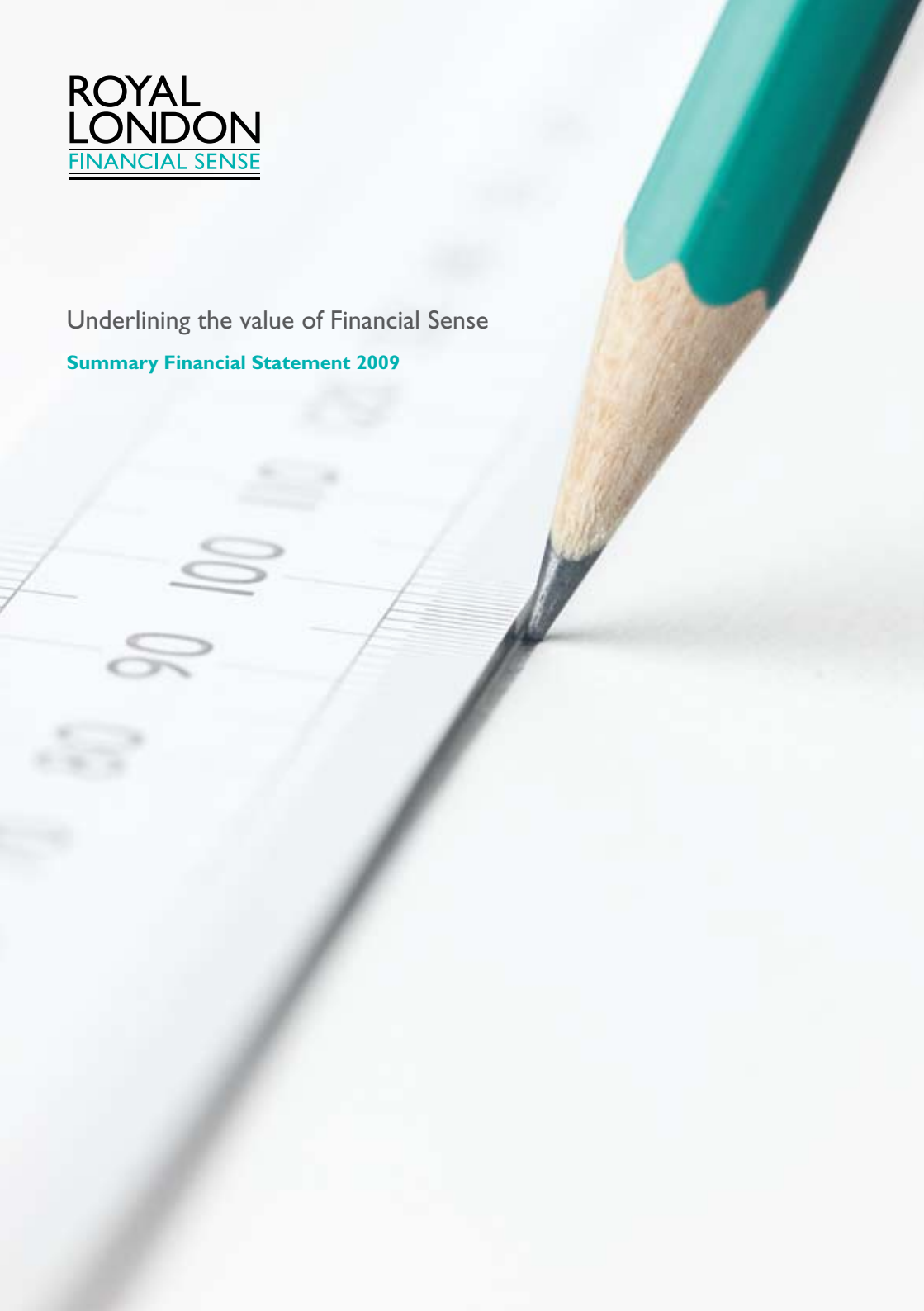


Underlining the value of Financial Sense

**Summary Financial Statement 2009**



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## Full Annual Report and Accounts

This Summary Financial Statement and accompanying Summary Annual Review, provides a summary of Royal London's performance during 2009 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 2009.

The auditors have issued unqualified reports on the full annual financial statements, the auditable part of the directors' remuneration report and on the consistency of the directors' report with those annual financial statements. Their report on the full annual financial statements and the auditable part of the directors' remuneration report contained no statement under sections 498(2)(a), 498(2)(b) or 498(3) of the Companies Act 2006.

