SCOTTISH AMICABLE LIFE PLC

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007

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 2007 is shown in the balance sheet on page 7. The profit and loss account appears on page 6.

Dividend

No dividend is proposed for the year (2006: £Nil).

Payment Policy

The Company does not have any trade creditors and therefore codes or standards on payment practice and disclosure of trade creditor days are not applicable.

Directors

The present directors of the Company are shown on page 1. There have been no changes in the directors during 2007.

Risks & Uncertainties

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities are 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 risks and uncertainty affecting the Company is that the company's assets may be misappropriated either generally, or through direct exposure to foreign exchange losses.

The assets of the company are managed by M&G, part of the Prudential Group. M&G have an established reputation as a professional investment management organisation.

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 director 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. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

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.

Directors' and Officers' Protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company provide that to the extent permitted by law every Director and other officer and every employee of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay to any such person, all costs, losses and expenses which that person may incur or become liable to by reason of any contract entered into or any act or deed done by such person as a Director or other officer or as an employee of the Company or in any way in the discharge of that person's duties.

On behalf of the Board of Directors

On behalf of Prudential Group Secretarial Services Ltd
Company Secretary
27 March 2008

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Director

27 March 2008

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

FOR THE YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Scottish Amicable Life Plc for the year ended 31 December 2007 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 4.

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 2007 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

17 March 2008
KPMG Audit Plc
Chartered Accountants
Registered Auditor

SCOTTISH AMICABLE LIFE PLC

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007** **£'000**	2006 £'000
Non-Technical Account			
Investment income		**149**	112
Unrealised gains on investments		**65**	6
Realised gains (losses) on investments		**158**	(40)
Investment expenses		**(4)**	(4)
Profit on ordinary activities before tax	2	**368**	74
Tax charge on profit on ordinary activities	3	**(110)**	(22)
Retained profit for the year		**258**	52

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

Reconciliation of movements in shareholders' funds

	2007 **£'000**	2006 £'000
Shareholders' funds as at 1 January	**3,646**	3,594
Retained profit for the year	**258**	52
Shareholders' funds as at 31 December	**3,904**	3,646

SCOTTISH AMICABLE LIFE PLC

BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Assets			
Investments			
Other financial investments	4	**3,920**	3,524
Cash at bank and in hand		**64**	131
Debtors and prepayments		**5**	3
Total assets		**3,989**	3,658
Liabilities			
Capital and reserves			
Share capital	7	**3,000**	3,000
Profit and loss account	7	**904**	646
Shareholders' funds		**3,904**	3,646
Creditors			
Other creditors including taxation and social security	6	**85**	12
Total liabilities		**3,989**	3,658

The accounts on pages 6 to 13 were approved by the board of directors on 27th March 2008.

Director K Alhn

NOTES TO THE ACCOUNTS

1. Accounting Policies

A. Change in accounting policies

The Company has implemented the following accounting standard and amendment in preparing its results for the year ended 31 December 2007. These standards closely reflect the requirements of International Financial Reporting Standards (IFRS) and form part of the continuing implementation of IFRS in the UK.

FRS 29 "Financial instruments: disclosures"

FRS 29 "Financial instruments: disclosures" implements IFRS 7 "Financial instruments: disclosures" into UK GAAP and replaces the disclosure requirements of FRS 25, "Financial Instruments: Disclosure and Presentation". The latter, therefore, becomes a standard dealing wholly with presentation of financial instruments. FRS 29 is intended to complement the principles for recognising, measuring and presenting financial assets and financial liabilities in FRS 25 and FRS 26, 'Financial Instruments: Recognition and Measurement'. The objective of FRS 29 is to require entities to provide disclosures in their financial statements to enable the users of financial statements to evaluate the significance of financial instruments for the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Additionally, under FRS 29, the Company is also required to explain its objectives, policies and processes for managing capital.

The additional disclosures required are shown in Note 4. The adoption of this standard represents a change in accounting policy and comparatives have been provided accordingly in the disclosures.

Amendment to FRS 26 "Financial Instruments: Recognition and measurement"

An amendment to FRS 26 "Financial Instruments: Recognition and measurement" was issued in April 2006 which brings the recognition and derecognition requirements of IAS 39 "Financial Instruments: Recognition and measurement" into FRS 26. The amendment applies only to financial assets and liabilities, the relevant requirements of FRS 5 "Reporting the Substance of Transactions" continue to apply to the recognition and derecognition of non-financial assets. The adoption of this amendment to FRS 26 did not have an impact on the balance sheet or profit and loss account of the Company.

B. Basis of preparation of accounts

The financial statements are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985. The financial statements comply with applicable accounting standards and the ABI SORP, and have been prepared under the historical cost accounting rules, modified to include the revaluation of investments.

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. The financial statements have been prepared on a going concern basis.

C. Long-term business

Scottish Amicable Life Plc has no long-term business. 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.

D. Investments

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. Investments are shown at fair value.

E. 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.

F. 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.

NOTES TO THE ACCOUNTS (continued)

1. Accounting Policies - continued

G. 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.

H. 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.

I. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2. Profit on ordinary activities before tax

(i) Auditors' remuneration

The remuneration of the auditors in respect of the statutory audit was £13,813 (2006: £16,979). This is 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 Distribution Limited. 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 Distribution Ltd.

(iii) Foreign exchange gains

The foreign exchange gains in 2007 were £420 (2006: £7,897). This is included within unrealised gains on investments.

