

Registered number: 165018

Bradford Insurance Company Limited

(A member of the Resolution plc group)

Report and Financial Statements for the year ended 31 December 2005



Bradford Insurance Company Limited

Report and financial statements for the year ended 31 December 2005

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Bradford Insurance Company Limited

Directors

Mr M N Biggs

Mr R Craine

Mr A B Davidson (Non-executive) (resigned 9 March 2006)

Mr D G R Ferguson (Non- executive) (resigned 9 March 2006)

Mr R E K Greenfield

Mr M R Kipling

Mr I G Maidens

Mr G L Singleton

Mr P A Thompson

Secretary

Ms J J Wilman

Registered office

Edward Pavilion, Albert Dock, Liverpool, Merseyside, L3 4SL

Auditors

Ernst & Young LLP,
1 More London Place, London, SE1 2AF

Bradford Insurance Company Limited

Directors' report for the year ended 31 December 2005

Principal activities and review of business

The principal activity of the Company is the transaction of ordinary long term insurance business in the United Kingdom.

The Company was allocated costs on a pass through basis from Royal & Sun Alliance Life Insurance Services Limited (renamed to Phoenix Life Insurance Services Limited) (PLIS), a fellow subsidiary company. On 21 December 2005 the Company entered into a new management services agreement with PLIS which was novated to Resolution Management Services Limited, a fellow subsidiary, with effect from 1 January 2006. The expenses risk associated with the new agreement is now borne by the management services company.

On 31 December 2005, the long term business funds together with the majority of the shareholders funds of the Company were transferred to that of Phoenix Life Limited (formerly Royal & Sun Alliance Linked Insurances Limited) for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 31 October 2005 – see note 2.

Britannic and Resolution Merger

On 6 September 2005, Britannic Group plc (Britannic) and Resolution Life Group Limited (Resolution) announced the completion of the merger of Britannic and Resolution, creating a leading closed life fund consolidator in the United Kingdom.

Business transacted

Net premium income of the Company for the year was **£Nil** (2004: £2k). As noted above the long term insurance business of the Company was transferred to Phoenix Life Limited at 31 December 2005.

Result and dividends

The result of the company for the year is shown in the profit and loss account on pages 12 and 13. No dividend was paid in the year resulting in a transfer to retained profits of **£349k** (2004: £238k).

Directors and their interests

Messrs M N Biggs and I G Maidens were appointed as directors of the Company with effect from 2 June 2005 and 31 March 2005 respectively. Messrs A B Davidson and D G R Ferguson were appointed as directors of the Company with effect from 26 January 2005 and resigned as directors of the Company with effect from 9 March 2006. Messrs G L Singleton and P A Thompson were appointed as directors of the Company with effect from 6 September 2005. Messrs C A Cowdery and B J Meehan resigned as directors of the Company with effect from 6 September 2005. Ms F Matthews resigned as a director of the Company with effect from 6 September 2005. Mr P F McDonnell was appointed as a director of the Company with effect from 2 June 2005 and resigned as a director of the Company with effect from 15 July 2005.

The other directors, whose names appear on page 3, served throughout the year.

None of the directors had any interests in the shares of the Company.

The interests of the directors in the ordinary shares of 5p each in Resolution plc, other than Messrs M N Biggs and P A Thompson whose interests are disclosed in the financial statements of that company, are as follows:

	Ordinary shares held at 1 January 2005 or on appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2005
R Craine	-	49,176	(20,724)	28,452
A B Davidson	-	-	-	-
D G R Ferguson	-	-	-	-
M R Kipling	-	49,176	(20,724)	28,452

Mr I G Maidens was also a director of Resolution Life Group Limited (RLG) during the year and his interests in the ordinary shares of 5p in Resolution plc are disclosed in the financial statements of RLG. Messrs G L Singleton and R E K Greenfield were also directors of Resolution Life Limited (RLL) during the year and their interests in the ordinary shares of 5p each in Resolution plc are disclosed in the financial statements of RLL.

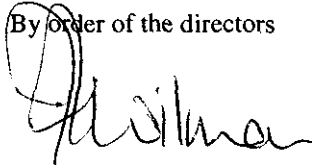
Bradford Insurance Company Limited

Directors' report for the year ended 31 December 2005

Auditors

The auditors, Ernst & Young LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the directors

A handwritten signature in dark ink, appearing to read 'J J Wilman', is written over the text 'By order of the directors'.