If you would like a copy of the Annual Report and Accounts 2009, free of charge, please telephone 0800 085 7835 or e-mail [agm@royallondongroup.co.uk](mailto:agm@royallondongroup.co.uk). Alternatively, you can view and print the Annual Report and Accounts 2009 by visiting [www.royallondongroup.co.uk](http://www.royallondongroup.co.uk)

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### **Tim Melville-Ross CBE (65)**

#### **Chairman**

Tim Melville-Ross was appointed to the Board on 1 June 1999 and became Non-Executive Deputy Chairman and Senior Independent Director in June 2002. He became Chairman on 1 January 2006. He is Chairman of the Nomination Committee. 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 and Manganese Bronze Holdings plc. He is also chairman of the Higher Education Funding Council for England.

### **Mike Yardley FIA (53)**

#### **Group Chief Executive**

Mike Yardley has spent more than 30 years in the UK insurance and investment industries. He took up his current position in 1998 having spent the previous five years as Executive Chairman of Royal London Asset Management. He joined Royal London in 1978 after three years at Pearl Assurance. He was appointed to the Royal London Board in 1989. He is a director of the Association of British Insurers and a member of its Life Insurance Committee. He is also chairman of the Association of Financial Mutuals and a director of the Juvenile Diabetes Research Foundation.

### **Stephen Shone BSc (Econ), FCA (53)**

#### **Group Finance Director**

Stephen Shone was appointed to the Board on 1 January 1999 when he joined Royal London as Group Finance Director. He trained as a chartered accountant with KPMG, has more than 20 years' experience in the financial management of life companies and has led a significant number of major acquisitions. 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 from 1996 to 1998.

### **John Deane FIA (51)**

#### **Executive Director**

John Deane was appointed to the Board on 1 April 2007. He has 29 years' experience in the life assurance industry. His roles have involved leading acquisitions in the public and private arena with UK and international experience. He has previously established an outsourcing company and has 18 years of senior executive and board experience in IT, administration, compliance, risk, distribution and corporate development. He is responsible for the intermediary businesses of Royal London.

### **Andy Carter MA (49)**

#### **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 asset management experience 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, including head of UK equities.

### **Robert Jeens FCA (56)**

#### **Non-Executive Director**

Robert Jeens was appointed to the Board on 1 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 Henderson Group plc, Dialight plc and TR European Growth Trust plc and a number of private companies.

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### **David Williams MSc (63)**

#### **Non-Executive Director**

David Williams was appointed to the Board on 1 March 2006. He is Chairman of the Remuneration Committee. He is currently chair of the operating partners with Duke Street Capital LLP and chairman of Adelle Food Holdings Ltd, Sandpiper Ltd and The Original Factory Shop Ltd. Additionally, he is a non-executive director of Mothercare plc. He also held a number of senior appointments with Diageo plc, PepsiCo Inc and Whitbread plc. He holds an MSc from the London Graduate School of Business Studies.

### **Trevor Bish-Jones BSc (Pharm) (49)**

#### **Non-Executive Director**

Trevor Bish-Jones was appointed to the Board as a Non-Executive Director on 14 October 2005. He is CEO of Mypeoplebiz.com and was chief executive of Woolworth Group plc until August 2008. 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.

### **Tom Ross OBE, FFA (65)**

#### **Senior Independent Director**

Tom Ross was appointed to the Board as a Non-Executive Director on 1 July 2001 following the acquisition of Scottish Life and became Senior Independent Director on 1 January 2006. He is Chairman of the Board Risk Committee. 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 the Edinburgh UK Tracker Trust plc and of the trustee board of the Smiths Industries Pension Scheme. He is a past president of the Faculty of Actuaries.

### **Duncan Ferguson FIA (67)**

#### **Non-Executive Director with effect from 1 April 2010**

Duncan Ferguson has been appointed to the Board with effect from 1 April 2010. He has some 40 years' experience in senior management of insurance companies and as a consulting actuary. He was senior partner at Bacon & Woodrow then B&W Deloitte from 1994 to 2003. He was also a non-executive director of Halifax from 1994 until it merged with Bank of Scotland in 2001 and then of HBOS Financial Services until 2007. He is currently a non-executive director of Henderson Group plc and of Windsor Life and is chairman of the Phoenix and Pearl with-profits committees. He is a past president of the Institute of Actuaries.

