

SCOTTISH AMICABLE LIFE PLC

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

Incorporated and registered in Scotland, Registered No 171130
Registered Office: P O Box 25, Craigforth, Stirling, FK9 4UE

SCOTTISH AMICABLE LIFE PLC

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SCOTTISH AMICABLE LIFE PLC

DIRECTORS

D J Belsham
K Nunn

SECRETARY

Prudential Group Secretarial Services Limited

AUDITOR

KPMG Audit Plc, London

SCOTTISH AMICABLE LIFE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

Principal activity and business review

Scottish Amicable Life Plc (the Company) commenced business on 1 October 1997 following the transfer of the existing Scottish Amicable business to The Prudential Assurance Company Limited. The principal activity of the Company until 31 December 2002 was the writing of ordinary long-term insurance business.

On 31 December 2002, the Company transferred its long term business to The Prudential Assurance Company Limited pursuant to Part VII of the Financial Services and Markets Act 2000 (see note 2) and no longer writes insurance business.

Post balance sheet events

There have been no significant events affecting the Company since the balance sheet date.

Accounts

The state of affairs of the Company at 31 December 2006 is shown in the balance sheet on page 8. The profit and loss account appears on page 7.

Dividend

No dividend is proposed for the year (2005: £Nil).

Directors

The present directors of the Company are shown on page 1.

Mr K Nunn was appointed a director of the Company on 22 August 2006. Mr P N Sherrif was appointed a director of the Company on 2 June 2006 and resigned as director on 25 August 2006. Mr R C Everett resigned as director on 19 May 2006. There were no other changes during the year.

Directors' interests

Of the directors in office at the end of the year, Mr D J Belsham was a director of the immediate parent company, The Prudential Assurance Company Limited, and his interests are shown in the annual report and accounts of that company.

The other director in office at the end of the year had interests in shares of 5p each in Prudential Plc as follows:

- (a) In shares, including rights granted under the Prudential Restricted Share Plan where the director has yet to exercise his right to receive shares and shares held in relevant Prudential Share Incentive Plans:

	01.01.06 or at date of appointment if later	31.12.06
K Nunn	14,728	15,051

SCOTTISH AMICABLE LIFE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

Directors' interests - continued

- (b) in conditional awards that have been made under the Prudential Restricted Share Plan, in which shares are held in trust and represent the maximum awards for which rights may be granted, at the end of the relevant performance period, if the performance requirements of the Plan are met:

	01.01.06 or at date of appointment if later	31.12.06
K Nunn	7,621	6,351

- (c) in options to subscribe for shares under the Prudential Savings-Related Share Option Scheme:

	01.01.06 or at date of appointment if later	During the period:			31.12.06
		Granted	Exercised	Lapsed or Cancelled	
K Nunn	6,153	-	-	-	6,153

Except as stated above, none of the directors in office at the end of the year:

- (a) had any interest in shares in, or debentures of, any Group company either at the beginning or at the end of the year or
- (b) was granted or exercised any right to subscribe for shares in, or debentures of, any Group company during the year.

Risks & Uncertainties

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities is to minimise any risk. The company exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

The key risk and uncertainty affecting the Company is that the company's assets may be misappropriated.

The assets of the company are managed by M&G part of the Prudential group. They are all included within one low risk investment. M&G have an established reputation as a professional investment management organisation.

SCOTTISH AMICABLE LIFE PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

Corporate Responsibility

The Company is a wholly owned subsidiary within the Group, Prudential plc, and as such forms a part of the overall approach to corporate responsibility (CR) for the Group. For the Group, CR is not an optional extra. It is fundamental to how the Group and its businesses and functions operate and is a philosophy that is now embedded therein. It is recognised that stakeholders increasingly support those companies that define and exhibit sound values around trust, ethics and environmental responsibility. It is also believed that performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant impact on its financial performance. The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example the Group Code of Business Conduct, the CR policy and Health and Safety Policy. "Treating Customers Fairly" is a key ethic on which the Company conducts its business.

