

# **Scottish Mutual Assurance plc**

**Annual FSA Insurance Returns for the year ended  
31st December 2005**



**(Appendices 1,3,4 & 6)**

Statement of solvency – long-term insurance business

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31 December 2005**

Solo solvency calculation

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R2	133846	GL	31	12	2005	£000
				As at end of this financial year		As at end of the previous year	
				1	2		

Capital resources

Capital resources arising within the long-term insurance fund	11	721586	936467
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	870062	558423
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1591649	1494890

Guarantee Fund

Guarantee Fund requirement	21	146811	160295
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	1444836	1334595

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	440432	480886
Resilience capital requirement	32	53753	80000
Base capital resources requirement	33	2030	2087
Individual minimum capital requirement	34	494186	560885
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34 + 35)	36	494186	560885
Excess (deficiency) of available capital resources to cover 50% of MCR	37	1344554	1214448
Excess (deficiency) of available capital resources to cover 75% of MCR	38	1221008	1074226

Enhanced capital requirement

With-profits insurance capital component	39	230420	2144
Enhanced capital requirement	40	724606	563029

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	724606	563029
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	867043	931861

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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**Covering sheet to Form 2**

Name of insurer                    **Scottish Mutual Assurance plc**

Global business

Financial year ended            **31st December 2005**

.....                    **J Maldonado Trinchant**                    **Chief Executive**

.....                    **M Moule**                    **Director**

.....                    **K Luscombe**                    **Director**

**Glasgow, 30th August 2006**

Components of capital resources

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	<b>R3</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>
		General insurance business <b>1</b>	Long-term insurance business <b>2</b>	Total as at the end of this financial year <b>3</b>		Total as at the end of the previous year <b>4</b>	

**Core tier one capital**

Permanent share capital	<b>11</b>		1608500	1608500	1608500
Profit and loss account and other reserves	<b>12</b>		(353567)	(353567)	(246734)
Share premium account	<b>13</b>		9000	9000	9000
Positive valuation differences	<b>14</b>		529621	529621	66384
Fund for future appropriations	<b>15</b>		184763	184763	67413
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		1978317	1978317	1504563

**Tier one waivers**

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	<b>21</b>				
Implicit items	<b>22</b>				125000
Tier one waivers in related undertakings	<b>23</b>				
Total tier one waivers as restricted (21+22+23)	<b>24</b>				125000

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	<b>25</b>				
Perpetual non-cumulative preference shares in related undertakings	<b>26</b>				
Innovative tier one capital as restricted	<b>27</b>				
Innovative tier one capital in related undertakings	<b>28</b>				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>		1978317	1978317	1629563
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>				
Amounts deducted from technical provisions for discounting	<b>34</b>				
Other negative valuation differences	<b>35</b>				
Deductions in related undertakings	<b>36</b>				
Deductions from tier one (32 to 36)	<b>37</b>				
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		1978317	1978317	1629563

Components of capital resources

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R3	133846	GL	31	12	2005	£000
	General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3			Total as at the end of the previous year 4	

**Tier two capital**

Implicit items, (tier two waivers and amounts excluded from line 22)	41					
Perpetual non-cumulative preference shares excluded from line 25	42					
Innovative tier one capital excluded from line 27	43					
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44					
Perpetual cumulative preference shares	45					
Perpetual subordinated debt and securities	46					200000
Upper tier two capital in related undertakings	47					
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>					<b>200000</b>

Fixed term preference shares	51					
Other tier two instruments	52					
Lower tier two capital in related undertakings	53					
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>					

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>					<b>200000</b>
Excess tier two capital	62					
Further excess lower tier two capital	63					
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>					<b>200000</b>

Components of capital resources

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	<b>R3</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>
	General insurance Business <b>1</b>	Long-Term insurance Business <b>2</b>	Total as at the end of this financial year <b>3</b>		Total as at the end of the previous year <b>4</b>		

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>		1978317	1978317	1829563	
Inadmissible assets other than intangibles and own shares	<b>73</b>		384999	384999	333403	
Assets in excess of market risk and counterparty limits	<b>74</b>					
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>		1671	1671	1270	
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		1591648	1591648	1494890	

**Available capital resources for PRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>		1591648	1591648	1494890	
Available capital resources for 50% MCR requirement	<b>82</b>		1591648	1591648	1494890	
Available capital resources for 75% MCR requirement	<b>83</b>		1591648	1591648	1494890	

**Financial engineering adjustments**

Implicit items	<b>91</b>					
Financial reinsurance - ceded	<b>92</b>					
Financial reinsurance - accepted	<b>93</b>					
Outstanding contingent loans	<b>94</b>					
Any other charges on future profits	<b>95</b>					
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>					

**Calculation of general insurance capital requirement - premiums amount and brought forward amount**

 Name of insurer **Scottish Mutual Assurance plc**

Global business

 Financial year ended **31st December 2005**

Long-term insurance business

	R11	Company registration number 133846	GL/UK/CM GL	Period ended			Units £000
				day	month	year	
				31	12	2005	
				This financial year 1		Previous year 2	
Gross premiums written	11			169172		154589	
Premium taxes and levies (included in line 11)	12						
Premiums receivable net of taxes and levies (11-12)	13			169172		154589	
Premiums for classes 11, 12 or 13 (Included in line 13)	14						
Premiums for "actuarial health insurance" (included in line 13)	15			168512		153842	
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>	<b>16</b>			<b>56831</b>		<b>52028</b>	
Gross premiums earned	21			156429		135424	
Premium taxes and levies (included in line 21)	22						
Premiums earned net of taxes and levies (21-22)	23			156429		135424	
Premiums for classes 11, 12 or 13 (included in line 23)	24						
Premiums for "actuarial health insurance" (included in line 23)	25			156098		135051	
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>	<b>26</b>			<b>52364</b>		<b>45390</b>	
<b>Sub-total I (higher of sub-total A and sub-total H)</b>	<b>30</b>			<b>56831</b>		<b>52028</b>	
<b>Adjusted Sub-total I</b> if financial year is not a 12 month period to produce an annual figure	<b>31</b>						
Division of gross adjusted premiums amount: sub-total I (or adjusted sub-total I if appropriate)		x 0.18		10230		9365	
				450		345	
<b>Sub-total J (32-33)</b>	<b>34</b>			<b>9780</b>		<b>9020</b>	
Claims paid in period of 3 financial years	41			140381		99698	
Claims outstanding carried forward at the end of the 3 year period							
				For insurance business accounted for on an underwriting year basis	42		
Claims outstanding brought forward at the beginning of the 3 year period							
				For insurance business accounted for on an accident year basis	43	58947	
Claims outstanding brought forward at the beginning of the 3 year period							
				For insurance business accounted for on an underwriting year basis	44		
Claims outstanding brought forward at the beginning of the 3 year period							
				For insurance business accounted for on an accident year basis	45	1358	
<b>Sub-total C (41+42+43-44-45)</b>	<b>46</b>			<b>197970</b>		<b>135622</b>	
Amounts recoverable from reinsurers in respect of claims included in Sub-total C	47			118498		78993	
<b>Sub-total D (46-47)</b>	<b>48</b>			<b>79472</b>		<b>56629</b>	
<b>Reinsurance ratio</b> (Sub-total D / sub-total C or, if more, 50% or, if less, 100%)	<b>49</b>			<b>50.00</b>		<b>50.00</b>	
<b>Premiums amount</b> Sub-total J x reinsurance ratio	<b>50</b>			<b>4890</b>		<b>4510</b>	
Provisions for claims outstanding (before discounting and net of reinsurance)	51			8042		9033	
<b>Brought forward amount</b> (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)	<b>52</b>			<b>10622</b>		<b>11931</b>	
Greater of lines 50 and 52	<b>53</b>			<b>10622</b>		<b>11931</b>	

## Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

Long-term insurance business

		Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R12	133846	GL	31	12	2005	£000
					This financial year 1		Previous year 2	
Reference period (No. of months) See PRU7.2.63R		11	36			36		
Claims paid in reference period		21	140381			99698		
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis	22						
	For insurance business accounted for on an accident year basis	23	58947			37703		
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis	24						
	For insurance business accounted for on an accident year basis	25	1358			1779		
Claims incurred in reference period (21+22+23-24-25)		26	197970			135622		
Claims incurred for classes 11, 12 or 13 (included in 26)		27						
Claims incurred for "actuarial health insurance" (included in 26)		28	197970			135622		
<b>Sub-total E</b> (26 + 1/2 27 - 2/3 28)		29	65990			45207		
<b>Sub-total F</b> - Conversion of Sub-total E to annual figure (Multiply by 12 and divide by number of months in reference period)		31	21997			15069		
Division of sub-total F (gross adjusted claims amount)	X 0.26	32	5719			3918		
	Excess (if any) over 35M EURO x 0.03	33						
<b>Sub-total G</b> (32 - 33)		39	5719			3918		
<b>Claims amount</b> Sub-total G x reinsurance ratio (11.49)		41	2860			1959		
Higher of premiums amount and brought forward amount (11.53)		42	10622			11931		
<b>General insurance capital requirement</b> (higher of lines 41 and 42)		43	10622			11931		



Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total other than long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	133846	GL	31	12	2005	£000	1
<b>Investments</b>				As at the end of this financial year		1	As at the end of the previous year	
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25		32286	31629	
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41				
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		11609	11050	
Rights under derivative contracts				44				
Fixed interest securities	Approved			45				
	Other			46				
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54			6995	
	More than one month withdrawal			55				
Other financial investments				56				

**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total other than long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets		
			day	month	year				
	R13	133846	GL	31	12	2005	£000	1	
							As at the end of this financial year 1	As at the end of the previous year 2	
Deposits with ceding undertakings				57					
Assets held to match linked liabilities			Index linked	58					
			Property linked	59					
<b>Reinsurers' share of technical provisions</b>									
Provision for unearned premiums				60					
Claims outstanding				61					
Provision for unexpired risks				62					
Other				63					
<b>Debtors and salvage</b>									
Direct insurance business			Policyholders	71					
			Intermediaries	72					
Salvage and subrogation recoveries				73					
Reinsurance			Accepted	74					
			Ceded	75					
Dependants			Due in 12 months or less	76					
			Due in more than 12 months	77					
Other			Due in 12 months or less	78		864			
			Due in more than 12 months	79					
<b>Other assets</b>									
Tangible assets				80					
Deposits not subject to time restriction on withdrawal with approved institutions				81		1052989		538878	
Cash in hand				82					
Other assets (particulars to be specified by way of supplementary note)				83					
Accrued interest and rent				84		13320		12835	
Deferred acquisition costs (general business only)				85					
Other prepayments and accrued income				86					
Deductions from the aggregate value of assets				87					
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				89		1111068		601387	