## 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 in the Summary Annual Review on pages 4 to 5.

## Summary Financial Statement

The Summary Financial Statement has been prepared on the basis of accounting policies set out in the Annual Report and Accounts 2009 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.

## Directors

Details of the current directors are set out on pages 4 and 5. All of them held office throughout the period under review except for Duncan Ferguson who joins the Board on 1 April 2010. Tom Ross will step down as a director at the forthcoming AGM. In accordance with the Articles of Association, Andy Carter, John Deane and Robert Jeens will retire at the AGM and, being eligible to, offer themselves for reappointment. As Duncan Ferguson was appointed to the Board with effect from 1 April 2010 he will therefore also stand for reappointment at the AGM.

## Corporate Governance

The Board is committed to high standards of corporate governance. The Board considers that, throughout the period under review, it has applied the relevant principles and complied with the relevant provisions of the Combined Code on Corporate Governance 2008 (the 'Code') together with the Annotated Combined Code for Mutual Insurers published in February 2008.

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, including acquisitions and disposals of any business or major asset, setting up of a new business or joint venture, making or guaranteeing a significant loan and significant investments and transactions not at arm's length.

The Board has established Audit, Nomination and Remuneration Committees. In addition a Board Risk Committee has been established from 1 January 2010. 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.

A full Corporate Governance statement is included on pages 46 to 49 of the Annual Report and Accounts 2009.

## 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 is committed to an ongoing dialogue with employees on all developments affecting it and its business.

## Political donations

No political donations were made during 2009.

## Annual General Meeting

Royal London's AGM will be held at 11.00 a.m. on 20 May 2010 at Glaziers Hall, 9 Montague Close, London Bridge, London, SE1 9DD. The notice convening the meeting is on page 13 and guidance on AGM voting is being sent to all members.

## Summary financial statement: IFRS basis

<b>Summarised consolidated statement of comprehensive income: IFRS</b>	<b>2009</b>	2008
	<b>£m</b>	£m
<b>Revenues</b>		
Gross earned premiums	<b>1,099</b>	847
Amounts (paid to)/received from reinsurers	<b>(317)</b>	616
Net earned premiums	<b>782</b>	1,463
Investment return	<b>3,071</b>	(3,103)
Other revenues	<b>189</b>	195
<b>Total revenues</b>	<b>4,042</b>	(1,445)
Policyholder benefits and claims	<b>2,679</b>	(1,315)
Operating expenses	<b>858</b>	509
Finance costs	<b>44</b>	48
	<b>3,581</b>	(758)
<b>Result before tax</b>	<b>461</b>	(687)
<b>Tax charge/(credit)</b>	<b>51</b>	(255)
<b>Transfer to/(from) the unallocated divisible surplus</b>	<b>410</b>	(432)
<b>Profit and comprehensive income for the year</b>	<b>-</b>	-

<b>Summarised consolidated balance sheet: IFRS</b>	<b>2009</b>	2008
	<b>£m</b>	restated £m
<b>Assets</b>		
Property, plant and equipment	<b>38</b>	40
Investment property	<b>1,791</b>	1,868
Intangible assets	<b>1,161</b>	1,277
Reinsurers' share of insurance contract liabilities	<b>658</b>	574
Pension scheme asset	<b>60</b>	90
Financial investments	<b>24,137</b>	22,734
Other assets	<b>400</b>	667
Cash and cash equivalents	<b>3,132</b>	1,682
<b>Total assets</b>	<b>31,377</b>	28,932
<b>Liabilities</b>		
Unallocated divisible surplus (UDS)	<b>2,111</b>	1,701
Insurance and investment contract liabilities (excluding UDS)	<b>26,596</b>	24,947
Subordinated liabilities	<b>397</b>	397
Other liabilities	<b>2,273</b>	1,887
<b>Total liabilities</b>	<b>31,377</b>	28,932

The summary financial statements above were approved by the Board of Directors and signed on its behalf on 30 March 2010.



