611,000 (2005 £522,000) respectively.

Newly appointed executive directors who are not already members of the Company's pension scheme will be provided with benefits on a defined contribution basis.

The Company's pension scheme provides life assurance cover for death in service of four times pensionable earnings. Spouses' or dependants' pensions are payable on death, based on the number of years' service. Prior to 6 April 2006 cover for Stephen Shone was affected by the earnings cap and was increased by an individual arrangement to four times the final year's salary.

Executive service contracts and termination

All executive directors have service contracts which provide for a year's notice from the Company. The period of notice required to be given to the Company by executive directors is six months. Executive directors' contracts do not include compensation for severance as a result of change of control.

Chairman and non-executive directors' remuneration

The remuneration of the Chairman is determined by the Remuneration Committee and that of the non-executive directors by the Board. The principles adopted by the Board in determining the fees are that they should be competitive, appropriate to attract and retain directors of the necessary calibre, and reflect the responsibilities and time involved in Royal London matters.

The Chairman's fee paid during 2006 was £163,000 (2005 £157,000).

In aggregate, the other non-executive directors' fees paid during 2006 were £209,000 (2005 £207,000).

More information

This is a summary of the Group's remuneration policy and practice. Full information appears in the Annual Report and Accounts 2006.

SUMMARY REPORT ON CORPORATE GOVERNANCE

The Combined Code

The Board considers that, throughout 2006 and up to the date of this statement, it has applied the relevant principles and complied with the relevant provisions of the Combined Code, together with the Annotated Combined Code for Mutual Insurers published in July 2005.

The Board

The Board comprises the Chairman, four non-executive and four executive directors. The names and details of the members of the Board and their other significant commitments are provided on page 13.

The Board determines the Group's values, standards and ethics, strategy and objectives, risk appetite, organisational structure, and pension and remuneration policies. The Board reserves certain decisions to itself and these include the acquisition or disposal of any business or major asset, the setting-up of a new business or joint venture or the merging of any part of the Group's business with a third party, the making or guaranteeing of a significant loan, and significant investments and transactions not at arm's length. Beneath the Board there is in place clear and appropriate apportionment of responsibilities amongst executive directors and senior managers so that the business of the Group can be effectively managed and monitored.

How the Board operates

The Group Chief Executive circulates to the Board on a monthly basis a report on the performance of the Group and this is reviewed at Board meetings. Additional papers on issues upon which the Board is required to make a decision are submitted as required.

Board committees

The Board has established Audit, Nomination and Remuneration Committees. The terms of reference of all Board committees are available on request and are published on the Group's website www.royallondongroup.co.uk, in the 'Group Information' section.

The Audit Committee's role includes monitoring the integrity of the financial statements of the Company as well as monitoring and reviewing the Group's internal control and risk management systems. The external auditors, the Group's Risk and Compliance Director and the Head of Internal Audit submit reports to, and attend meetings of, the Audit Committee.

The role of the Nomination Committee is to nominate candidates to fill vacancies on the Board and to aid in succession planning.

The responsibilities of the Remuneration Committee include determining for Board approval the policy for remunerating the executive directors and other senior executives, determining the remuneration of this group and determining the targets for performance-related pay schemes.

Evaluation

The Board undertook a formal and rigorous evaluation of its own performance, and that of the committees and individual directors. Each director completed a questionnaire on the performance of the Board and each committee of which he is a member.

Internal Control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and inevitably can provide only reasonable and not absolute assurance against material misstatement or loss. The system has been in place throughout the period under review from 1 January 2006 to 29 March 2007 and accords with the Combined Code and the Turnbull Guidance.

The Board has conducted a review of the effectiveness of the Group's system of internal control during the year ended 31 December 2006, taking into account matters arising up to the date of approval of the Annual Report and Accounts 2006. This covered all material controls, including financial, operational and compliance controls and risk management systems. It was conducted in part on an ongoing basis, via the reports submitted to the Board and the Audit Committee and also by reports prepared as part of the year end process. In the event of any significant weaknesses being identified, the Board will ensure that necessary actions are taken to address them.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The management of each business unit and support function is responsible for identifying, evaluating, rating (in terms of probability of occurring and likely impact), assigning responsibility for, reporting on and managing and mitigating all risks relevant to its area of business, including the design and operation of suitable internal controls.

A key aspect of the Group's internal system of controls is the element of independent oversight provided by the Risk and Compliance and Internal Audit teams, and the Group Risk, Insurance and Capital Management Committees.

SUMMARY DIRECTORS' REPORT

Principal activities and business review

The principal activity of the Company is the transaction of long-term insurance business covering life and pensions. A review of Royal London's business is contained on pages 4 to 12.

Summary Financial Statement

The Summary Financial Statement has been prepared on the basis of accounting policies set out in the Annual Report and Accounts 2006 and the financial information for the periods shown has been abridged from those accounts. The Summary Financial Statement was approved by the Board of directors and signed on its behalf by Stephen Shone.