**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total other than long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
R13	133846	GL	31	12	2005	£000	1
					As at the end of this financial year 1	As at the end of the previous year 2	

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	1111068	601387
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93	722	659
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	(2808)	
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	(500864)	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	608118	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		
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**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

Category of assets **Total long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	133846	GL	31	12	2005	£000	10
<b>Investments</b>						As at the end of this financial year 1	As at the end of the previous year 2	
Land and buildings				11			643822	
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25	4386		4460	
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41	30920		1684436	
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43	7251548		1228655	
Rights under derivative contracts				44	(21107)		8375	
Fixed interest securities	Approved			45			2161310	
	Other			46	2248310		4298108	
Variable interest securities	Approved securities			47			71641	
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52	3306		6429	
Other loans				53	70			
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total long term business assets**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	133846	GL	31	12	2005	£000	10
						As at the end of this financial year 1	As at the end of the previous year 2	
Deposits with ceding undertakings				57				
Assets held to match linked liabilities	Index linked			58	9704			9358
	Property linked			59	2711177			2437024

**Reinsurers' share of technical provisions**

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	9433	3849
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	29227	17760
Dependants	Due in 12 months or less	76		
	Due in more than 12 months	77		
Other	Due in 12 months or less	78	26545	113336
	Due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	41973	279936
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	43151	123449
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)	89	12388642	13091948
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**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Total long term business assets**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	133846	GL	31	12	2005	£000	10

			As at the end of this financial year	As at the end of the previous year
			1	2

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	12388642	13091948
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93	950	
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	(3586)	
Deferred acquisition costs excluded from line 89	98	358922	
Reinsurers' share of technical provisions excluded from line 89	99	655672	
Other asset adjustments (may be negative)	100	328948	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	13729548	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		
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Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **With-Profits Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	133846	GL	31	12	2005	£000	11
<b>Investments</b>						As at the end of this financial year 1	As at the end of the previous year 2	
Land and buildings				11			643822	
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25				
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41		30363	1683969	
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		6142724	1105262	
Rights under derivative contracts				44		(22750)	7792	
Fixed interest securities	Approved			45			1751808	
	Other			46		1454771	3035111	
Variable interest securities	Approved securities			47				
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52				
Other loans				53				
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **With-Profits Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2005</b>	<b>£000</b>	<b>11</b>
							As at the end of this financial year 1	As at the end of the previous year 2
Deposits with ceding undertakings				<b>57</b>				
Assets held to match linked liabilities		Index linked		<b>58</b>				
		Property linked		<b>59</b>				
<b>Reinsurers' share of technical provisions</b>								
Provision for unearned premiums				<b>60</b>				
Claims outstanding				<b>61</b>				
Provision for unexpired risks				<b>62</b>				
Other				<b>63</b>				
<b>Debtors and salvage</b>								
Direct insurance business		Policyholders		<b>71</b>				
		Intermediaries		<b>72</b>				
Salvage and subrogation recoveries				<b>73</b>				
Reinsurance		Accepted		<b>74</b>				
		Ceded		<b>75</b>				
Dependants		Due in 12 months or less		<b>76</b>				
		Due in more than 12 months		<b>77</b>				
Other		Due in 12 months or less		<b>78</b>		<b>8823</b>		<b>75661</b>
		Due in more than 12 months		<b>79</b>				
<b>Other assets</b>								
Tangible assets				<b>80</b>				
Deposits not subject to time restriction on withdrawal with approved institutions				<b>81</b>		<b>41974</b>		<b>155607</b>
Cash in hand				<b>82</b>				
Other assets (particulars to be specified by way of supplementary note)				<b>83</b>				
Accrued interest and rent				<b>84</b>		<b>38151</b>		<b>103172</b>
Deferred acquisition costs (general business only)				<b>85</b>				
Other prepayments and accrued income				<b>86</b>				
Deductions from the aggregate value of assets				<b>87</b>				
Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)				<b>89</b>		<b>7694056</b>		<b>8562204</b>



**Analysis of admissible assets**

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **With-Profits Sub-Fund**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	133846	GL	31	12	2005	£000	11

			As at the end of this financial year 1	As at the end of the previous year 2

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	7694056	8562204
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97		
Deferred acquisition costs excluded from line 89	98		
Reinsurers' share of technical provisions excluded from line 89	99		
Other asset adjustments (may be negative)	100	35726	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	7729781	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		
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## Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Other Business Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	133846	GL	31	12	2005	£000	12
<b>Investments</b>						As at the end of this financial year 1		As at the end of the previous year 2
Land and buildings				11				
<b>Investments in group undertakings and participating interests</b>								
UK insurance dependants	shares			21				
	debts and loans			22				
Other insurance dependants	shares			23				
	debts and loans			24				
Non-insurance dependants	shares			25		4386		4460
	debts and loans			26				
Other group undertakings	shares			27				
	debts and loans			28				
Participating interests	shares			29				
	debts and loans			30				
<b>Other financial investments</b>								
Equity shares				41		556		467
Other shares and other variable yield participations				42				
Holdings in collective investment schemes				43		1108824		123393
Rights under derivative contracts				44		1643		583
Fixed interest securities	Approved			45				409502
	Other			46		793539		1262997
Variable interest securities	Approved securities			47				71641
	Other			48				
Participation in investment pools				49				
Loans secured by mortgages				50				
Loans to public or local authorities and nationalised industries or undertakings				51				
Loans secured by policies of insurance issued by the company				52		3306		6429
Other loans				53		70		
Bank and approved credit & financial institution deposits	One month or less withdrawal			54				
	More than one month withdrawal			55				
Other financial investments				56				

Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Other Business Sub-Fund**

	Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			day	month	year			
	R13	133846	GL	31	12	2005	£000	12
						As at the end of this financial year 1	As at the end of the previous year 2	
Deposits with ceding undertakings				57				
Assets held to match linked liabilities		Index linked		58		9704		9358
		Property linked		59		2711177		2437024

Reinsurers' share of technical provisions

Provision for unearned premiums		60					
Claims outstanding		61					
Provision for unexpired risks		62					
Other		63					

Debtors and salvage

Direct insurance business	Policyholders	71		9433		3849
	Intermediaries	72				
Salvage and subrogation recoveries		73				
Reinsurance	Accepted	74				
	Ceded	75		29227		17760
Dependants	Due in 12 months or less	76				
	Due in more than 12 months	77				
Other	Due in 12 months or less	78		17722		37675
	Due in more than 12 months	79				

Other assets

Tangible assets		80				
Deposits not subject to time restriction on withdrawal with approved institutions		81				124329
Cash in hand		82				
Other assets (particulars to be specified by way of supplementary note)		83				
Accrued interest and rent		84		5000		20277
Deferred acquisition costs (general business only)		85				
Other prepayments and accrued income		86				

Deductions from the aggregate value of assets		87				
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Grand total of admissible assets after deduction of market risk and counterparty limits (11 to 86 less 87)		89		4694586		4529744
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## Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance plc**  
 Global business  
 Financial year ended **31st December 2005**  
 Category of assets **Other Business Sub-Fund**

R13	Company registration number	GL/UK/CM	Period ended			Units	Category of assets
			day	month	year		
	133846	GL	31	12	2005	£000	12
						As at the end of this financial year 1	As at the end of the previous year 2

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of market risk and counterparty limits (as per line 89 above)	91	4694586	4529744
Assets in excess of market and counterparty limits	92		
Capital resources requirement deduction of regulated related undertakings	93	950	
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	94		
Inadmissible assets of regulated related insurance undertakings	95		
Book value of related ancillary services undertakings	96		
Other differences in the valuation of assets (other than for assets not valued above)	97	(3586)	
Deferred acquisition costs excluded from line 89	98	358922	
Reinsurers' share of technical provisions excluded from line 89	99	655672	
Other asset adjustments (may be negative)	100	293223	
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 100)	101	5999766	

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	102		
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**Long term insurance business liabilities and margins**Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Fund **Long Term Fund**Units **£000**

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	10767915	11546802
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13	165706	115200
Long term insurance business fund carried forward (11 to 13)	14	10933621	11662002
Claims outstanding	Gross amount	15	60932
	Reinsurers' share	16	
	Net (15-16)	17	60932
Provisions	Taxation	21	(1483)
	Other	22	20001
Deposits received from reinsurers	23	493047	486950
Creditors	Direct insurance business	31	17140
	Reinsurance accepted	32	
	Reinsurance ceded	33	15140
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	206387	42710
Creditors	Taxation	37	31068
	Other	38	56910
Accruals and deferred income	39		1829
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	899141	733679
Excess of the value of net admissible assets	51	555881	696267
Total liabilities and margins	59	12388643	13091948

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2	732336
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62	2681494	2421823

Total liabilities (11+12+49)	71	11667057	12280481
Increase to liabilities - DAC related	72	107676	
Reinsurers' share of technical provisions	73	655672	
Other adjustments to liabilities (may be negative)	74	218408	
Capital and reserves and fund for future appropriations	75	1080736	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	13729548	

## Long term insurance business liabilities and margins

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Fund **With Profits Sub-Fund**Units **£000**

		As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11	7242354	8422362
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13		
Long term insurance business fund carried forward (11 to 13)	14	7242354	8422362
Claims outstanding	Gross amount	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	1222
	Other	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	2208
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	38273
	Other	38	7392
Accruals and deferred income	39		507
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	10822	81863
Excess of the value of net admissible assets	51	440881	57979
Total liabilities and margins	59	7694056	8562204

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61	2	709800
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	7253175	8504225
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	291827	
Capital and reserves and fund for future appropriations	75	184779	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	7729781	