J J Wilman

Secretary

29 March 2006

Bradford Insurance Company Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bradford Insurance Company Limited

Independent auditor's report to the shareholders of Bradford Insurance Company Limited

We have audited the Bradford Insurance Company Limited financial statements for the year ended 31 December 2005 which comprise the profit and loss account, the movements in shareholders' funds, the balance sheet, and the related notes 1 to 18 including the accounting policies, estimation techniques and uncertainties. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom generally accepted accounting practice) as set out in the statement of directors responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

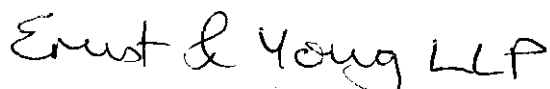
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the state of the Company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor,
London,
30 March 2006

Bradford Insurance Company Limited

Accounting Policies

Accounting and disclosure requirements

The principal accounting policies of the Company as set out below comply with Section 255 of and Schedule 9A to the Companies Act 1985, applicable UK accounting standards and with the Statement of Recommended Practice ("SORP") issued by the Association of British Insurers in December 2005.

Long term insurance business

The long term insurance business result is determined using the modified statutory solvency basis.

Earned premiums

Earned premiums comprise written premiums and are recognised when payment is due, except for linked premiums which are accounted for when the liability for the units is included in the technical provision for linked liabilities. Single premiums are those relating to products issued by the Company where there is a contractual obligation for the payment of only one premium. Annual premiums are those where there is a contractual obligation for the payment of premiums on a regular basis.

New business premiums

New business premiums are recognised when the policy liability is set up. New single premiums include recurrent single premium contracts including Department of Work and Pensions rebates and increments under group pension schemes.

Reinsurance

The Company seeks to reduce its exposure to potential losses by reinsuring certain levels of risk with other insurance companies or reinsurers. An asset or liability is recorded in the balance sheet representing payments due from or premiums due to reinsurers, and the share of losses recoverable from reinsurers.

Claims incurred

Claims payable on maturity are recognised when the claim becomes due for payment and on death are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long term business provision or the provision for linked liabilities.

Where claims are payable and the contract remains in force, the claim or instalment is accounted for when due for payment.

Claims payable include all related internal and external claims handling costs.

Reinsurance recoveries are accounted for in the same period as the related claim.

Acquisition costs

Acquisition costs comprise direct and indirect costs of obtaining and processing new business. These costs are deferred as an explicit deferred acquisition cost asset, gross of tax relief and amortised over the period in which they are expected to be recovered out of margins in matching revenues from related policies. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

Fund for future appropriations

Surpluses arising as a result of actuarial valuations of the long term business assets and liabilities of the with profit fund may be appropriated by the directors to participating policyholders by way of bonuses and to shareholders by way of transfers to the non-technical account. Any unappropriated surplus and funds, the allocation of which has not been determined at the year end, are carried forward in the fund for future appropriations.

Long Term Business Provision

The long term business provision is computed using statistical or mathematical methods, which are expected to give approximately the same result as if an individual liability was calculated for each long term contract. The computations are made on the basis of recognised actuarial methods with due regard to the actuarial principles laid down in UK law and by actuarial best practice. The methodology takes into account the risks and uncertainties of the particular classes of long term business written. Details of the main assumptions made and the methods used are given in note 8.

Bradford Insurance Company Limited

Accounting Policies

Technical provision for linked liabilities

The technical provision for linked liabilities represents the repurchase value of units allocated to in-force policies at the balance sheet date, where the policy benefits are wholly or partly related to investments of any description, or to indices of the value of investments.

Linked liabilities are established by reference to the value of the underlying assets which are held to meet those liabilities. These assets are included, predominantly, at mid-market value.

Outstanding Claims

The provision for outstanding claims comprises the estimated cost of claims reported and not settled at the balance sheet date.

Basis of profit recognition

The profits on long term business represent the transfer from the long term funds to shareholders following the actuarial valuation of liabilities, together with the movements in reserves attributable to shareholders held within the long term funds and the investment return attributable to the long term fund from investments held outside the long term fund. Profits are shown in the non-technical account grossed up for taxation at the effective rate of corporation tax applicable in the period.

Bonuses

Reversionary bonuses are recognised in the technical account - long term business when declared and are included in the movement in the long term business provision. Terminal bonuses are recognised in the technical account - long term business when payable and are included in claims paid.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the year end. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account – long term business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the non-technical account.

Dividends

Dividends on equity shares are recognised when they become a legal liability

Investment income

Income and realised and unrealised gains and losses on investments are reported in the long-term business technical account together with the associated investment expenses and charges.

Interest, rents and dividends on investments, other than ordinary shares, are included on an accruals basis. Account is taken of dividend income on ordinary shares when the related investment is quoted 'ex-dividend'.