Directors

Details of the current directors are set out on page 13. All of them held office throughout the period under review except for David Williams who joined the Board as a non-executive director on 1 March 2006, Andy Carter who joined the Board as an executive director on 2 January 2007 and John Deane who was appointed as an executive director with effect from 1 April 2007. Brian Duffin will retire as a director on 31 March 2007.

In accordance with the Articles of Association, Andy Carter, John Deane and Robert Jeens will retire at the Annual General Meeting (AGM) and being eligible, offer themselves for re-appointment.

People

Royal London is committed to providing equal opportunities to all employees. It recognises that valuing diversity brings benefits to business performance and to employee satisfaction. The Group is committed to recruiting, developing, promoting and training employees on the basis of their individual competences and performance.

Royal London involves and informs its employees on a regular basis on all developments affecting it and its business.

Charity and Community

Royal London has a long history of serving the community, regularly contributing to many charities and worthwhile organisations and continues this tradition of giving something back to the local community in which it operates. Royal London's policy is to commit to giving in kind where possible and appropriate and this allows us to provide use of our buildings and facilities for charities and community groups to hold meetings or events or for storage. In 2006, charitable donations by Royal London amounted to £63,259.

No political donations were made in 2006.

Annual General Meeting

Royal London's AGM will be held on 22 May 2007 at the Redgrave and Mozart Suites at The Barbican Centre, Silk Street, London. The notice convening the meeting is set out on page 20 and guidance on AGM voting is being sent to all members.

AUDITORS' STATEMENT

Independent auditors' statement to the members of The Royal London Mutual Insurance Society Limited

We have examined the Summary Financial Statement of The Royal London Mutual Insurance Society Limited on page 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Summary Financial Statement in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement on page 18 with the annual financial statements, the Directors' Report and the Directors' remuneration report, and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with page 18 of the Summary Financial Statement.

This statement, including the opinion, has been prepared for and only for the Company's members as a body, in accordance with Section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, "The auditors' statement on the Summary Financial Statement" issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the Summary Financial Statement on page 18 is consistent with the annual financial statements, the Directors' report and the Directors' remuneration report of The Royal London Mutual Insurance Society Limited for the year ended 31 December 2006 and complies with the applicable requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
29 March 2007

SUMMARY FINANCIAL STATEMENT: IFRS BASIS

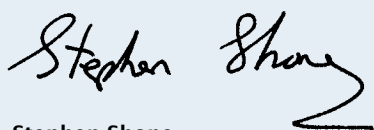
SUMMARISED CONSOLIDATED INCOME STATEMENT

	2006 £m	2005 £m
Revenues		
Gross earned premiums	859	840
Amounts paid to reinsurers	(930)	(81)
Net earned premiums	(71)	759
Investment return	2,283	3,549
Other revenues	192	122
Total revenues	2,404	4,430
Expenses		
Policyholder benefits and claims	1,319	3,510
Administrative expenses	573	448
Finance costs	39	16
	1,931	3,974
Result before tax	473	456
Tax expense	44	133
Transfer to the unallocated divisible surplus	429	323

SUMMARISED CONSOLIDATED BALANCE SHEET

	2006 £m	2005 £m
ASSETS		
Property, plant and equipment	73	111
Investment property	2,837	2,397
Intangible assets	628	698
Reinsurers' share of liabilities	302	1,259
Pension scheme asset	60	2
Financial investments	21,440	20,932
Other assets	197	145
Cash and cash equivalents	1,092	963
Total assets	26,629	26,507
LIABILITIES		
Unallocated divisible surplus (UDS)	2,001	1,571
Insurance and Investment contract liabilities (excl. UDS)	23,256	23,585
Subordinated liabilities	396	520
Other liabilities	976	831
Total liabilities	26,629	26,507

The Summary Financial Statement on page 18 was approved by the Board of Directors on 29 March 2007.



Stephen Shone
Group Finance Director

SUPPLEMENTARY FINANCIAL INFORMATION: EUROPEAN EMBEDDED VALUE BASIS

SUMMARISED CONSOLIDATED INCOME STATEMENT

	2006 £m	2005 £m
Contribution from new business	36	31
Profit from existing business		
– expected return	99	106
– experience variances	9	6
– operating assumption changes	(48)	(34)
Expected return on opening net worth	30	15
Profit on other business (see note *)	14	10
Other items	(24)	(34)
Operating profit before tax	116	100
Economic experience variances	263	250
Economic assumption changes	59	8
Movement in pension scheme surplus	58	(22)
Financing costs	(25)	(1)
Enhancements to policyholder benefits	(40)	(12)
EEV profit before tax	431	323
Attributed tax charge	(25)	(26)
EEV profit after tax	406	297

Note: (*) Other business includes general insurance, the provision to third parties of administration services and cash management

SUMMARISED CONSOLIDATED BALANCE SHEET

	2006 £m	2005 £m
Net worth (including pension scheme surplus)	975	583
Value of in-force business	1,016	1,002
Embedded Value	1,991	1,585