**Long term insurance business liabilities and margins**

 Name of insurer **Scottish Mutual Assurance plc**

Global business

 Financial year ended **31st December 2005**

 Fund **Other Business Sub-Fund**

 Units **£000**

			As at the end of this financial year 1	As at the end of the previous year 2
Mathematical reserves, after distribution of surplus	11		3525562	3124440
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13		165706	115200
Long term insurance business fund carried forward (11 to 13)	14		3691268	3239640
Claims outstanding	Gross amount	15	60932	23682
	Reinsurers' share	16		
	Net (15-16)	17	60932	23682
Provisions	Taxation	21	(2706)	29
	Other	22	20001	
Deposits received from reinsurers	23		493047	486950
Creditors	Direct insurance business	31	14932	42167
	Reinsurance accepted	32		
	Reinsurance ceded	33	15140	19012
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36		206387	42710
Creditors	Taxation	37	31068	
	Other	38	49518	35944
Accruals and deferred income	39			1322
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49		888319	651816
Excess of the value of net admissible assets	51		115000	638288
Total liabilities and margins	59		4694587	4529744

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61			22536
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		2681494	2421823

Total liabilities (11+12+49)	71		4413881	3776256
Increase to liabilities - DAC related	72		107676	
Reinsurers' share of technical provisions	73		655672	
Other adjustments to liabilities (may be negative)	74		(73419)	
Capital and reserves and fund for future appropriations	75		895957	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		5999766	

**Liabilities (other than long term insurance business)**Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

	Company registration number	GL/UK/CM	Period ended			Units	
			day	month	year		
	R15	133846	GL	31	12	2005	£000
				As at the end of this financial year		As at the end of the previous year	
				1	2		

**Technical provisions (gross amount)**

Provision for unearned premiums		11		
Claims outstanding		12		
Provision for unexpired risks		13		
Equalisation provisions	Credit business	14		
	Other than credit business	15		
Other gross technical provisions		16		
Total gross technical provisions (11 to 16)		19		

**Provisions and creditors**

Provisions	Taxation	21		
	Other risks and charges	22	29700	29700
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		1953
	Recommended dividend	48		
	Other	49		
Accruals and deferred income		51	11306	11311
Total (19 to 51)		59	41006	42964
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	200000	200000
Total (59 to 63)		69	241006	242964

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance		71		
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Reinsurers' share of DAC		81		
Amounts deducted from technical provisions for discounting		82		
Other adjustments (may be negative)		83	(864)	
Capital and reserves		84	367975	
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69+81-82+83+84)		85	608118	



## Profit and loss account (non-technical account)

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

		Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R16	133846	GL	31	12	2005	£000
		This financial year			Previous year			
		1			2			
Transfer (to)/from the general insurance business technical account	From Form 20	11						
	Equalisation provisions	12						
Transfer from the long term insurance business revenue account		13	501290				(198854)	
Investment income	Income	14	40828				40384	
	Value re-adjustments on investments	15	1278				555	
	Gains on the realisation of investments	16						
Investment charges	Investment management charges, including interest	17	27532				27088	
	Value re-adjustments on investments	18					(273000)	
	Loss on the realisation of investments	19						
Allocated investment return transferred to the general insurance business technical account		20						
Other income and charges (particulars to be specified by way of supplementary note)		21					(29700)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)		29	515863				58297	
Tax on profit or loss on ordinary activities		31	4163				4163	
Profit or loss on ordinary activities after tax (29-31)		39	511701				54134	
Extraordinary profit or loss (particulars to be specified by way of supplementary note)		41						
Tax on extraordinary profit or loss		42						
Other taxes not shown under the preceding items		43						
Profit or loss for the financial year (39+41-(42+43))		49	511701				54134	
Dividends (paid and proposed)		51						
Profit or loss retained for the financial year (49-51)		59	511701				54134	

## Analysis of derivative contracts

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Category of assets **Total other than long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	133846	GL	31	12	2005	£000	1
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41							
Total (11 to 41)		49							

## Analysis of derivative contracts

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	133846	GL	31	12	2005	£000	10
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
<b>Derivative contracts</b>									
Futures contracts	Fixed-interest securities	11	35						
	Equity shares	12	90912	7		81448		823	
	Land	13							
	Currencies	14				1254			
	Other	15							
Options	Fixed-interest securities	21	283147			319523		1	
	Equity shares	22	251543			274128		183	
	Land	23							
	Currencies	24							
	Other	25	96281			118970			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32		26		3782		19	
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41	(743024)			(790730)			
Total (11 to 41)		49	(21106)	33		8375		1026	

**Analysis of derivative contracts**Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Category of assets **With-Profits Sub-Fund**

		Company registration number	GL/JUK/CM	Period ended			Units	Category of assets	
		R17	133846	GL	31	12	2005	£000	11
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
<b>Derivative contracts</b>	Fixed-interest securities	11	7						
	Equity shares	12	6888						
	Land	13							
	Currencies	14				1237			
	Other	15							
<b>Options</b>	Fixed-interest securities	21	283147				319523		
	Equity shares	22	251538				274042		
	Land	23							
	Currencies	24							
	Other	25	96281				118970		
<b>Contracts for differences</b>	Fixed-interest securities	31							
	Equity shares	32			26		3782		
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41	(660611)				(709762)		
Total (11 to 41)		49	(22750)		26		7792		

## Analysis of derivative contracts

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Category of assets **Other Business Sub-Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	133846	GL	31	12	2005	£000	12
		As at the end of this financial year			As at the end of the previous year				
		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Derivative contracts	Fixed-interest securities	11	27						
	Equity shares	12	84024	7	81448		823		
	Land	13							
	Currencies	14			17				
	Other	15							
Options	Fixed-interest securities	21							1
	Equity shares	22	5		86		183		
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							19
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41	(82413)				(80968)		
Total (11 to 41)		49	1643	7	583		1026		

With-profits insurance capital component for the fund

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

With-profits fund **With Profits Sub-Fund 1**

Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
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**Regulatory excess capital**

Regulatory value of assets	Long-term admissible assets of the fund	11	7694056	8562203
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of non-profit insurance contracts written in the fund	13		
	Long-term admissible assets of the fund covering the long-term insurance capital requirement allocated in respect of non-profit insurance contracts written in the fund	14		
	Long-term admissible assets of the fund covering the resilience capital requirement allocated in respect of non-profit insurance contracts written in fund	15		
	Total (11+12-(13+14+15))	19	7694056	8562203
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profit insurance contracts	21	7242354	8422362
	Regulatory current liabilities of the fund	22	10822	81865
	Total (21+22)	29	7253176	8504227
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	291824	336895
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		47500
Sum of regulatory value of liabilities, long-term insurance capital requirement and resilience capital requirement (29+31+32)		39	7545000	8888622
Regulatory excess capital (19-39)		49	149056	(326419)

**Realistic excess capital**

Realistic excess capital	51	(81364)	(328563)
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**Excess assets allocated to with-profits insurance business**

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	230420	2144
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63 and zero; else greater of 61 and zero)	64	230420	2144

**Realistic balance sheet**

 Form 19  
 (Sheet 1)  
 Resubmitted

 Name of insurer **Scottish Mutual Assurance plc**

Global business

 Financial year ended **31st December 2005**

 With-profits fund **With Profits Sub-Fund 1**

 Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
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**Realistic value of assets available to the fund**

Regulatory value of assets	11	7694056	8562203
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21	4246	9437
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of the fund (11+21+22+23+24+25-(12+13))	26	7698302	8571640
Support arrangement assets	27		
Assets available to the fund (26+27)	29	7698302	8571640

**Realistic value of liabilities of fund**

With-profits benefit reserve	31	6781434	7704320	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	767899	621025
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	132011	105558
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	2573	1589
	Total (32+34+41+42+43+44+45+46+47 - (33+35+36))	49	902483	728172
Realistic current liabilities of the fund	51	(1235)	63890	
Realistic value of liabilities of the fund (31+49+51)	59	7682682	8496382	

**Realistic balance sheet**

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**

With-profits fund **With Profits Sub-Fund 1**

Units **£000**

	As at end of this financial year 1	As at end of the previous year 2
--	--	--

**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than present value of future profits arising from business outside with-profits funds	62	7779666	8900203
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	7779666	8900203
Risk capital margin for fund (62-59)	65	96985	403821
Realistic excess capital for fund (26-(59+65))	66	(81364)	(328563)
Realistic excess available capital for fund (29-(59+65))	67	(81364)	(328563)
Working capital for fund (29-59)	68	15620	75258
Working capital ratio for fund (68/29)	69	0.20	0.01

**Other assets potentially available if required to cover the fund's risk capital margin**

Additional amount potentially available for inclusion in line 62	81	948405	936105
Additional amount potentially available for inclusion in line 63	82		



**Long-term insurance business : Revenue account**Name of insurer **Scottish Mutual Assurance plc**Name and number of fund/Summary **Long Term Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	462791	532685
Investment income receivable before deduction of tax	12	410652	558899
Increase (decrease) in the value of non-linked assets brought into account	13	877068	(806797)
Increase (decrease) in the value of linked assets	14	278798	108916
Other income	15		
<b>Total income</b>	<b>19</b>	<b>2029309</b>	<b>393703</b>
<b>Expenditure</b>			
Claims incurred	21	2047303	1975644
Expenses payable	22	174552	233656
Interest payable before deduction of tax	23	62674	166374
Taxation	24	104500	48888
Other expenditure	25	20001	
Transfer to (from) non technical account	26	501290	(198854)
<b>Total expenditure</b>	<b>29</b>	<b>2910320</b>	<b>2225708</b>
Business transfers-in	31	152629	
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(728382)	(1832005)
Fund brought forward	49	11662002	13494007
Fund carried forward (39+49)	59	10933620	11662002

## Long-term insurance business : Revenue account

Name of insurer **Scottish Mutual Assurance plc**Name and number of fund/Summary **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	25418	34670
Investment income receivable before deduction of tax	12	238996	387275
Increase (decrease) in the value of non-linked assets brought into account	13	243348	(241142)
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>507762</b>	<b>180803</b>
<b>Expenditure</b>			
Claims incurred	21	407025	221119
Expenses payable	22	12222	10669
Interest payable before deduction of tax	23	32406	106304
Taxation	24	(3268)	66088
Other expenditure	25	1238097	807944
Transfer to (from) non technical account	26	1290	1146
<b>Total expenditure</b>	<b>29</b>	<b>1687772</b>	<b>1213270</b>
Business transfers-in	31		
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1180010)	(1032467)
Fund brought forward	49	8422362	9454829
Fund carried forward (39+49)	59	7242352	8422362