Taxation

Taxation in the non-technical account and long term business technical account is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

The balance on the technical account - long term business is transferred to the non-technical account. Profits are shown in the non-technical account grossed up for tax at the effective rate of corporation tax applicable in the period. The amount of grossing up is included within the taxation on the profit or loss on ordinary activities in the non-technical account.

Deferred tax is provided in full and consists of the estimated taxation or relief from taxation which is expected to arise from material timing differences using rates based on tax rates and laws which have been substantively enacted by the balance sheet date. Credit is taken for relief for trading and other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in future periods.

Deferred tax balances that derive from undiscounted cash flows and for which the impact of discounting is material have been discounted using appropriate rates.

Bradford Insurance Company Limited

Accounting policies

Investments

Investments and assets held to cover linked liabilities are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties are valued annually at open market value.

The property valuations have been prepared on the basis of open market value at the balance sheet date in accordance with The Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual by a qualified valuation surveyor.

The Companies Act requires properties to be depreciated over their expected useful economic lives. The directors consider that depreciation of investment properties would not give a true and fair view. In accordance with Statement of Standard Accounting Practice 19 "Accounting for investment properties", no depreciation is provided on these properties on the basis that depreciation is already reflected in the annual valuations. The amounts attributed to this factor by the valuers cannot reasonably be separately identified or quantified.

It is the Company's practice to maintain properties occupied by the Company in a continual state of sound repair. Accordingly the directors consider that the economic lives of these properties and their residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are such that any depreciation is insignificant and is thus not provided.

Unrealised gains and losses

The treatment of realised and unrealised investment gains and losses is as follows:

(i) Realised gains and losses

Net realised gains, being net sale proceeds less costs of acquisition, are included within the profit and loss account within investment income. Net realised losses are included within investment expenses and charges.

(ii) Unrealised gains and losses

Net unrealised gains or losses are shown separately in the profit and loss account. Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or, in the case of investments purchased in the year, the cost of acquisition. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Bradford Insurance Company Limited

Estimation techniques and uncertainties

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statement principally arises in respect of the technical provisions of the company. For companies which undertake long term insurance business these provisions are held within the long term business provision.

As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation techniques

Long term business technical provisions are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each long term contract. The computations are made by suitably qualified personnel, employed by the Resolution plc, on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down in European law and by actuarial best practice in the United Kingdom. The methodology takes into account the risks and uncertainties of the particular classes of long term business written and the results are certified by the professionals undertaking the valuations.

Uncertainties

The degree of uncertainty arising under insurance contracts will vary by product type according to the relevant characteristics and features of the particular contract. In determining the appropriate level of provision, assumptions will have to be made on a number of factors such as discount rate, future investment returns, inflation, asset mix, taxation, mortality, morbidity and expenses.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement could vary substantially over time. The Company seeks to provide appropriate levels of provision taking the known facts and experience into account. However, by their nature the quantification of the provisions will always contain a degree of uncertainty.

Bradford Insurance Company Limited

Profit and loss account for the period ended 31 December 2005

Technical account - long term business

	Notes	2005 £'000	2004 £'000
Earned premiums, net of reinsurance			
Gross premiums written	1a	1	2
Outward reinsurance premiums	1a	(1)	-
Net earned premiums		-	2
Investment income	5	562	409
Unrealised gains on investments	5	59	43
Claims incurred, net of reinsurance			
Claims paid			
gross amount		(73)	(136)
reinsurers share		-	-
		(73)	(136)
Change in the provision for claims			
gross amount		40	(36)
reinsurers share		-	-
		40	(36)
Net claims incurred		(33)	(172)
Change in other technical provisions, net of reinsurance			
Long term business provision	8		
gross amount		(10)	40
reinsurers' share		-	(4)
		(10)	36
Technical provision for linked liabilities			
gross amount		(7)	(5)
reinsurers' share		-	-
		(7)	(5)
Net changes in other technical provisions		(17)	31
Net operating expenses	3	(25)	(20)
Taxation attributable to long term business	4	(150)	(114)
Transfer (to)/from the fund for future appropriations		(47)	59
Balance on the technical account - long term business		349	238

All figures relate to discontinued operations.

The notes on pages 16 to 19 form part of these financial statements.

Bradford Insurance Company Limited

Profit and loss account

for the year ended 31 December 2005

Non-technical account

	Notes	2005 £'000	2004 £'000
Balance on the long term business technical account		349	238
Tax credit attributable to balance on the long term business technical account		149	101
Profit on ordinary activities before exceptional items and taxation		498	339
Loss arising on the Part VII transfer	2	(4,984)	-
(Loss)/profit on ordinary activities before taxation		(4,486)	339
Taxation on (loss)/profit on ordinary activities	4	(149)	(101)
(Loss)/profit on ordinary activities after taxation		(4,635)	238
Dividends paid		-	-
Transfer (from)/to retained profits		(4,635)	238

All figures relate to discontinued operations.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account and accordingly a statement of total recognised gains and losses has not been presented.