There is also a Corporate Responsibility Committee which is Group-wide and has responsibility for reviewing business conduct and social and environmental policy. A CR unit develops the Group's strategy, provides training across the Group and works closely with the businesses and functions, of which the Company is a part, to provide advice and ensuring that core values are maintained and assisting with the adaptation of Group-wide initiatives to meet local needs.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as each directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

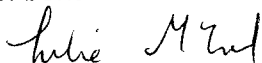
Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Qualifying third party indemnities

The Articles of Association of the Company provide for the directors and officers of the Company to be indemnified in respect of liabilities incurred as a result of their office. Prudential plc also provides certain protections for its directors and senior managers of companies within the Prudential Group against personal financial exposure that they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined under section 309B of the Companies Act 1985) in force for the benefit of the directors of Prudential plc and of certain directors of associated companies (as defined under section 309A of the Companies Act 1985) at the time this directors' report was approved under section 234A of the Companies Act 1985 and during 2006.

On behalf of the Board of Directors



On behalf of Prudential Group Secretarial Services Ltd
Company Secretary
22nd March 2007

SCOTTISH AMICABLE LIFE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

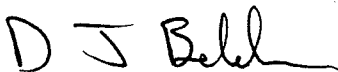
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 those 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; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Director

22nd March 2007

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SCOTTISH AMICABLE LIFE PLC**

FOR THE YEAR ENDED 31 DECEMBER 2006

We have audited the financial statements of Scottish Amicable Life Plc for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under 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 an auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 judgments 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc 26 March
.....2007
KPMG Audit Plc
Chartered Accountants
Registered Auditor

SCOTTISH AMICABLE LIFE PLC
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £'000	2005 £'000
Non-Technical Account			
Investment income		112	136
Unrealised gains / (losses) on investments		6	(20)
Realised (losses) on investments		(40)	(53)
Investment expenses		(4)	(3)
Profit on ordinary activities before tax	3	74	60
Tax charge on profit on ordinary activities	4	(22)	(18)
Retained profit for the year		52	42

There were no other recognised gains or losses during the year.

Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Shareholders' funds as at 1 January	3,594	3,552
Retained profit for the year	52	42
Shareholders' funds as at 31 December	3,646	3,594

SCOTTISH AMICABLE LIFE PLC

**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Note	2006 £'000	2005 £'000
Assets			
Investments			
Other financial investments	5	3,524	1,395
Cash at bank and in hand		131	2,207
Debtors and prepayments		3	4
Total assets		<u>3,658</u>	<u>3,606</u>
 Liabilities			
Capital and reserves			
Share capital	7	3,000	3,000
Profit and loss account	7	646	594
Shareholders' funds		<u>3,646</u>	<u>3,594</u>
 Creditors			
Other creditors including taxation and social security	6	12	12
Total liabilities		<u>3,658</u>	<u>3,606</u>

The accounts on pages 7 to 15 were approved by the board of directors on 22nd March 2007.



Director

SCOTTISH AMICABLE LIFE PLC

NOTES TO THE ACCOUNTS

1. Accounting Policies

Change in Accounting Policies

FRS 25 "Financial instruments: disclosures and presentation"

FRS 25 is based on the text of IAS 32 "Financial instruments: disclosures and presentation" as at 31 March 2004, incorporating the revised version of IAS 32 issued by the IASB in December 2003 and includes amendments made by IFRS 4 "Insurance contracts".

The disclosures required under FRS 25 are set out in Note 5. The Company has taken advantage of the provisions within FRS 25 that allows the comparatives not to be restated to comply with this standard in the first year of adoption.

FRS 26 "Financial instruments: measurement"

FRS 26 is based on the text of IAS39, "Financial instruments: recognition and measurement" as at 31 March 2004, incorporating the revised version of IAS39 issued by the IASB in December 2003 together with the amendments to IAS39 on "Fair Value Hedge Accounting for a Portfolio Hedge of Interest Rate Risk" and those made by IFRS 4 "Insurance contracts".

Similar to FRS 25, the comparative information has not been restated to comply with this standard.

Certain provisions of the Statement of Recommended Practice, "Accounting for Insurance Business", issued in December 2005 (as amended in December 2006) by the Association of British Insurers ABI SORP ("the ABI SORP") relating to application of FRS 26 also became effective for the Company upon its adoption of FRS 26 in 2006. The principal effects of adopting FRS 26 arise on the Company's financial assets. Further disclosure can be found in Note 5.

Long-term business

Scottish Amicable Life Plc has no long-term business.

Financial Investments

The main impact arising from the adoption of FRS 26 is in relation to recognition and measurement of financial instruments. Upon initial recognition, financial investments are measured at fair value. Subsequently, the Company is permitted, subject to specific criteria, to designate its investments as either financial investments at fair value through profit and loss, financial investments held on an available-for-sale basis, financial investments held to maturity, or loans and receivables. The Company holds financial investments on the following bases:

- (i) Financial investments at fair value through profit and loss – this comprises assets designated by management as fair value through profit and loss on inception. These investments are valued at fair value with all changes thereon being recognised in the profit and loss account.