**Long-term insurance business : Revenue account**Name of insurer **Scottish Mutual Assurance plc**Name and number of fund/Summary **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Earned premiums	11	437373	498015
Investment income receivable before deduction of tax	12	171656	171624
Increase (decrease) in the value of non-linked assets brought into account	13	633721	(565655)
Increase (decrease) in the value of linked assets	14	278798	108916
Other income	15		
<b>Total income</b>	<b>19</b>	<b>1521548</b>	<b>212900</b>
<b>Expenditure</b>			
Claims incurred	21	1640278	1754525
Expenses payable	22	162329	222987
Interest payable before deduction of tax	23	30269	60070
Taxation	24	107768	(17200)
Other expenditure	25	(1218094)	(807944)
Transfer to (from) non technical account	26	500000	(200000)
<b>Total expenditure</b>	<b>29</b>	<b>1222550</b>	<b>1012438</b>
Business transfers-in	31	152629	
Business transfers-out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	451627	(799538)
Fund brought forward	49	3239640	4039178
Fund carried forward (39+49)	59	3691267	3239640

## Long term insurance business : Analysis of premiums

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Long Term Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11	302286	95092		397378	433002
Single premiums	12	41572	110571		152143	224446
<b>Reinsurance - external</b>						
Regular premiums	13	86777	(220)		86557	124804
Single premiums	14		174		174	(41)
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16					
<b>Net of reinsurance</b>						
Regular premiums	17	215509	95312		310821	308198
Single premiums	18	41572	110397		151969	224487
<b>Total</b>						
Gross	19	343858	205663		549521	657448
Reinsurance	20	86777	(46)		86731	124763
Net	21	257081	205709		462790	532685

## Long term insurance business : Analysis of premiums

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11	10601	14893		25494	38640
Single premiums	12		2		2	(3970)
<b>Reinsurance - external</b>						
Regular premiums	13	75	3		78	
Single premiums	14					
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16					
<b>Net of reinsurance</b>						
Regular premiums	17	10526	14890		25416	38640
Single premiums	18		2		2	(3970)
<b>Total</b>						
Gross	19	10601	14895		25496	34670
Reinsurance	20	75	3		78	
Net	21	10526	14892		25418	34670

## Long term insurance business : Analysis of premiums

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Regular premiums	11	291685	80199		371884	394362
Single premiums	12	41572	110569		152141	228416
<b>Reinsurance - external</b>						
Regular premiums	13	86702	(223)		86479	124804
Single premiums	14		174		174	(41)
<b>Reinsurance - intra-group</b>						
Regular premiums	15					
Single premiums	16					
<b>Net of reinsurance</b>						
Regular premiums	17	204983	80422		285405	269558
Single premiums	18	41572	110395		151967	228457
<b>Total</b>						
Gross	19	333257	190768		524025	622778
Reinsurance	20	86702	(49)		86653	124763
Net	21	246555	190817		437372	498015

**Long term insurance business : Analysis of claims**Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Long Term Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11	151022	14229		165251	122865
Disability periodic payments	12	895			895	
Surrender or partial surrender	13	1259440	422002		1681442	1588467
Annuity payments	14		88814		88814	65696
Lump sums on maturity	15	66469	150817		217286	301156
<b>Total</b>	<b>16</b>	<b>1477826</b>	<b>675862</b>		<b>2153688</b>	<b>2078184</b>
<b>Reinsurance - external</b>						
Death or disability lump sums	21	69739	1		69740	38441
Disability periodic payments	22					
Surrender or partial surrender	23					22454
Annuity payments	24		36645		36645	39050
Lump sums on maturity	25					2595
<b>Total</b>	<b>26</b>	<b>69739</b>	<b>36646</b>		<b>106385</b>	<b>102540</b>
<b>Reinsurance - intra-group</b>						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>					
<b>Net of reinsurance</b>						
Death or disability lump sums	41	81283	14228		95511	84424
Disability periodic payments	42	895			895	
Surrender or partial surrender	43	1259440	422002		1681442	1566013
Annuity payments	44		52169		52169	26646
Lump sums on maturity	45	66469	150817		217286	298561
<b>Total</b>	<b>46</b>	<b>1408087</b>	<b>639216</b>		<b>2047303</b>	<b>1975644</b>

## Long term insurance business : Analysis of claims

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11	4196	2411		6607	5943
Disability periodic payments	12					
Surrender or partial surrender	13	20669	240850		261519	67194
Annuity payments	14		27016		27016	8990
Lump sums on maturity	15	59664	52219		111883	138993
<b>Total</b>	<b>16</b>	<b>84529</b>	<b>322496</b>		<b>407025</b>	<b>221120</b>
<b>Reinsurance - external</b>						
Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
<b>Total</b>	<b>26</b>					
<b>Reinsurance - intra-group</b>						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>					
<b>Net of reinsurance</b>						
Death or disability lump sums	41	4196	2411		6607	5943
Disability periodic payments	42					
Surrender or partial surrender	43	20669	240850		261519	67194
Annuity payments	44		27016		27016	8990
Lump sums on maturity	45	59664	52219		111883	138993
<b>Total</b>	<b>46</b>	<b>84529</b>	<b>322496</b>		<b>407025</b>	<b>221120</b>



## Long term insurance business : Analysis of claims

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Death or disability lump sums	11	146826	11818		158644	116922
Disability periodic payments	12	895			895	
Surrender or partial surrender	13	1238772	181152		1419924	1521273
Annuity payments	14		61798		61798	56706
Lump sums on maturity	15	6805	98597		105402	162163
<b>Total</b>	<b>16</b>	<b>1393298</b>	<b>353365</b>		<b>1746663</b>	<b>1857064</b>
<b>Reinsurance - external</b>						
Death or disability lump sums	21	69739	1		69740	38441
Disability periodic payments	22					
Surrender or partial surrender	23					22454
Annuity payments	24		36645		36645	39050
Lump sums on maturity	25					2595
<b>Total</b>	<b>26</b>	<b>69739</b>	<b>36646</b>		<b>106385</b>	<b>102540</b>
<b>Reinsurance - intra-group</b>						
Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>					
<b>Net of reinsurance</b>						
Death or disability lump sums	41	77087	11817		88904	78481
Disability periodic payments	42	895			895	
Surrender or partial surrender	43	1238772	181152		1419924	1498819
Annuity payments	44		25153		25153	17656
Lump sums on maturity	45	6805	98597		105402	159568
<b>Total</b>	<b>46</b>	<b>1323559</b>	<b>316719</b>		<b>1640278</b>	<b>1754524</b>

## Long term insurance business : Analysis of expenses

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Long Term Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11	76418	191		76609	106648
Commission - other	12	15274	1042		16316	12009
Management - acquisition	13	29966	7661		37627	64982
Management - maintenance	14	17347	20308		37655	56377
Management - other	15	3376	2969		6345	3225
<b>Total</b>	<b>16</b>	<b>142382</b>	<b>32170</b>		<b>174552</b>	<b>243240</b>
<b>Reinsurance - external</b>						
Commission - acquisition	21					9581
Commission - other	22					2
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					<b>9583</b>
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					
<b>Net of reinsurance</b>						
Commission - acquisition	41	76418	191		76609	97067
Commission - other	42	15274	1042		16316	12006
Management - acquisition	43	29966	7661		37627	64982
Management - maintenance	44	17347	20308		37655	56377
Management - other	45	3376	2969		6345	3225
<b>Total</b>	<b>46</b>	<b>142382</b>	<b>32170</b>		<b>174552</b>	<b>233657</b>

## Long term insurance business : Analysis of expenses

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11					
Commission - other	12	332	33		365	384
Management - acquisition	13	286	189		475	823
Management - maintenance	14	3343	2214		5557	7363
Management - other	15	2858	2969		5827	2099
<b>Total</b>	16	6819	5405		12224	10669
<b>Reinsurance - external</b>						
Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	26					
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	36					
<b>Net of reinsurance</b>						
Commission - acquisition	41					
Commission - other	42	332	33		365	384
Management - acquisition	43	286	189		475	823
Management - maintenance	44	3343	2214		5557	7363
Management - other	45	2858	2969		5827	2099
<b>Total</b>	46	6819	5405		12224	10669

## Long term insurance business : Analysis of expenses

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Gross</b>						
Commission - acquisition	11	76418	191		76609	106648
Commission - other	12	14942	1009		15951	11625
Management - acquisition	13	29681	7471		37152	64158
Management - maintenance	14	14005	18094		32098	49011
Management - other	15	518			518	1126
<b>Total</b>	16	135564	26765		162329	232568
<b>Reinsurance - external</b>						
Commission - acquisition	21					9581
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	26					9581
<b>Reinsurance - intra-group</b>						
Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	36					
<b>Net of reinsurance</b>						
Commission - acquisition	41	76418	191		76609	97067
Commission - other	42	14942	1009		15951	11625
Management - acquisition	43	29681	7471		37152	64158
Management - maintenance	44	14005	18094		32098	49011
Management - other	45	518			518	1126
<b>Total</b>	46	135564	26765		162329	222988

## Long term insurance business : Linked funds balance sheet

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Internal linked funds (excluding cross investment)</b>			
Directly held assets (excluding collective investment schemes)	11	537303	
Directly held assets in collective investment schemes of connected companies	12	1792729	
Directly held assets in other collective investment schemes	13	302559	
<b>Total assets (excluding cross investment) (11+12+13)</b>	14	2632591	
Provision for tax on unrealised capital gains	15	3675	
Secured and unsecured loans	16		
Other liabilities	17	22727	
<b>Total net assets (14-15-16-17)</b>	18	2606189	
<b>Directly held linked assets</b>			
Value of directly held linked assets	21	78586	
<b>Total</b>			
Value of directly held linked assets and units held (18+21)	31	2684775	
Surplus units	32	3281	
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	34	2681494	

## Long term insurance business : Revenue account for internal linked funds

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Income</b>			
Value of total creation of units	11	313692	
Investment income attributable to the funds before deduction of tax	12	73299	
Increase (decrease) in the value of investments in the financial year	13	275806	
Other income	14		
<b>Total income</b>	19	662797	
<b>Expenditure</b>			
Value of total cancellation units	21	393393	
Charges for management	22	17746	
Charges in respect of tax on investment income	23	1669	
Taxation on realised capital gains	24	2148	
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	3669	
Other expenditure	26		
<b>Total expenditure</b>	29	418625	
Increase (decrease) in funds in financial year (19-29)	39	244172	
Internal linked fund brought forward	49	2362016	
Internal linked funds carried forward (39 + 49)	59	2606188	