Movements in shareholders' funds for the year ended 31 December 2005

	Share capital £'000	Share premium £'000	Profit & loss account £'000	Total 2005 £'000	2004 £'000
Shareholders' funds at 1 January	10,000	129	429	10,558	10,320
Shareholders' recognised (losses)/gains	-	-	(4,635)	(4,635)	238
Capital reduction following Court approval	(9,950)	(129)	10,079	-	-
Shareholders' funds at 31 December	50	-	5,873	5,923	10,558

The profit and loss account includes £5,873k (2004: £429k) which is realised.

The notes on pages 16 to 19 form part of these financial statements.

Bradford Insurance Company Limited

Balance sheet

at 31 December 2005

	Notes	2005 £'000	2004 £'000
Assets			
Investments			
Other financial investments	6	5,916	4,341
Assets held to cover linked liabilities		-	33
Reinsurers' share of technical provisions			
Long term business provision		-	1
Debtors			
Due from group companies		-	7,119
Other assets			
Cash at bank and in hand		7	130
Prepayments and accrued income			
Accrued interest		-	16
Total assets		5,923	11,640

The balance sheet includes assets (net of reinsurance) totalling **£Nil** (2004: £838k) representing the long term insurance funds.

The notes on pages 16 to 19 form part of these financial statements.

Bradford Insurance Company Limited

Balance sheet

at 31 December 2005

	Notes	2005 £'000	2004 £'000
Liabilities			
Capital and reserves (see page 14)			
Called up share capital	7	50	10,000
Share premium account		-	129
Profit and loss account		5,873	429
Shareholders' funds – equity interests		5,923	10,558
Fund for future appropriations		-	367
Technical provisions			
Long term business provision	8	-	441
Claims outstanding		-	40
		-	481
Technical provision for linked liabilities		-	31
Creditors			
Amounts due to group companies		-	100
Other creditors including taxation and social security		-	103
			203
Total liabilities		5,923	11,640

The notes on pages 16 to 19 form part of these financial statements.

The financial statements on pages 8 to 19 were approved by the directors on 29 March 2006 and were signed on their behalf by:

R Craine
Finance Director
29 March 2006



Bradford Insurance Company Limited

Notes on the financial statements

1. Segmental analysis

No geographical segmental information, as required by Statement of Standard Accounting Practice 25, is given as business is predominantly sourced in the United Kingdom.

1a. Premiums written

	2005			2004		
	Gross £'000	Reinsurance ceded £'000	Net £'000	Gross £'000	Reinsurance ceded £'000	Net £'000
Life						
Non linked with profits	1	(1)	-	2	-	2
Total premiums written	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
Periodic premiums	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>

2. Long term insurance and shareholders' funds transfer

As noted in the directors' report, on 31 December 2005, the long term business together with the majority of the shareholders funds of the Company were transferred to Phoenix Life Limited (formerly Royal & Sun Alliance Linked Insurances Limited) for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 31 October 2005. The assets and liabilities transferred and the loss arising are set out below:

	£'000
Assets	
Investments	6,033
Assets held to cover linked liabilities	38
Reinsurers' share of technical provisions	1
Other assets	62
Prepayments and accrued income	15
	<u>6,149</u>
Liabilities	
Funds for future appropriations	414
Technical provisions	452
Technical provisions for linked liabilities	38
Creditors	261
	<u>1,165</u>
Net assets transferred	<u>4,984</u>
Consideration	-
Loss on transfer of net assets	<u>4,984</u>

3. Net operating expenses

All operating expenses are recharged from fellow group companies, Resolution Life Services Limited and Phoenix Life Insurance Services Limited (formerly Royal & SunAlliance Life Insurance Services Limited).

Bradford Insurance Company Limited

Notes on the financial statements

4. Taxation

The charges for taxation in the technical account - long term business and the non-technical account comprise:

	Long term technical account		Non-technical account	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Current tax:				
UK corporation tax	(157)	(112)	-	-
Under provision in respect of prior year	7	(2)	-	-
Total current tax	(150)	(114)	-	-
Tax attributable to balance on the long term technical account	-	-	(149)	(101)
Total tax charge	(150)	(114)	(149)	(101)

The tax charge for UK corporation tax in the technical account – long term business is provided at rates between **20%** and **30%** (2004 between 20% and 30%) computed in accordance with the rules applicable to life insurance companies.