**Stephen Shone**  
Group Finance Director

<b>Summarised consolidated income statement: EEV</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
Contribution from new business	<b>63</b>	52
Profit from existing business		
– Expected return	<b>114</b>	85
– Operating experience variances	<b>(34)</b>	7
– Operating assumption changes	<b>(66)</b>	(22)
Expected return on opening net worth	<b>4</b>	66
Profit on other business (see note*)	<b>15</b>	11
Other items	<b>75</b>	14
<b>Operating profit before tax</b>	<b>171</b>	213
Economic experience variances	<b>234</b>	(767)
Economic assumption changes	<b>183</b>	18
Movement in pension scheme surplus	<b>(30)</b>	(47)
Financing costs	<b>(35)</b>	(40)
Mutual dividend	<b>(26)</b>	–
Other items	<b>(62)</b>	(187)
<b>EEV profit/(loss) before tax</b>	<b>435</b>	(810)
Attributed tax (charge)/credit	<b>(31)</b>	48
<b>EEV profit/(loss) after tax</b>	<b>404</b>	(762)

<b>Summarised consolidated balance sheet: EEV</b>	<b>2009</b>	<b>2008</b>
	<b>£m</b>	<b>£m</b>
Net worth	<b>497</b>	115
Value of in-force business	<b>1,283</b>	1,231
Pension scheme asset	<b>60</b>	90
<b>Embedded value</b>	<b>1,840</b>	1,436

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

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

We have examined the Summary Financial Statement which comprises the Summary financial statement: IFRS basis, the Summary financial statement: European Embedded Value (EEV) basis and the Summary directors' remuneration report.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full annual financial statements, the directors' report and the directors' remuneration report and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises all the items listed on the contents page.

This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 427 of the Companies Act 2006 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.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Company's full annual financial statements describes the basis of our audit opinion on those financial statements, the directors' report and the directors' remuneration report.

#### **Opinion**

In our opinion the Summary Financial Statement is consistent with the full 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 2009 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made thereunder.

#### **PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors  
London  
30 March 2010

Notes:

- (a) The maintenance and integrity of The Royal London Mutual Insurance Society Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the full annual financial statements or the Summary Financial Statement since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This information is extracted from the directors' remuneration report of Royal London. This is a summary of the Group's remuneration policy and practice. Full information appears in the Annual Report and Accounts 2009.

### Policy

The Remuneration Committee considers it is in Royal London members' interests for remuneration packages to be competitive in order to attract and retain people of the required calibre. The policy is for the total remuneration to be at the median of the UK financial services market, subject to the individual's experience and performance in the role. Comparisons are made with other companies taking account of the Group's scale and complexity.

Returns to our members are driven primarily by the investment performance of our with-profits funds, which is reflected in bonuses declared on with-profits policies, and increases in the value of the Group's businesses, which influence bonuses declared and the mutual dividend allocated. The value of the business comprises the embedded value of the Group and the value of our ability to produce profitable new business in the future, a multiple of our current new business profits.

Bonus plans for executive directors are designed to encourage and reward good investment performance and increases in the value of Royal London for the benefit of members, taking into account risk.

### 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.

#### Performance-related bonus plans

##### ■ Short-Term Incentive Plan (STIP)

The STIP is designed to focus participants on the results that need to be achieved to meet Royal London's annual financial and non-financial objectives in the context of the agreed strategy.

The maximum payment under the STIP is capped by reference to salary. Payment of one-third of the STIP is deferred for three years and is adjusted for the change in value of Royal London over this time. Andy Carter's STIP focuses primarily on delivery against financial and non-financial objectives specific to Royal London Asset Management's agreed strategy.

##### ■ Long-Term Incentive Plans (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. Payments are either subject to the achievement of minimum growth targets or directly related to the investment performance of members' assets against benchmark and the outperformance of Royal London's value in comparison to a basket of share prices of ten comparator companies. In the latter case, no payment is made unless the change in Royal London's value is at least equal to the median performance of the comparator companies.

Generally the value of Royal London has performed relatively better than the median share price performance of the comparators.

#### Benefits

Benefits offered are private medical insurance, medical screening, mortgage subsidy and either a company car or a cash allowance. John Deane is not eligible for a company car or a cash allowance.

#### Pensions

Newly appointed executive directors who are not already members of the Company's pension scheme are provided with benefits on a defined contribution basis or are paid an equivalent salary supplement. John Deane is paid a salary supplement.

The other executive directors are members of defined benefit pension arrangements.

## Executive service contracts and termination

All executive directors have contracts of employment or service contracts that do not have a fixed term, but which provide for a year's notice from the Company. The Company's normal retirement age is 65. Executive directors' contracts allow for termination with contractual notice from the company or, in the alternative, termination by way of payment in lieu of notice, which are subject to contractual mitigation. The Company's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations and incentive plan and pension scheme rules. 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 a change of control.

Details of when current executive directors were appointed to the Board are included on page 43 of the Annual Report and Accounts 2009.