## Long term insurance business : Summary of new business

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
		1	2	3	4	5
<b>Number of new policyholders/scheme members for direct insurance business</b>						
Regular premium business	11	91959	4228		96187	
Single premium business	12	69	4371		4440	
<b>Total</b>	<b>13</b>	<b>92028</b>	<b>8599</b>		<b>100627</b>	
<b>Amount of new regular premiums</b>						
Direct insurance business	21	53938	10096		64034	
External reinsurance	22					
Intra-group reinsurance	23	2	361		363	
<b>Total</b>	<b>24</b>	<b>53940</b>	<b>10457</b>		<b>64397</b>	
<b>Amount of new single premiums</b>						
Direct insurance business	25	3008	148960		151968	
External reinsurance	26					
Intra-group reinsurance	27	89			89	
<b>Total</b>	<b>28</b>	<b>3097</b>	<b>148960</b>		<b>152057</b>	

Long term insurance business : Analysis of new business

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Life / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
325	Level term assurance	10291	3712		
330	Decreasing term assurance	17289	5947		
340	Accelerated critical illness (guaranteed premiums)	38734	21758		
345	Accelerated critical illness (reviewable premiums)	4411	3078		
350	Stand-alone critical illness (guaranteed premiums)	5802	4193		
355	Stand-alone critical illness (reviewable premiums)	503	350		
360	Income protection non-profit (guaranteed premiums)	8026	6698		
500	Life UWP single premium				95
510	Life UWP endowment regular premium - savings		8		
700	Life property linked single premium			69	2913
710	Life property linked whole life regular premium	6902	8185		
715	Life property linked endowment regular premium - savings	1	9		



**Long term insurance business : Analysis of new business**

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
500	Life UWP single premium (Abbey National Life)				41
516	Life UWP endowment regular premium - (ISA - Abbey National Life))		2		48

Long term insurance business : Analysis of new business

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>
170	Conventional deferred annuity with-profits - increments (with guaranteed annuity option)		6		513
170	Conventional deferred annuity with-profits - increments (with guaranteed cash option)				52
180	Group conventional deferred annuity with-profits - increments (with guaranteed cash option)		523		237
325	Level term assurance		9		
400	Annuity non-profit (CPA)			3326	61070
530	Individual pensions UWP - increments		203		344
540	Group money purchase pensions UWP - increments		1069		133
570	Income drawdown UWP (Income withdrawal plan)				353
725	Individual pensions property linked	262	1499	334	10190
730	Individual pensions property linked - increments		668		24169
735	Group money purchase pensions property linked	3966	4837	227	4692
740	Group money purchase pensions property linked - increments		1282		917

Long term insurance business : Analysis of new business

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Direct insurance business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
750	Income drawdown property linked (Income withdrawal plan)			460	34360
755	Trustee investment plan			24	11930

**Long term insurance business : Analysis of new business**

Name of insurer **Scottish Mutual Assurance plc**

Total business

Financial year ended **31st December 2005**

Units **£000**

UK Pension / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
530	Individual pensions UWP - increments (Abbey National Life)		361		

## Long term insurance business : Non-linked assets

Name of insurer **Scottish Mutual Assurance plc**Category of assets **With-Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12					
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18					
<b>Total</b>	<b>19</b>					
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
Land and buildings	21					9.29
Approved fixed interest securities	22		1271592	63192	4.11	7.2
Other fixed interest securities	23	1461770	3203863	169594	4.74	8.26
Variable interest securities	24					
UK listed equity shares	25	11026	1759055	58985	5.22	19.81
Non-UK listed equity shares	26	19338	740005	15734	4.02	23.26
Unlisted equity shares	27					
Other assets	28	6201922	719541	3496	0.21	5.64
<b>Total</b>	<b>29</b>	<b>7694056</b>	<b>7694056</b>	<b>311001</b>	<b>4.25</b>	<b>12.33</b>
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					12.28
Return allocated to non taxable 'asset shares'	32					12.28
Return allocated to taxable 'asset shares'	33					10.09

## Long term insurance business : Non-linked assets

Name of insurer **Scottish Mutual Assurance plc**Category of assets **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Unadjusted assets	Economic Exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
		1	2	3	4	5
<b>Assets backing non-profit liabilities and non-profit capital requirement</b>						
Land and buildings	11					
Approved fixed interest securities	12		746897	35878	4.11	
Other fixed interest securities	13	798014	1061938	50902	4.75	
Variable interest securities	14					
UK listed equity shares	15		745	6	1.26	
Non-UK listed equity shares	16	557	693	19	4.75	
Unlisted equity shares	17	4386	4386			
Other assets	18	1170749	159046	5421	3.41	
<b>Total</b>	<b>19</b>	<b>1973706</b>	<b>1973705</b>	<b>92226</b>	<b>4.39</b>	
<b>Assets backing with-profits liabilities and with-profits capital requirement</b>						
Land and buildings	21					
Approved fixed interest securities	22					
Other fixed interest securities	23					
Variable interest securities	24					
UK listed equity shares	25					
Non-UK listed equity shares	26					
Unlisted equity shares	27					
Other assets	28					
<b>Total</b>	<b>29</b>					
<b>Overall return on with-profits assets</b>						
Post investment costs but pre-tax	31					
Return allocated to non taxable 'asset shares'	32					
Return allocated to taxable 'asset shares'	33					

## Long term insurance business : Fixed and variable interest assets

Name of insurer **Scottish Mutual Assurance plc**Category of assets **With-Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
<b>UK government approved fixed interest securities</b>	11	1104318	8.39	4.16	4.16
<b>Other approved fixed interest securities</b>	21	167274	7.11	3.75	3.73
<b>Other fixed interest securities</b>					
AAA/Aaa	31	861701	6.49	4.44	4.33
AA/Aa	32	872789	2.56	4.57	4.40
A/A	33	835335	8.04	5.08	4.70
BBB/Baa	34	243624	7.65	5.14	4.45
BB/Ba	35	2169	7.98	5.22	3.72
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	388246	3.67	4.79	4.44
<b>Total other fixed interest securities</b>	39	3203864	5.57	4.74	4.47
<b>Approved variable interest securities</b>	41				
<b>Other variable interest securities</b>	51				
<b>Total (11+21+39+41+51)</b>	61	4475456	6.32	4.56	4.37

## Long term insurance business : Fixed and variable interest assets

Name of insurer **Scottish Mutual Assurance plc**Category of assets **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Value of assets	Mean term	Yield before adjustment	Yield after adjustment
		1	2	3	4
<b>UK government approved fixed interest securities</b>	11	741302	11.24	4.11	4.11
<b>Other approved fixed interest securities</b>	21	5596	12.02	4.71	4.71
<b>Other fixed interest securities</b>					
AAA/Aaa	31	316240	2.58	4.62	4.47
AA/Aa	32	350067	1.08	4.66	4.49
A/A	33	226235	4.20	4.92	4.63
BBB/Baa	34	30628	8.55	5.47	4.72
BB/Ba	35	315	7.98	5.22	3.72
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	138453	1.40	4.82	4.54
<b>Total other fixed interest securities</b>	39	1061938	2.45	4.75	4.53
<b>Approved variable interest securities</b>	41				
<b>Other variable interest securities</b>	51				
<b>Total (11+21+39+41+51)</b>	61	1808836	6.08	4.49	4.36



## Long term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11	439508	1533698		1973206	
Form 51 - non-profit	12					
Form 52	13	3021221	1356607	891506	5269334	
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>3460729</b>	<b>2890305</b>	<b>891506</b>	<b>7242540</b>	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21	1216			1216	
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>1216</b>			<b>1216</b>	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>					
<b>Net of reinsurance</b>						
Form 51 - with-profits	41	438292	1533698		1971990	
Form 51 - non-profit	42					
Form 52	43	3021221	1356607	891506	5269334	
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>3459513</b>	<b>2890305</b>	<b>891506</b>	<b>7241324</b>	

## Long term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11					
Form 51 - non-profit	12	363053	972909		1335962	
Form 52	13	(1237)	20		(1217)	
Form 53 - linked	14	418191	2263302		2681493	
Form 53 - non-linked	15	32846	34703		67549	
Form 54 - linked	16	9704			9704	
Form 54 - non-linked	17	37			37	
<b>Total</b>	18	822594	3270934		4093528	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21					
Form 51 - non-profit	22	99849	467729		567578	
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	388			388	
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	28	100237	467729		567966	
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	38					
<b>Net of reinsurance</b>						
Form 51 - with-profits	41					
Form 51 - non-profit	42	263204	505180		768384	
Form 52	43	(1237)	20		(1217)	
Form 53 - linked	44	418191	2263302		2681493	
Form 53 - non-linked	45	32458	34703		67161	
Form 54 - linked	46	9704			9704	
Form 54 - non-linked	47	37			37	
<b>Total</b>	48	722357	2803205		3525562	

## Long term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Bonus Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		UK Life	UK Pension	Overseas	Total Financial Year	Total Previous Year
		1	2	3	4	5
<b>Gross</b>						
Form 51 - with-profits	11					
Form 51 - non-profit	12	81733			81733	
Form 52	13					
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
<b>Total</b>	<b>18</b>	<b>81733</b>			<b>81733</b>	
<b>Reinsurance - external</b>						
Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>					
<b>Reinsurance - intra-group</b>						
Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
<b>Total</b>	<b>38</b>					
<b>Net of reinsurance</b>						
Form 51 - with-profits	41					
Form 51 - non-profit	42	81733			81733	
Form 52	43					
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
<b>Total</b>	<b>48</b>	<b>81733</b>			<b>81733</b>	

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	1337	33092	367	n/a	n/a	n/a	15317
120	Conventional endowment with-profits OB savings	43930	793897	14940	n/a	n/a	n/a	422053
125	Conventional endowment with-profits OB target cash (with gao)	108	77	2	n/a	n/a	n/a	826
205	Miscellaneous conventional with-profits	21	4		n/a	n/a	n/a	1312
205	Miscellaneous conventional with-profits per annum		3		n/a	n/a	n/a	

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Reinsurance ceded external**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB		1606	9	n/a	n/a	n/a	749
120	Conventional endowment with-profits OB savings		806	24	n/a	n/a	n/a	467