3. Taxation

(a) Analysis of charge in the year

	Non-Technical Account	
	2007	2006
	£'000	£'000
Current Tax		
UK corporation tax on profits for the year	**110**	22

(b) Factors affecting tax charge for the year

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	**368**	74
Profit on ordinary activities at UK corporation tax of 30% (2006 : 30%)	**110**	22

4. Other financial investments

	Cost 2007 £'000	Cost 2006 £'000	Current value 2007 £'000	Current value 2006 £'000
Debt securities and other fixed income securities	**2,346**	2,115	**2,416**	2,121
Deposits with credit institutions	**1,504**	1,403	**1,504**	1,403
	3,850	3,518	**3,920**	3,524

(a) Financial instruments

(i) Designation and fair values

All financial assets of the Company are designated as either fair value through profit and loss or loans and receivables. Financial liabilities are designated as either fair value through profit and loss or amortised costs.

2007	Fair value through profit and loss £000	Loans and receivables £000	Total carrying value £000	Fair value £000
Financial Assets				
Deposits	-	**1,504**	**1,504**	**1,504**
Debt securities and other fixed income securities	**2,416**	-	**2,416**	**2,416**
Cash at bank and in hand	-	**64**	**64**	**64**
	2,416	**1,568**	**3,984**	**3,984**

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
Cash at bank and in hand		131	131	131
	2,121	1,534	3,655	3,655

(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 2007 was £65,000 (2006: £6,000).

(iii) Interest income and expense

The interest income in 2007 on financial assets not at fair value through profit and loss was £83,356 (2006: £62,836).

(b) Market Risk

(i) 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.

As at 31 December 2007, the Company held a one-year euro sovereign bond carrying a fixed rate of interest of 3.75% (2006: 2.75%). This is deemed to be very low risk.

The following table shows an analysis of the classes of financial assets and liabilities with direct exposure to interest rate risk.

4. Other financial investments - continued

2007	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate risk	Total
	£000	£000	£000	£000
Financial Assets				
Deposits	-	1,504	-	1,504
Debt securities and other fixed income securities	2,416	-	-	2,416
Cash at bank and in hand	-	-	64	64
	2,416	1,504	64	3,984

2006	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate risk	Total
	£000	£000	£000	£000
Financial Assets				
Deposits	-	1,403	-	1,403
Debt securities and other fixed income securities	2,121	-	-	2,121
Cash at bank and in hand	-	-	131	131
	2,121	1,403	131	3,655

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

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.

2007	1 year or less	Total carrying value
	£000	£000
Financial Assets		
Deposits	1,504	1,504
Debt securities and other fixed income securities	2,416	2,416
Cash at bank and in hand	64	64
	3,984	3,984

2006	1 year or less	Total carrying value
	£000	£000
Financial Assets		
Deposits	1,403	1,403
Debt securities and other fixed income securities	2,121	2,121
Cash at bank and in hand	131	131
	3,655	3,655

(ii) Currency Risk

As at 31 December 2007, the Company held 62% of its financial assets through a euro bond (2006: 60%). The market value of the bond was €3.3m (2006: €3.18m).

An exchange gain of £136,000 arose through the sale of the euro bond, as part of a net realised profit totalling £158,000 (2006: £56,000 loss as part of a net realised loss totalling £48,000).

4. Other financial investments - continued

(b) Derivatives

The company has no derivatives.

(c) Credit risk

No assets have been impaired.

5. Capital Requirements and Management

Regulatory capital requirements apply at both an individual company level and at the Prudential Group level, of which the Company is a part, for life assurance and investment management business. The Prudential Group, of which the Company is a part, is currently subject to the solvency requirements of the Insurance Groups Directive (IGD) as implemented by the FSA. Under the IGD a continuous parent company solvency test is applied: Under this test the surplus capital held in each of the regulated subsidiaries, including the Company, is aggregated with the free assets of non-regulated subsidiaries. From this total, Prudential Group borrowings are deducted, other than subordinated debt issues which qualify as capital.

In addition to obligations under subsidiary and Prudential Group regulatory requirements, the Prudential Group applies an economic framework to its management of capital. Economic capital provides a realistic and consistent view of the Group's capital requirements, allowing for diversification benefits.

At the Company level, the FSA rules which govern the Prudential regulation of insurance form part of the Prudentials Sourcebook for Insurers, the General Prudential Sourcebook and Interim Prudential Sourcebook for Insurers. Overall, the net requirements of the General Prudential Sourcebook are intended to align the capital adequacy requirements for insurance business more closely with those of banking and investment firms and building societies, for example, by addressing tiers of capital, rather than looking at net admissible assets. An insurer must hold capital resources equal at least to the Minimum Capital Requirement (MCR).

The Prudential Sourcebook for Insurers also contains rules on Individual Capital Assessments. Under these rules and the rules of the General Prudential Sourcebook all insurers must assess for themselves the amount of capital needed to back their business. If the FSA views the results of this assessment as insufficient, it may draw up its own Individual Capital Guidance for a firm, which can be superimposed as a requirement.

6. Creditors

	2007	2006
	£'000	£'000
Other creditors due within one year:		
Taxation	**84**	12
Other	**1**	-
	85	12

7. Share capital and reserves

	2007	2006
	£'000	£'000
Share capital		
Authorised		
8,000,000 ordinary shares of £1 each	**8,000**	8,000
Issued and fully paid		
Balance at 1 January	**3,000**	3,000
Balance at 31 December	**3,000**	3,000

7. Share capital and reserves - continued

	2007 **£'000**	2006 £'000
Profit and loss account		
Balance at 1 January	**646**	594
Profit for the year	**258**	52
Balance at 31 December	**904**	646

The amount of non-distributable reserves is £nil (2006: £nil).

8. 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.