

NOTES TO APPENDICES 9.1 AND 9.3

0204 On 31 December 2002, immediately prior to the end of the financial year, the insurer transferred its long-term business to The Prudential Assurance Company Limited in accordance with Part VII of the Financial Services and Markets Act 2002.

0301 Reconciliation of net assets to the Companies Act accounts

	£M	
	2004	2003
Net assets as per Annual return		
Line 89 on Form 13 (OLTB)	4.2	71.4
less Line 59 on Form 15	<u>0.7</u>	<u>0.5</u>
	3.5	70.9
Total Capital Resources after Deductions	<u>3.5</u>	<u>70.9</u>

0311 Permanent share capital at Form 3 line 11

With the sanction of an order of the Court of Session dated 17 December 2004 the issued share capital was reduced from 295 million £1 shares to 3 million £1 shares. The reduction was effected by the cancellation of 292 million shares held by The Prudential Assurance Company Ltd, £69.47m was repaid being the remaining capital after deducting retained losses.

1100 Form 11

Form 11 is omitted as all amounts required to be shown would be zero.

1200 Form 12

Form 12 is omitted as all amounts required to be shown would be zero.

1308 Aggregate value of types of asset specified in Instruction 5 to Form 13

There were no assets of the type specified in Instruction 5 to Form 13.

1309 Aggregate value of hybrid securities

The aggregate value of hybrid securities is Nil.

1310 Setting off to the extent permitted by generally accepted accounting principles

Amounts due to and from any one person have been offset where appropriate in accordance with generally accepted accounting principles.

NOTES TO APPENDICES 9.1 AND 9.3

***1400* Form 14**

Form 14 is omitted as all amounts required to be shown would be zero.

***1601* Exchange rates**

Assets and liabilities in foreign currencies have been brought into account at the rates of exchange ruling at 31 December 2004. Transactions in foreign currencies have been brought into account at the rates ruling at the dates of the transactions.

***1700* Form 17**

Form 17 is omitted as all amounts required to be shown would be zero.

***4000* Form 40**

Form 40 is omitted as all amounts required to be shown would be zero.

***4100* Form 41**

Form 41 is omitted as all amounts required to be shown would be zero.

***4200* Form 42**

Form 42 is omitted as all amounts required to be shown would be zero.

***4300* Form 43**

Form 43 is omitted as all amounts required to be shown would be zero.

***4400* Form 44**

Form 44 is omitted as all amounts required to be shown would be zero.

***4500* Form 45**

Form 45 is omitted as all amounts required to be shown would be zero.

SCOTTISH AMICABLE LIFE PLC
Financial Year Ended 31 December 2004

ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS as required by rule 9.29 of the Interim Prudential Sourcebook for Insurers.

- (a) Derivatives are used for the purpose of efficient portfolio management or to reduce risk, a specific example being to hedge cash flows. The Company did not hold any derivative contracts during the year.
- (b) No provision is made by the investment guidelines for the use of contracts under which the Company had a right or obligation to acquire or dispose of assets which were not, at the time when the contract was entered into, reasonably likely to be exercised.
- (c) The Company was not, during the financial period, a party to any contracts of the kind described in (b) above.
- (d) The amounts in Form 13 would not be changed if assets were acquired or disposed of under derivative contracts.
- (e) For derivatives which could be exercised in such a way as to change the amounts recorded in Form 13 to the maximum extent, the position stated in (d) above would be unchanged.
- (f) The position stated in (d) and (e) above was true for the whole of the financial period.
- (g) As no derivatives were held at year end, no losses would have been incurred by the Company on the failure by any one other person to fulfil its obligations under derivative contracts at the end of the year.
- (h) The Company did not hold any derivative contracts during the year.
- (i) No fixed consideration was received during the financial year in return for granting rights under derivative contracts.

SCOTTISH AMICABLE LIFE PLC
Financial Year Ended 31 December 2004

ADDITIONAL INFORMATION ON SHAREHOLDER CONTROLLERS as required by rule 9.30 of the Interim Prudential Sourcebook for Insurers.

Throughout the financial period, The Prudential Assurance Company Limited held all the shares and controlled the whole of the voting power of the insurer. Prudential plc held all the shares and controlled the whole of the voting power of The Prudential Assurance Company Limited.

**STATEMENT OF INFORMATION ON THE ACTUARY APPOINTED TO
PERFORM THE WITH-PROFITS ACTUARY FUNCTION** as required by rule
9.36 of the Interim Prudential Sourcebook for Insurers.

The Company does not have any with-profits business and therefore does not have an actuary appointed to perform the with-profits actuary function.

SCOTTISH AMICABLE LIFE PLC
Financial Year Ended 31 December 2004

**DIRECTORS' CERTIFICATE REQUIRED BY RULE 9.34 OF THE INTERIM
PRUDENTIAL SOURCEBOOK FOR INSURERS**

We certify

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU; and
 - (b)
 - (i) that throughout the financial year in question, the insurer has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU, except for 18 February 2004 when the Company was technically insolvent due to asset inadmissibility. This was corrected immediately and resulted in no financial profit or loss for the Company; and
 - (ii) that it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. that the statements required by paragraph 2 of Part 1 of Appendix 9.6 of the Interim Prudential Sourcebook for Insurers have been omitted as the insurer no longer carries on long-term insurance business.