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	31	24	1	n/a	n/a	n/a	569
165	Conventional deferred annuity with-profits(with guaranteed annuity option) per annum	30021	443072	6546	n/a	n/a	n/a	701754
165	Conventional deferred annuity with-profits(with guaranteed cash option) per annum	8543	26663	1445	n/a	n/a	n/a	321068
175	Group conventional deferred annuity with-profits( with guaranteed cash option) per annum	4848	23797	5242	n/a	n/a	n/a	221383
175	Group conventional deferred annuity with-profits( full profit) per annum	1133	11149		n/a	n/a	n/a	147747
175	Group conventional deferred annuity with-profits( reversionary bonus) per annum	13	1109		n/a	n/a	n/a	21138
185	Group conventional pensions endowment with-profits	325	9101	101	n/a	n/a	n/a	7971
200	Annuity with-profits (CPA)	1252	4653		n/a	n/a	n/a	46033
200	Annuity with-profits (CPA)(vested full profit)	1065	3865		n/a	n/a	n/a	59031
205	Miscellaneous conventional with-profits	172			n/a	n/a	n/a	1834
210	Additional reserves with-profits OB				n/a	n/a	n/a	5170

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Bonus Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
305	Single premium non-profit W/L/EA OB (TBB)	3027	82551		n/a	n/a	n/a	81733

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit W/L/EA OB	3528	12311	156	n/a	n/a	n/a	9917
305	Single premium non-profit W/L/EA OB		6145		n/a	n/a	n/a	6363
325	Level term assurance	81957	11240818	27260	n/a	n/a	n/a	43236
330	Decreasing term assurance	55849	4642980	15489	n/a	n/a	n/a	4317
330	Decreasing term assurance per annum		4541		n/a	n/a	n/a	
340	Accelerated critical illness (guaranteed premiums)	227034	20303304	107151	n/a	n/a	n/a	139150
345	Accelerated critical illness (reviewable premiums)	18150	1925191	10577	n/a	n/a	n/a	11441
350	Stand-alone critical illness (guaranteed premiums)	28712	3215376	16458	n/a	n/a	n/a	25608
355	Stand-alone critical illness (reviewable premiums)	1278	150623	848	n/a	n/a	n/a	667
360	Income protection non-profit (guaranteed premiums)	37354	644513	17067	n/a	n/a	n/a	10548
365	Income protection non-profit (reviewable premiums)	2217	39674	1054	n/a	n/a	n/a	1300



Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
380	Miscellaneous protection rider		843	5269	n/a	n/a	n/a	11699
380	Miscellaneous protection rider per annum		104964		n/a	n/a	n/a	
385	Income protection claims in payment per annum		213		n/a	n/a	n/a	986
390	Deferred annuity non-profit per annum	105	15		n/a	n/a	n/a	834
395	Annuity non-profit (PLA) per annum	706	844		n/a	n/a	n/a	6803
435	Miscellaneous non-profit	1002	8243	93	n/a	n/a	n/a	1011
440	Additional reserves non-profit OB				n/a	n/a	n/a	7439

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Reinsurance ceded external**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
300	Regular premium non-profit W/L/EA OB		22		n/a	n/a	n/a	18
325	Level term assurance		5237321	10801	n/a	n/a	n/a	31303
330	Decreasing term assurance		1750841	4340	n/a	n/a	n/a	3170
330	Decreasing term assurance per annum		67		n/a	n/a	n/a	
336	Mortality risk premium reinsurance		5398000	4546	n/a	n/a	n/a	4925
340	Accelerated critical illness (guaranteed premiums)		13136113	44026	n/a	n/a	n/a	46629
345	Accelerated critical illness (reviewable premiums)		1272573	4437	n/a	n/a	n/a	(5554)
350	Stand-alone critical illness (guaranteed premiums)		1906714	6811	n/a	n/a	n/a	16894
355	Stand-alone critical illness (reviewable premiums)		95893	377	n/a	n/a	n/a	161
360	Income protection non-profit (guaranteed premiums)		494087	8005	n/a	n/a	n/a	(1389)
365	Income protection non-profit (reviewable premiums)		30414	494	n/a	n/a	n/a	99

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Reinsurance ceded external**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
		<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
1	<b>2</b>							
380	Miscellaneous protection rider		140	79	n/a	n/a	n/a	2762
380	Miscellaneous protection rider per annum		1570		n/a	n/a	n/a	
385	Income protection claims in payment per annum		65		n/a	n/a	n/a	354
435	Miscellaneous non-profit		1464	7	n/a	n/a	n/a	477

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	10896	340256	1259	n/a	n/a	n/a	23959
390	Deferred annuity non-profit per annum	2768	8518		n/a	n/a	n/a	82342
400	Annuity non-profit (CPA) per annum	39627	82817		n/a	n/a	n/a	858414
435	Miscellaneous non-profit per annum	20	1930	2	n/a	n/a	n/a	8194

Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Reinsurance ceded external**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance		10728	37	n/a	n/a	n/a	458
400	Annuity non-profit (CPA) per annum		47863		n/a	n/a	n/a	467245
435	Miscellaneous non-profit				n/a	n/a	n/a	26

Long term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium (SMA bonds)	67691	1998448		1998448	1915435		1915435
500	Life UWP single premium (ANL bonds)		786843		786843	765164		765164
505	Life UWP whole life regular premium (SMA)		2315	426	2315	2315	19	2335
505	Life UWP whole life regular premium (ANL)		3152	824	3152	3152		3152
510	Life UWP endowment regular premium - savings (SMA)		13504	2776	13504	13508	89	13597
510	Life UWP endowment regular premium - savings (ANL)		275137	33922	275137	275215		275215
516	Life UWP endowment regular premium - (ISA) (ANL)		45783	12062	45783	45783		45783
575	Miscellaneous UWP (ANL)		540	206	540	540		540

Long term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
525	Individual pensions UWP (SMA)		647240	19594	647240	701506	4113	705619
525	Individual pensions UWP (ANL)		190383	8617	190383	190394		190394
535	Group money purchase pensions UWP (SMA)		296007	13563	296007	337546	2108	339654
535	Group money purchase pensions UWP (ANL)		19	4	19	19		19
570	Income drawdown UWP (Income withdrawal plan)		79947		79947	78657		78657
571	Trustee investment plan UWP				43420	42264		42264

Long term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **With Profits Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**Overseas (n/a) / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium (SMI with profit bond Sterling)		30958		30958	29899		29899
500	Life UWP single premium (SMI with profit bond Dollar)		62766		62766	59850		59850
500	Life UWP single premium (SMI with profit bond Euro)		839024		839024	801757		801757



Long term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium (SMA bonds)		19934				(1237)	(1237)

Long term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
571	Trustee investment plan UWP (corporate investment account)						20	20

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	14612	345347		332835	332835	(3012)	329824
710	Life property linked whole life regular premium	122475	1631109	76373	46775	46775	31436	78210
715	Life property linked endowment regular premium - savings	5647	208047	3251	34913	34913	957	35871
790	Miscellaneous protection rider (waiver of premium)			36			166	166
795	Miscellaneous property linked (term assurance)	3678	325382	1858	3668	3668	13	3681
800	Additional reserves property linked			892			3286	3286

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Reinsurance ceded external**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium		2877					
710	Life property linked whole life regular premium		7526346	97				
715	Life property linked endowment regular premium - savings		224	1				
795	Miscellaneous property linked (term assurance)		182382					
800	Additional reserves property linked (extra premium - life and PHI)			388			388	388

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked	120769	1002858	36904	972182	969534	(17086)	952448
735	Group money purchase pensions property linked	163114	423213	36341	411211	411210	68860	480070
750	Income drawdown property linked	6287	430544		429141	429141	(20762)	408380
755	Trustee investment plan				453417	453417	(307)	453110
790	Miscellaneous protection rider			265			1254	1254
795	Miscellaneous property linked						1040	1040
800	Additional reserves property linked						1704	1704

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Pension / Reinsurance ceded external**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		2948	3				
735	Group money purchase pensions property linked							

Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Mutual Assurance plc**

Total business / subfund **Other Business Sub-Fund**

Financial year ended **31st December 2005**

Units **£000**

**UK Life / Gross**

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
900	Life index linked single premium (income bond - tranche 12)	275	5157		5516	5516	13	5529
900	Life index linked single premium (income bond - tranche 13)	138	4013		4188	4188	24	4212

## Long term insurance business : Unit prices for internal linked funds

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Life Corporate Bond	04 - life - other managed fund	7026 0		69.36743	1.088272	1.155927	6.22
Life Managed 100	04 - life - other managed fund	7086 0		67.38953	1.180675	1.210099	2.49
Life Managed 95	04 - life - other managed fund	3510 0		38.61714	1.169813	1.173197	0.29
Life Cash	04 - life - other managed fund	25244 0		274.98939	2.440706	2.506367	2.69
Cash Plus Life Fund	04 - life - other managed fund	532 0			1.010168	1.04812	3.76
Unit Endowment	04 - life - other managed fund	4645 0		(19.2769)	27.151399	31.890524	17.45
Life European	06 - life - overseas equity	10040 0		(6.03977)	6.497518	7.860862	20.98
Life Far Eastern	06 - life - overseas equity	2913 0		(30.93029)	3.216323	4.152109	29.09
Life Gilts & Fixed interest	04 - life - other managed fund	24091 0		63.63797	3.800721	4.014081	5.61
Life Growth	02 - life - balanced managed fund	134647 0		1078.66592	3.54962	4.154138	17.03
Pegasus Aggressive Life	06 - life - overseas equity	1642 0		3.76156	1.706878	2.057591	20.62
Pegasus Balanced Life	02 - life - balanced managed fund	16528 0		38.21874	1.850126	2.159626	16.73
Pegasus Cautious Life	02 - life - balanced managed fund	569 0		1.31686	2.348408	2.526871	7.60



## Long term insurance business : Unit prices for internal linked funds

(Sheet 2)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Life International	06 - life - overseas equity	2758	0	(3.2401)	3.824643	4.648975	21.55
Life Japanese	06 - life - overseas equity	1284	0	(.03101)	1.036289	1.3896	34.09
Life North American	06 - life - overseas equity	2061	0	(.00531)	4.567015	5.308726	16.24
Life Opportunity	06 - life - overseas equity	24680	0	192.23367	3.042563	3.679468	20.93
Life Safety	03 - life - defensive managed fund	100638	0	888.50047	3.836518	4.138711	7.88
Life Technology	06 - life - overseas equity	44	0	.15717	.67603	.721797	6.77
Life UK Equity	05 - life - UK equity	8911	0	(.00135)	4.037313	4.879248	20.85
ABN AMRO Equity Income Life	05 - life - UK equity	806	0	7.08071	1.09385	1.300632	18.90
ABN AMRO Higher Income Life	04 - life - other managed fund	2444	0	22.75503	1.148199	1.253028	9.13
ABN AMRO UK Growth Life	05 - life - UK equity	638	0	5.41701	.993126	1.201391	20.97
Artemis UK Smaller Cos Life	05 - life - UK equity	418	0	3.80951	1.531382	1.770232	15.60
Artemis UK Special Sits Life	05 - life - UK equity	598	0	4.47156	1.396757	1.669995	19.56
Attica Europe (Ex UK) Life	06 - life - overseas equity	93	0	.88096	1.182913	1.47643	24.81