Under the previous UK GAAP, quoted financial investments are carried at market value at the mid-market prices. Upon the adoption of FRS 26, the Company uses bid prices to value its quoted financial investments.

- (ii) Loans and receivables – this comprises investments that have fixed or determinable payments and are not designated as fair value through profit and loss or available-for-sale. These investments include deposits. These investments were held at fair value under the previous UK GAAP. Under FRS 26, these investments are carried at amortised cost using the effective interest method and subject to impairment reviews. No assets have been impaired.

There were no effects on opening shareholders funds from these changes in accounting policy.

SCOTTISH AMICABLE LIFE PLC

NOTES TO THE ACCOUNTS (continued)

Basis of preparation of accounts

The financial statements have been prepared in accordance with the provisions of section 255 of, and the special provisions relating to insurance companies of Schedule 9A to, the Companies Act 1985. The financial statements are prepared in accordance with applicable accounting standards and with the Statement of Recommended Accounting Practice (SORP) issued by the Association of British Insurers in December 2005 (amended in December 2006).

On 31 December 2002, the long term business of the Company was transferred by way of a Part VII transfer under the Financial Services and Markets Act 2000 to The Prudential Assurance Company Limited (see note 2). The financial statements have been prepared on a going concern basis.

Investment

Realised gains or losses on investments are calculated as the difference between sale proceeds and cost. Unrealised gains and losses on investments represent the difference between the current value of investments at the balance sheet date and the value at the previous balance sheet date or, the original cost if acquired during the year. The movement in unrealised investment gains/losses will include an adjustment for previously recognised unrealised gains/losses on any investments disposed of in the accounting year. Listed investments are shown at fair value.

Taxation

Taxation is charged on all taxable profits arising in the accounting period. Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

Cash flow statement

The Company has taken advantage of the exemption under paragraph 8(c) of Financial Reporting Standard 1 (Revised) from disclosing a cash flow statement on the basis that a consolidated statement including the cash flows of the Company is prepared by the ultimate parent company.

SCOTTISH AMICABLE LIFE PLC

NOTES TO THE ACCOUNTS (continued)

2. Background information

Transfer of long term business to The Prudential Assurance Company Limited

On 31 December 2002, the business of the Company was transferred to The Prudential Assurance Company Limited, the parent company, by way of a Part VII transfer under the Financial Services and Markets Act 2000. The assets and liabilities relating to the Long Term Business Fund (as defined in the schedule to the Scheme) were transferred to The Prudential Assurance Company Limited.

As the Company is no longer involved in the writing of ordinary long-term insurance business, the technical account is no longer required. It has therefore been removed from these accounts.

3. Profit on ordinary activities before tax

Profit on ordinary activities before tax includes the following items:

(i) Auditors' remuneration

The remuneration of the auditors in respect of the statutory audit was £16,979 (2005: £9,188). This is being borne by the parent undertaking and is not deducted in arriving at the profit on ordinary activities.

(ii) Directors' remuneration and staff costs

No remuneration is paid to the directors in respect of services carried out on behalf of the Company. The Company has no employees and is provided with services by Prudential UK Services Ltd. The relevant employee costs are included within the management charges from that company. Full disclosure regarding employee costs can be found in the accounts of Prudential UK Services Ltd.

4. Taxation

(a) Analysis of charge in the year

	Non-Technical Account	
	2006	2005
	£'000	£'000
Current tax		
UK corporation tax on profits for the year	<u>22</u>	<u>18</u>

(b) Factors affecting tax charge for the year

	2006	2005
	£'000	£'000
Profit on ordinary activities before tax	<u>74</u>	<u>60</u>
Profit on ordinary activities at UK corporation tax of 30% (2005 : 30%)	<u>22</u>	<u>18</u>

SCOTTISH AMICABLE LIFE PLC
NOTES TO THE ACCOUNTS (continued)

5. Other financial investments

	Cost 2006 £'000	Cost 2005 £'000	Current value 2006 £'000	Current value 2005 £'000
Debt securities and other fixed income securities	2,115	-	2,121	-
Deposits with credit institutions	1,403	1,395	1,403	1,395
Total	3,518	1,395	3,524	1,395

(a) Financial instruments

(i) Designation and fair values

On application of FRS26 all financial assets are designated as either fair value through profit and loss or loans and receivables and financial liabilities are designated as either fair value through profit and loss or amortised costs.