UK Corporation tax for the current year in the non technical account is more than the standard rate of **30%** (2004 30%) due to the items set out in the reconciliation below.

	2005 £000	2004 £000
(Loss)/profit on ordinary activities before taxation	(4,486)	339
Tax charge at 30%	1,346	(101)
Factors affecting charge		
Part VII transfer not taxable	(1,495)	-
Current tax charge for the year	(149)	(101)

5. Investment return

Attributable to long term business

Income from investments

	2005 £'000	2004 £'000
Income from debt securities	94	108
Income from other investments	387	182
Gains of the realisation of investments	81	119
Total investment income	562	409

Unrealised gains on investments

Investment return attributable to long term business

6. Investments

Other financial investments:

	2005 £'000	2004 £'000
Shares and other variable yield securities and units in unit trusts	565	411
Debt securities and other fixed income securities		
British government securities	5,351	3,930
	5,916	4,341

The historical cost of investments (including £Nil (2004: £9k) for assets held to cover linked liabilities) is **£5,916k** (2004: £4,377k).

All the above investments are listed investments.

Bradford Insurance Company Limited

Notes on the financial statements

7. Share capital

	2005 £'000	2004 £'000
Authorised, issued and fully paid		
50,000 (2004: 10,000,000) ordinary shares of £1	50	10,000

On 6 December 2005 following Court approval the Company reduced its share capital by the cancellation and extinction of 9,950,000 issued ordinary shares of £1 each.

8. Long term business provision

Following the transfer of the Company's long term fund to that of Phoenix Life Limited, as part of the Part VII transfer Scheme, there is no long term business provision at 31 December 2005 – see note 2.

The long term business provision at 31 December 2004 was computed on the net premium method; in certain instances appropriate approximations or modifications have been made. For annuities the provision was calculated as the present value of the benefits. An additional provision for expenses was included.

The calculation included explicit provision for vested bonuses (including those vesting from the current valuation). No explicit provision was made for future reversionary or terminal bonuses, although some implicit provision for future reversionary bonuses was made from margins in the net premium method.

The principal assumptions used at 31 December 2004 were:-

- interest rate 2.90% (with profit), 3.10% (non-profit) and 3.90% for annuities in payment
- assured lives mortality; in accordance with the AM80/AF80 tables
- annuitant mortality based on IM80/AF80 table
- an expense provision of £299,040 was included

9. Directors' emoluments

Prior to the merger of Britannic with Resolution, the directors were employed by Resolution Life Group or Resolution Services Limited and were remunerated by these companies as appropriate. After the merger all the directors are employed by Resolution plc or Resolution Management Services Limited and received remuneration from the service company, Resolution Management Services Limited. The non-executive directors were remunerated by Royal & Sun Alliance Insurance Services Limited (renamed to Phoenix Life Insurance Services Limited) prior to the merger and Resolution Management Services Limited after the merger, relative to service given as directors. The directors received no emoluments in respect of their services to the Company.

10. Auditors' remuneration

The cost of auditing the Company's accounts amounting to **£6,000** (2004: £3,000) is borne by a fellow group company.

11. Pension costs and other post-retirement benefits

All the staff prior to the merger of Britannic with Resolution were employed by Resolution Life Group and after the merger by Resolution Management Services Limited and are members of either a defined benefit pension scheme or one of the defined contribution pension schemes, details of which are disclosed in the Resolution plc accounts.

12. Bonuses

The total amount of bonuses attributable to policyholders for the year is **£54,957** (2004: £100,900).

13. Capital commitments

The Company had no capital commitments at 31 December 2005 (2004: £Nil).

Bradford Insurance Company Limited

Notes on the financial statements

14. Financial commitments

The Company had no financial commitments under non-cancellable operating leases as at 31 December 2005 (2004: £Nil).

15. Cash flow

The Company is a wholly owned subsidiary of Resolution plc and the cash flows of the Company are included in the consolidated cash flow statement of Resolution plc. The Company has thus taken advantage of the exemption permitted by Financial Reporting Standard 1 (revised) and has elected not to prepare its own cash flow statement.

16. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31 December 2005 (2004: £Nil).

17. Related Party Transactions

Advantage has been taken of the exemption provided in Financial Reporting Standard 8 from disclosing details of transactions with Resolution plc and its subsidiaries and associated undertakings.

18. Parent companies

The Company's immediate parent company is Resolution Life Limited, registered in England and Wales.

The Company's ultimate parent company and controlling party is Resolution plc, which is registered in England and Wales, and is the parent undertaking of the largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.