## Long term insurance business : Unit prices for internal linked funds

(Sheet 3)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Attica Far East (ex Japan) Life	06 - life - overseas equity	57 0		.52193	1.287403	1.72083	33.67
Attica Japan Life	06 - life - overseas equity	56 0		.46537	1.07255	1.460471	36.17
Attica UK Bond Life	04 - life - other managed fund	222 0		2.63908	1.076079	1.138529	5.80
Attica UK Equity Life	05 - life - UK equity	63 0		.86175	1.122926	1.327897	18.25
Attica US Equity Life	06 - life - overseas equity	176 0		1.69573	1.065817	1.215399	14.03
Baillie Gifford British 350 Life	05 - life - UK equity	291 0		3.25916	1.022782	1.179104	15.28
Baillie Gifford Pacific Life	06 - life - overseas equity	128 0		1.18723	.959763	1.192324	24.23
Fidelity American Life	06 - life - overseas equity	778 0		7.57392	.885925	1.063046	19.99
Fidelity European Life	06 - life - overseas equity	1230 0		10.06417	1.301842	1.623866	24.74
Fidelity Managed Life	02 - life - balanced managed fund	1360 0		11.60937	1.026872	1.213771	18.20
Fidelity Special Sits Life	05 - life - UK equity	4164 0		37.19857	1.252897	1.539648	22.89
Fidelity Wealthbuilder Life	02 - life - balanced managed fund	1105 0		9.63458	1.173527	1.421785	21.15
Framlington Health Life	05 - life - UK equity	360 0		3.13647	.817816	.918471	12.31

## Long term insurance business : Unit prices for internal linked funds

(Sheet 4)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Framlington UK Growth Life	05 - life - UK equity	348	0	2.9315	.878705	1.063801	21.06
First State Global Emerging Markets Life	06 - life - overseas equity	136	0	1.06708	1.310018	1.787614	36.46
First State Global Opportunities Life	06 - life - overseas equity	143	0	1.36948	1.238902	1.824708	47.28
Gartmore Corporate Bond Life	04 - life - other managed fund	1362	0	13.15648	1.055591	1.112744	5.41
Gartmore European Selected Opp Life	06 - life - overseas equity	797	0	6.43284	1.015495	1.235297	21.64
Gartmore UK Focus Life	05 - life - UK equity	212	0	1.93764	1.277161	1.517002	18.78
Inscape Cautious Growth Life	03 - life - defensive managed fund	933	0	8.99886	1.089418	1.167627	7.18
Inscape Higher Growth Life	01 - life - stock market managed fund	302	0	2.56106	1.168258	1.380043	18.13
Inscape Steady Growth Life	02 - life - balanced managed fund	967	0	8.34329	1.139599	1.295881	13.71
Lion Trust First Income Life	05 - life - UK equity	1220	0	11.17844	1.369742	1.55773	13.72
Morley Commercial Property Fund	07 - life - property	4426	0	32.00017	1.114246	1.201605	7.84
Merrill Lynch Managed Life	02 - life - balanced managed fund	243	0	2.16082	.98588	1.124484	14.06
Merrill Lynch UK Smaller Cos Life	05 - life - UK equity	306	0	2.83621	1.263885	1.553109	22.88

## Long term insurance business : Unit prices for internal linked funds

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Merrill Lynch UK Value Life	05 - life - UK equity	374	0	2.79165	1.080069	1.331496	23.28
Multi Manager Balanced Fund	04 - life - other managed fund	4240	0		1.01675	1.152164	13.32
Multi Manager Cautious Fund	04 - life - other managed fund	1812	0		.997392	1.068363	7.12
Multi Manager Equity Fund	06 - life - overseas equity	818	0		1.032988	1.227965	18.88
Multi Manager Bond Fund	04 - life - other managed fund	1195	0		.997118	1.046353	4.94
Multi Manager Growth Fund	02 - life - balanced managed fund	773	0		1.027439	1.186783	15.51
Newton Higher Income Life	04 - life - other managed fund	1904	0	17.39652	1.321595	1.540911	16.59
Newton Income Life	05 - life - UK equity	1938	0	17.29146	1.02673	1.197666	16.65
Newton Managed Life	02 - life - balanced managed fund	1838	0	16.25912	1.007598	1.177011	16.81
Newton Oriental Life	06 - life - overseas equity	275	0	2.35088	1.023804	1.34099	30.98
Invesco Perpetual Global Bond Life	04 - life - other managed fund	892	0	8.51263	1.083699	1.141027	5.29
Invesco Perpetual Higher Income Life	04 - life - other managed fund	4767	0	40.40992	1.197091	1.485902	24.13
Invesco Perpetual Managed Life	02 - life - balanced managed fund	1563	0	14.40167	1.126844	1.327	17.76

## Long term insurance business : Unit prices for internal linked funds

(Sheet 6)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Schroders UK Mid 250 Life	05 - life - UK equity	1385	0	12.84495	1.490264	1.855093	24.48
Schroders Medical Discovery Life	06 - life - overseas equity	6	0	.05149	.927736	1.082836	16.72
3001	04 - life - other managed fund	697	0	7.54956	1.76557	1.964986	11.29
3002	04 - life - other managed fund	4847	0	53.23798	1.946841	2.260839	16.13
3003	04 - life - other managed fund	1294	0	13.47411	2.052888	2.426757	18.21
3012	04 - life - other managed fund	824	0	9.02198	2.745163	3.296512	20.08
3051	04 - life - other managed fund	1085	0		1.62334	1.977656	21.83
3066	04 - life - other managed fund	289	0		1.490548	1.550647	4.03
3072	04 - life - other managed fund	700	0		5.346558	6.250544	16.91
3085	04 - life - other managed fund	3230	0		9.199979	11.209559	21.84
3087	04 - life - other managed fund	1181	0		4.661489	5.617583	20.51
3088	04 - life - other managed fund	349	0		2.816766	3.405712	20.91
Corporate Bond Pension Fund	14 - individual pension - other managed fund	227	0	1.0997	1.034587	1.122224	8.47

Long term insurance business : Unit prices for internal linked funds

(Sheet 7)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**

Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Pension FTSE 100	14 - individual pension - other managed fund	7045	0	72.77525	1.468634	1.560634	6.26
Pension FTSE 95	14 - individual pension - other managed fund	11456	0	112.86598	1.090964	1.289131	18.16
Pension Managed 100	14 - individual pension - other managed fund	52053	0	570.1835	1.604863	1.658521	3.34
Pension Managed 95	14 - individual pension - other managed fund	189125	0	2086.18265	1.857646	1.871135	0.73
Pension Cash	14 - individual pension - other managed fund	201915	0	2229.34805	3.387443	3.507842	3.55
Pension Trustee Cash Fund	14 - individual pension - other managed fund	43709	0	258.01967	1.020612	1.064306	4.28
Pension Equity Tracker	15 - individual pension - UK equity	7626	0	15.65068	.804015	.978624	21.72
Pension European	16 - individual pension - overseas equity	64716	0	.06453	6.400579	7.94304	24.10
Pension Gifts and Fixed Interest	14 - individual pension - other managed fund	60760	0	148.04168	5.282673	5.651328	6.98
Pension Growth	12 - individual pension - balanced managed fund	523478	0	4300.1317	4.264843	5.062675	18.71
Pension Halifax	14 - individual pension - other managed fund	93509	0	705.7824	4.225465	4.569709	8.15

## Long term insurance business : Unit prices for internal linked funds

(Sheet 8)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Pension International	16 - individual pension - overseas equity	30590	0	(29.2392)	3.997972	5.040911	26.09
Pension Japanese	16 - individual pension - overseas equity	12487	0	.0079	.969517	1.344893	38.72
Pension Far Eastern	16 - individual pension - overseas equity	20710	0	(154.636)	3.69267	4.965536	34.47
Pension Long Gliffs	14 - individual pension - other managed fund	6834	0	58.57394	1.413322	1.560635	10.42
Pension North American	16 - individual pension - overseas equity	24920	0	.72311	6.132234	7.298508	19.02
Pension Opportunity	16 - individual pension - overseas equity	127677	0	1017.33244	3.669574	4.532738	23.52
Pension Safety	13 - individual pension - defensive managed fund	137667	0	1185.238	5.276619	5.792732	9.78
Pension Full Participation	14 - individual pension - other managed fund	1893	0		1.0197	1.2116	18.82
Pension Higher Protection	14 - individual pension - other managed fund	3736	0		1.0217	1.1332	10.91
Pension Select Income	14 - individual pension - other managed fund	425	0		1.0688	1.1025	3.15
TIA Pooled Cash	14 - individual pension - other managed fund	341	0		1.488078	1.552291	4.32

## Long term insurance business : Unit prices for internal linked funds

Name of insurer **Scottish Mutual Assurance plc**

(Sheet 9)

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
TIA Pooled Corporate Bond	14 - individual pension - other managed fund	45305	0		1.344434	1.464995	8.97
TIA Pooled European	16 - individual pension - overseas equity	17550	0	(23,00545)	.95795	1.192896	24.53
TIA Pooled Far Eastern	16 - individual pension - overseas equity	9021	0	(11,62841)	1.140122	1.540643	35.13
TIA Pooled UK Gilts and Fixed Interest	14 - individual pension - other managed fund	25562	0	(84,37359)	1.386282	1.502123	8.36
TIA Pooled Long Gilt	14 - individual pension - other managed fund	6843	0	(21,68124)	1.812248	2.020932	11.52
TIA Pooled Index linked Gilt	14 - individual pension - other managed fund	21436	0	(70,18315)	1.53869	1.682839	9.37
TIA Pooled Japanese	16 - individual pension - overseas equity	9526	0	(11,95824)	.660936	.922651	39.60
TIA Pooled Managed	12 - individual pension - balanced managed fund	6924	0		1.219493	1.366714	12.24
TIA Pooled Managed 100 Guarantee	14 - individual pension - other managed fund	890	0		1.42694	1.487311	4.23
TIA Pooled Managed 95 Guarantee	14 - individual pension - other managed fund	826	0		1.274877	1.294622	1.55
TIA Pooled North American	16 - individual pension - overseas equity	16603	0	(21,52565)	.861674	1.040411	20.74