2006	Fair value through profit and loss £000	Loans and receivables £000	Total carrying value £000	Fair value £000
Financial Assets				
Deposits	-	1,403	1,403	1,403
Debt securities and other fixed income securities	2,121	-	2,121	2,121
	2,121	1,403	3,524	3,524

(ii) Determination of fair value

The fair values of quoted investments are based on current bid prices. The loans and receivables have been shown without any impairment because they are cash deposits.

The total amount of the change in fair value estimated using valuation techniques, including valuation techniques based on assumptions not wholly supported by observable market prices or rates, recognised in the profit and loss account in 2006 was £5,619.

(iii) Interest income and expense

The interest income on financial assets not at fair value through profit and loss was £62,836 for the year ended 31 December 2006.

(b) Market Risk

(i) Interest rate risk

The following table shows an analysis of the classes of financial assets and liabilities with direct exposure to interest rate risk. Each applicable class of the Company's assets or liabilities are analysed between those exposed to fair value interest rate risk, cash flow interest rate risk and those with no direct interest rate risk exposure.

SCOTTISH AMICABLE LIFE PLC

NOTES TO THE ACCOUNTS (continued)

5. Other financial investments - continued

(b) Market Risk - continued

2006	Fair value interest rate risk £000	Cash flow interest rate risk £000	Not directly exposed to interest rate risk £000	Total £000
Financial Assets				
Deposits	-	1,403	-	1,403
Debt securities	2,121	-	-	2,121
	<u>2,121</u>	<u>1,403</u>	-	<u>3,524</u>

The company has no commitment to lend funds at a fixed rate.

The following table details the effective interest rates for applicable classes of financial assets and liabilities not held at fair value through profit and loss, notably financial assets designated as loans and receivables and liabilities held at amortised cost.

2006	Balance of financial instruments not at fair value through profit and loss £000	Range of effective interest rates applicable as at 31 Dec 2006 %
Financial Assets		
Deposits	1,403	0.00 - 5.31

In relation to interest rate exposure, the following table sets out the earlier of contractual maturities and repricing dates for applicable classes of financial instruments.

2006	1 year or less £000	Total carrying value £000
Financial Assets		
Deposits	1,403	1,403
Debt securities	2,121	2,121
	<u>3,524</u>	<u>3,524</u>

(ii) Currency Risk

As at 31 December 2006, the Company held 60.0% of its financial assets in euros.

(c) Derivatives

The company has no derivatives.

SCOTTISH AMICABLE LIFE PLC
NOTES TO THE ACCOUNTS (continued)

5. Other financial investments - continued

(d) Credit risk

Concentration of credit risk

The geographical concentration of credit risk, stated in terms of financial assets held as at 31 December 2006 is as follows:

	£000
UK	1,403
Rest of Europe	2,121
Total	<u>3,524</u>

(e) Impairment of financial assets

No assets have been impaired.

6. Creditors

	2006 £'000	2005 £'000
Other creditors due within one year:		
Taxation	12	12
	<u>12</u>	<u>12</u>

7. Share capital and reserves

	2006 £'000	2005 £'000
Share capital		
Authorised		
8,000,000 ordinary shares of £1 each	<u>8,000</u>	<u>8,000</u>
Issued and fully paid		
Balance at 1 January	3,000	3,000
Balance at 31 December	<u>3,000</u>	<u>3,000</u>
	2006 £'000	2005 £'000
Profit and loss account		
Balance at 1 January	594	552
Profit for the year	52	42
Balance at 31 December	<u>646</u>	<u>594</u>

The amount of non-distributable reserves is £nil (2005: £nil).

SCOTTISH AMICABLE LIFE PLC

NOTES TO THE ACCOUNTS (continued)

8. Pooling arrangements

Under the terms of the Company's agreements with the Prudential Group's main UK banker, the bank has the right of set-off between credit balances (other than those of long term business funds) and all overdrawn balances of those Group undertakings with similar arrangements.

9. Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 relating to the disclosure of transactions with other subsidiary undertakings of the Prudential group.

10. Ultimate parent company

The ultimate parent company is Prudential plc, which is the only parent company to prepare group accounts, copies of which can be obtained from the Company Secretary, Laurence Pountney Hill, London, EC4R 0HH.