G M WOOD, Chief Executive

R C EVERETT, Director

D J BELSHAM, Director

March 2005

**REPORT OF THE AUDITOR TO THE DIRECTORS PURSUANT TO RULE 9.35
OF THE ACCOUNTS AND STATEMENTS RULES**

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers and PRU, the Integrated Prudential Sourcebook, (“the Rules”) made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 11 to 17, 40 to 45, 48, 49, 56, 58 and 60, (including the supplementary notes) on pages 1 to 13 (‘the Forms’);
- the statement required by rule 9.29 on page 16 (‘the Statement’); and
- the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report required by rule 9.31(a) (‘the methods and assumptions included in the valuation report’).

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

- Forms 46 to 47A, 51 to 55 and 57 (including the supplementary notes) on pages 26 and 27;
- the statements required by rules 9.30 and 9.36 on pages 17 to 18;
- the directors’ certificate signed in accordance with rule 9.34 on page 19 (‘the directors’ certificate’); and
- the valuation report required by rule 9.31 (a) except as set out above.

This report is made solely to the company’s directors, as a body, in accordance with the requirements of rule 9.35 of the Rules. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor’s report has been commissioned by the company’s directors and issued in accordance with the requirements of rule 9.35 of the Rules and to facilitate the discharge by the FSA of its regulatory functions in respect of the company, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the company’s directors those matters we are required to state to them in an auditor’s report issued pursuant to rule 9.35 of the Rules 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 directors as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE COMPANY AND ITS AUDITORS

The company is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report, the forms and statements not examined by us and the directors' certificate) under the provisions of the Rules. Under rule 9.11 the Forms, the Statement, valuation report, the forms and statements not examined by us and the directors' certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3.

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

BASIS OF OPINION

We conducted our work in accordance with Practice Note 20: "The Audit of Insurers in the United Kingdom" and Bulletin 2004/5 issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement and the methods and assumptions included in the valuation report. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms, the Statement and in determining the methods and assumptions included in the valuation report.

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

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

OPINION

In our opinion:

- i) the Forms and the Statement fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3.

KPMG Audit Plc
Registered Auditor
Edinburgh
March 2005

VALUATION REPORT ON SCOTTISH AMICABLE LIFE PLC

1. Date of valuation is 31 December 2004.

The assets and liabilities of the insurer relating to long-term insurance business were transferred to The Prudential Assurance Company Limited (PAC) on 31 December 2002 in accordance with Part VII of the Financial Services and Markets Act 2002. No new contracts have been effected since the date of transfer. Consequently the insurer had no in force long-term insurance business at the valuation date.

2. Date of previous valuation was 31 December 2003.
3. A valuation is not required under PRU 7.3.10R of the Integrated Prudential Sourcebook for Insurers as the insurer had no in force long-term insurance business at the valuation date.
4. (1) No contracts were effected by the insurer during the reporting period.
5. (1) No contracts were effected by the insurer during the reporting period.
(2) No contracts were effected by the insurer during the reporting period.
(3) Not applicable.
(4) Not applicable.
(5) Not applicable.
(6) Not applicable.
6. (1) Not applicable.
(2) Not applicable.
7. (1) Not applicable.
(2) Not applicable.
(3) Not applicable.
(4) Not applicable.
(5) Not applicable.
(6) Not applicable.
(7) Not applicable.
(8) Not applicable.

SCOTTISH AMICABLE LIFE PLC
Appendix 9.4 - continued

- (9) Not applicable.
- 8.** (a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Not applicable.
- 9.** (a) Not applicable.

(b) Not applicable.
- 10.** (1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.
- 11.** (1) Not applicable.
- 12.** (1) No facultative reinsurance was in force during the reporting period.

(2) The insurer had no in force business at the valuation date.

(3) Not applicable.
- 13.** Not applicable.
- 14.** (1) Profits are 100% distributable to shareholders.

(2) Not applicable.

(3) Not applicable.
- 15.** Not applicable.
- 16.** Not applicable.
- 17.** Not applicable.
- 18.** Not applicable.

SCOTTISH AMICABLE LIFE PLC
Appendix 9.4 - continued

19. (1) Not applicable.

(2) Not applicable.

(3) Not applicable.

(4) Not applicable.

20. Not applicable.

21. (1) Not applicable.

(2) Not applicable.

(3) Not applicable.

22. Not applicable.

23. Not applicable.

NOTES TO APPENDIX 9.4

*4600*Form 46

Form 46 is omitted as all amounts required to be shown would be zero.

*4700*Form 47

Form 47 is omitted as all amounts required to be shown would be zero.

4800 Form 48

Form 48 is omitted as all amounts required to be shown would be zero.

4900 Form 49

Form 49 is omitted as all amounts required to be shown would be zero.

5100 Form 51

Form 51 is omitted as all amounts required to be shown would be zero.

5200 Form 52

Form 52 is omitted as all amounts required to be shown would be zero.

5300 Form 53

Form 53 is omitted as all amounts required to be shown would be zero.

5400 Form 54

Form 54 is omitted as all amounts required to be shown would be zero.

5500 Form 55

Form 55 is omitted as all amounts required to be shown would be zero.

5600 Form 56

Form 56 is omitted as all amounts required to be shown would be zero.

5700 Form 57

Form 57 is omitted as all amounts required to be shown would be zero.

NOTES TO APPENDIX 9.4

5800 Form 58

Form 58 is omitted as all amounts required to be shown would be zero.

6000 Form 60

Form 60 is omitted as all amounts required to be shown would be zero.

G M WOOD, Chief Executive

R C EVERETT, Director

D J BELSHAM, Director

March 2005