## 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, with the non-executive directors not voting. 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.

## Directors' emoluments

	Salary or fees	Bonuses	Benefits	Total	
	2009	2009	2009	2009	2008
	£000	£000	£000	£000	£000
<b>Chairman</b>					
Tim Melville-Ross	183	–	–	183	180
<b>Executive directors</b>					
Andy Carter	305	363	15	683	544
John Deane	355	331	–	686	578
Stephen Shone	380	356	27	763	656
Mike Yardley	570	658	23	1,251	1,038
<b>Non-executive directors</b>					
Trevor Bish-Jones	49	–	–	49	48
Robert Jeens	61	–	–	61	60
Tom Ross	55	–	–	55	54
David Williams	58	–	–	58	57
	<b>2,016</b>	<b>1,708</b>	<b>65</b>	<b>3,789</b>	<b>3,215</b>

In addition John Deane received a salary supplement of £71,000 (2008 £70,000) in respect of his pension benefits.

### Long-Term Incentive Plan awards

Name	Exercisable at 31.12.08 £000	Increase in exercisable awards during 2009 £000	Paid in 2009 £000	Exercisable at 31.12.09 £000
Andy Carter	249	<b>704</b>	<b>(217)</b>	<b>736</b>
John Deane	–	<b>1,179</b>	–	<b>1,179</b>
Stephen Shone	120	<b>1,132</b>	–	<b>1,252</b>
Mike Yardley	207	<b>1,800</b>	–	<b>2,007</b>
	576	<b>4,815</b>	<b>(217)</b>	<b>5,174</b>

### Pension entitlements

Name	Accrued pension 31.12.09 <sup>1</sup> £000pa	Increase in accrued pension during the year £000pa	Transfer value of accrued pension at 31.12.09 <sup>2</sup> £000	Change in transfer value in 2009 £000
Andy Carter	<b>53</b>	<b>8</b>	<b>647</b>	<b>117</b>
Stephen Shone	<b>121</b>	<b>14</b>	<b>1,878</b>	<b>245</b>
Mike Yardley	<b>382</b>	<b>25</b>	<b>5,623</b>	<b>677</b>

Notes:

<sup>1</sup>The accrued pensions are the amounts which the directors would be entitled to from normal retirement age if they left service at the relevant date.

<sup>2</sup>The transfer values have been calculated in accordance with the guidance note 'GN11' published by the Institute of Actuaries and Faculty of Actuaries.

Notice is hereby given that the 2010 Annual General Meeting of The Royal London Mutual Insurance Society Limited (the 'Company') will be held at 11.00 a.m. on Thursday 20 May 2010 at Glaziers Hall, 9 Montague Close, London Bridge, London, SE1 9DD for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. That the audited Annual Report and Accounts for the year ended 31 December 2009 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 Duncan Ferguson be reappointed a director.
8. That Robert Jeens be reappointed a director.

By order of the Board



**Chris Aujard**

Group Legal Director and Company Secretary  
30 March 2010

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

### **Resolution 1 – Annual Report and Accounts 2009**

Following recent changes introduced by the Companies Act 2006, the Company is now no longer required to lay accounts before a general meeting. The Board nonetheless considers it best practice to do so and will continue to 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 Directors' 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 as a resolution to be considered at this AGM.

The Directors' remuneration report appears on pages 50 to 53 of the Annual Report and Accounts 2009 and a summary of the report is on pages 10 to 12 of this Summary Financial Statement 2009.

### **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. 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 8 – Reappointment of directors**

The Company's Articles of Association provide that 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 addition, the Articles provide that a newly appointed Director should retire at their first AGM.

Andy Carter, John Deane and Robert Jeens will be retiring in accordance with the above provision. As Duncan Ferguson has been appointed since the last AGM he offers himself for reappointment.

The Board considers that each of the aforementioned directors brings a wealth of valuable experience to the Board, enhancing its skill and knowledge base and should be reappointed. Biographical details of all directors are included on pages 42 and 43 of the Annual Report and Accounts 2009 and on pages 4 and 5 of this Summary Financial Statement 2009.

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.





[www.royallondongroup.co.uk](http://www.royallondongroup.co.uk)

We're proud of our new logo, but don't expect an expensive burst of advertising. Instead, you will see it appearing gradually in our literature and on our website. Don't worry if you receive a letter from us with the old logo on – we're using up existing stock because that makes financial sense!