NOTICE OF ANNUAL GENERAL MEETING

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY LIMITED

Notice is given that the Annual General Meeting of the Company will be held at 11.00am on Tuesday 22 May 2007 at the Redgrave and Mozart Suites, The Barbican Centre, Silk Street, London, EC2Y 8DS for the following purposes:

To consider and, if thought fit, to pass the following resolutions, each of which will be proposed as an ordinary resolution:

- 1 That the audited Annual Report and Accounts for the year ended 31 December 2006 be received.
- 2 That the Directors' remuneration report be approved.
- 3 That PricewaterhouseCoopers LLP be reappointed as auditors to the Company until the conclusion of the next Annual General Meeting.
- 4 That the remuneration of PricewaterhouseCoopers LLP be determined by the directors.
- 5 That Andy Carter be reappointed a Director.
- 6 That John Deane be reappointed a Director.
- 7 That Robert Jeens be reappointed a Director.

By order of the Board



Murray Ross
Group Legal Director and Secretary
29 March 2007

Registered Office:
55 Gracechurch Street
London EC3V 0RL
(Registered in England and Wales: No. 99064)

COMMENTARY ON THE RESOLUTIONS

RESOLUTION 1 – ANNUAL REPORT AND ACCOUNTS 2006

A company must lay before a general meeting its annual accounts, the Directors' report and the auditors' report for every financial year.

RESOLUTION 2 – DIRECTORS' REMUNERATION REPORT

The Director's Remuneration Report Regulations 2002 require a company that is quoted on the London Stock Exchange (or in Europe or the USA) to include at the annual general meeting a resolution to approve the Directors' remuneration report. The resolution is advisory. The Regulations do not, of course, apply to the Company because it is a mutual and not a quoted company. The Board, however, believes that such a resolution has become a part of good corporate governance and accordingly has voluntarily included it on the agenda. The Directors' remuneration report appears on pages 41 to 43 of the Annual Report and Accounts 2006 and a summary of the report is on pages 14 and 15 of this Summary Financial Statement 2006.

RESOLUTIONS 3 AND 4 – APPOINTMENT AND REMUNERATION OF AUDITORS

At each general meeting at which accounts are laid, a company must appoint an auditor to hold office until the next general meeting at which accounts are laid and the general meeting must also determine the remuneration or the way in which it will be determined. PricewaterhouseCoopers LLP are the Company's existing auditors and the directors recommend that they be reappointed and their remuneration be determined by the directors.

RESOLUTIONS 5 TO 7 – REAPPOINTMENT OF DIRECTORS

The Company's Articles of Association provide that:

- any director who is appointed by the Board to fill a vacancy or as an additional director must retire at the next AGM, and
- all directors who held office at the start of the last two AGMs and who did not retire at either of those AGMs must retire by rotation at the AGM.

In each of these cases, retiring directors are eligible for reappointment at the meeting. Andy Carter and John Deane will be retiring under the former provision at the AGM and Robert Jeens will be retiring under the latter.

Andy has been with the Group since 2001 and has been Chief Executive of Royal London Asset Management since 2003. During this time he has presided over a period of sustained growth in our asset management business. John Deane joins the Group, with effect from 1 April 2007, from Old Mutual plc where he was corporate development director and will head up the new dedicated intermediary division. John was also involved in the successful sales and product redesign in Old Mutual's South African life business. Robert Jeens was appointed to the Board in May 2003 and

is Chairman of the Audit Committee. He has some 30 years' experience within large financial services businesses and is a non-executive director of a number of companies.

Biographical details of all directors are included on pages 34 and 35 of the Annual Report and Accounts 2006 and on page 13 of this Summary Financial Statement 2006.

Note: The terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered office at 55 Gracechurch Street, London EC3V 0RL during business hours on any weekday (except public holidays) and will also be available for inspection at the AGM 15 minutes prior to and during the meeting.

MEMBER INFORMATION

ANNUAL GENERAL MEETING 2006

The 2006 Annual General Meeting was the second year in succession that voting by proxy was permitted. All 600,000 members of Royal London were mailed with an invitation to the meeting, a proxy voting form and, for the first time, the Summary Financial Statement, which allows members a high level view of the financial position of Royal London.

Over 30,000 members chose to vote by proxy at the 2006 AGM. While this is a significant number of participating members, we are actively seeking ways to increase member participation in the voting process.

ANNUAL GENERAL MEETING 2007

Members unable to attend the meeting in person will, for the first time, be able to vote online using a secure internet site, as well as by post. We believe we are the first mutual insurance company to permit members to register their proxy voting form electronically.

MEMBER COMMUNICATIONS

The Royal London Group website remains our primary means of delivering information to members in a timely and cost effective manner. During 2007 we will be developing the quality and content of the members' section of the website (www.royallondongroup.co.uk/members).

We will be researching the type of information members want to receive from us and the preferred method of delivery. If you are a member and have views on the type of information you would like to receive, send your views to: memberrelations@royallondongroup.co.uk.

or write to:
Member Relations
Royal London Group
55 Gracechurch Street
London
EC3V 0RL

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www.royallondongroup.co.uk