## Long term insurance business : Unit prices for internal linked funds

(Sheet 10)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
TIA Quarriers Pension Fund	#N/A	20255 0				1.183324	
TIA Staff Pension Scheme	14 - individual pension - other managed fund	173412 0			1.184126	1.388598	17.27
TIA Pooled UK Equity	15 - individual pension - UK equity	55604 0			1.274257	1.582623	24.20
Pension UK Equity	15 - individual pension - UK equity	104126 0		(.02693)	4.245748	5.138149	21.02
ABN AMRO Equity Income Pension	15 - individual pension - UK equity	3842 0		30.72513	1.311461	1.61495	23.14
ABN AMRO Higher Income Pension	14 - individual pension - other managed fund	4212 0		28.12457	1.185325	1.290254	8.65
ABN AMRO UK Growth Pension	15 - individual pension - UK equity	596 0		3.59774	1.270821	1.593623	25.40
Artemis UK Smaller Cos Pension	15 - individual pension - UK equity	2118 0		19.65039	1.646916	1.955572	18.74
Artemis UK Special Sits Pension	15 - individual pension - UK equity	3345 0		29.83918	1.51009	1.861446	23.27
Attica Europe (Ex UK ) Pension	16 - individual pension - overseas equity	86 0		.62902	1.297862	1.636575	26.10
Attica Far East (ex Japan) Pension	16 - individual pension - overseas equity	31 0		.22834	1.385617	1.918548	38.46
Attica Japan Pension	16 - individual pension - overseas equity	39 0		.26851	1.117956	1.596453	42.80

## Long term insurance business : Unit prices for internal linked funds

(Sheet 11)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Attica UK Bond Pension	14 - individual pension - other managed fund	301	0	2.96875	1.051589	1.128922	7.35
Attica UK Equity Pension	15 - individual pension - UK equity	329	0	2.7076	1.172472	1.408954	20.17
Attica US Equity Pension	16 - individual pension - overseas equity	32	0	.25981	1.030278	1.202033	16.67
Baillie Gifford British 350 Pension	16 - individual pension - overseas equity	1312	0	11.28047	1.220873	1.435004	17.54
Baillie Gifford Pacific Pension	16 - individual pension - overseas equity	629	0	5.03135	1.220627	1.575674	29.09
Fidelity American Pension	16 - individual pension - overseas equity	4078	0	36.8648	1.003919	1.22374	21.90
Fidelity European Pension	16 - individual pension - overseas equity	5074	0	36.65086	1.527904	1.977455	29.42
Fidelity Special Sits Pension	16 - individual pension - overseas equity	12324	0	99.57181	1.434908	1.820451	26.87
Fidelity Wealthbuilder Pension	16 - individual pension - overseas equity	2841	0	23.64802	1.18284	1.495945	26.47
SMA Fidelity Managed Pension	12 - individual pension - balanced managed fund	23376	0	193.85436	.98238	1.201729	22.33
Framlington Health Pension	16 - individual pension - overseas equity	558	0	5.09736	1.223273	1.404542	14.82
Framlington UK Growth Pension	15 - individual pension - UK equity	829	0	6.20543	1.093573	1.355619	23.96

## Long term insurance business : Unit prices for internal linked funds

(Sheet 12)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
First State Global Emerging Markets Pension	16 - individual pension - overseas equity	1146 0	0	7.12395	1.325428	1.893753	42.88
First State Global Opportunities Pension	16 - individual pension - overseas equity	1309 0	0	8.95386	1.283087	2.000335	55.90
Gartmore Corporate Bond Pension	14 - individual pension - other managed fund	5403 0	0	38.24059	1.05218	1.125552	6.97
Gartmore European Selected Opp Pension	16 - individual pension - overseas equity	2371 0	0	18.41086	1.276634	1.604396	25.67
Gartmore UK Focus Pension	15 - individual pension - UK equity	1190 0	0	10.97906	1.359508	1.664284	22.42
Inscape Cautious Growth Pension	13 - individual pension - defensive managed fund	241 0	0	10.30507	1.083854	1.195237	10.28
Inscape Higher Growth Pension	11 - individual pension - stock market managed fund	51 0	0	.84965	1.17002	1.417977	21.19
Inscape Steady Growth Pension	12 - individual pension - balanced managed fund	1148 0	0	13.11715	1.132143	1.315831	16.22
Liontrust First Income Pension	15 - individual pension - UK equity	1329 0	0	11.30099	.993727	1.150707	15.80
Morley Commercial Property Pension	17 - individual pension - property	21583 0	0	132.3625	1.115794	1.220143	9.35
SMA Merrill Lynch Managed Pension	12 - individual pension - balanced managed fund	7410 0	0	56.67722	.820175	.961257	17.20

## Long term insurance business : Unit prices for internal linked funds

Name of insurer **Scottish Mutual Assurance plc**

(Sheet 13)

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Merrill Lynch UK Smaller Cos Pension	15 - individual pension - UK equity	1083 0		7.83609	1.672071	2.136572	27.78
Merrill Lynch UK Value Pension	15 - individual pension - UK equity	415 0		2.3978	1.290454	1.659972	28.63
Multi Manager Balanced Pension	13 - individual pension - defensive managed fund	3313 0			1.018291	1.194505	17.30
Multi Manager Cautious Pension	14 - individual pension - other managed fund	2108 0			1.00959	1.10009	8.96
Multi Manager Equity Pension	16 - individual pension - overseas equity	364 0			1.029793	1.267893	23.12
Multi Manager Bond Pension	14 - individual pension - other managed fund	713 0			1.009235	1.071715	6.19
Multi Manager Growth Pension	16 - individual pension - overseas equity	792 0			1.022884	1.213139	18.60
Newton Higher Income Pension	14 - individual pension - other managed fund	6718 0		51.47081	1.339352	1.55599	16.17
Newton Income Pension	15 - individual pension - UK equity	3962 0		28.97394	1.26131	1.488485	18.01
Newton Oriental Pension	16 - individual pension - overseas equity	2395 0		16.40797	1.230853	1.678536	36.37
SMA Newton Managed Pension	11 - individual pension - stock market managed fund	45879 0		359.77887	.858453	1.012052	17.89

## Long term insurance business : Unit prices for internal linked funds

Name of insurer **Scottish Mutual Assurance plc**

(Sheet 14)

Total Business

Financial year ended **31st December 2005**Units **£000**

Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year
1	2	3	4	5	6	7	8
Invesco Perpetual Global Bond Pension	14 - individual pension - other managed fund	3482	0	32.08632	1.119636	1.191009	6.37
Invesco Perpetual Higher Income Pension	14 - individual pension - other managed fund	11752	0	82.86034	1.252323	1.587442	26.76
SMA Perpetual Managed Pension	12 - individual pension - balanced managed fund	23840	0	186.5198	1.130805	1.371498	21.29
Schroders UK Mid 250 Pension	15 - individual pension - UK equity	7308	0	55.77943	1.52414	1.96048	28.63
Schroders Medical Discovery Pension	16 - individual pension - overseas equity	36	0	.32658	.914667	1.084827	18.60
3501	14 - individual pension - other managed fund	1482	0	11.08791	1.833578	2.068897	12.83
3502	14 - individual pension - other managed fund	13483	0	94.05329	1.958052	2.336878	19.35
3503	14 - individual pension - other managed fund	3840	0	40.98972	1.829874	2.206842	20.60
3551	14 - individual pension - other managed fund	142	0		2.008896	2.501799	24.54
3563	14 - individual pension - other managed fund	2221	0		3.354128	4.076908	21.55
3575	14 - individual pension - other managed fund	3824	0	41.74248	3.134698	3.478223	10.96

## Long term insurance business : Unit prices for internal linked funds

(Sheet 15)

Name of insurer **Scottish Mutual Assurance plc**

Total Business

Financial year ended **31st December 2005**Units **£000**

	1	2	3	4	5	6	7	8
Fund name	Type of fund	Net assets	Main series	Unit mgmt charge	Price at previous valuation date	Price at current valuation date	Change in price during year	
3576	14 - individual pension - other managed fund	2326	0	24.05334	2.559985	2.856856	11.64	
3580	14 - individual pension - other managed fund	459	0		1.174919	1.447337	23.19	
3583	14 - individual pension - other managed fund	2108	0		5.383668	6.774618	25.83	
3584	14 - individual pension - other managed fund	7105	0		4.814335	5.449275	13.19	
3585	14 - individual pension - other managed fund	4537	0		4.972884	6.163446	23.94	
3586	14 - individual pension - other managed fund	656	0	6.12835	1.540512	1.824978	18.47	

## Long term insurance business : index linked business

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Units **£000**

Type of assets and liabilities	Name of index link	Value of assets or liabilities	Gross derivative value
	1	2	3
Balanced Accumulation unit trust (TIB 12)	Euro Stoxx 50	5372	
Euro Stoxx 50 Derivatives (TIB 12)	Euro Stoxx 50	144	5516
<b>Sub total assets</b>		<b>5516</b>	
<b>Sub total liabilities</b>			
<b>Sub total net assets</b>		<b>5516</b>	
Balanced Accumulation unit trust (TIB 13)	FTSE 100	3842	
FTSE 100 Derivatives (TIB 13)	FTSE 100	346	4188
<b>Sub total assets</b>		<b>4188</b>	
<b>Sub total liabilities</b>			
<b>Sub total net assets</b>		<b>4188</b>	
<b>Total assets</b>		<b>9704</b>	<b>n/a</b>
<b>Total liabilities</b>			<b>n/a</b>
<b>Net total assets</b>		<b>9704</b>	<b>n/a</b>

**Long-term insurance business - analysis of valuation interest rates**Name of insurer **Scottish Mutual Assurance plc**Total business / subfund **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UK Life WPSF Form 51, Assurances, 3.05	436980	3.05	3.59	3.96
UK Life WPSF Form 51, Miscellaneous	1312			3.96
UK Pension WPSF Form 51, Assurances, 3.65	8540	3.65	3.65	3.96
UK Pension WPSF Form 51, Deferred annuity, 3.65	1413091	3.65	3.65	3.96
UK Pension WPSF Form 51, Annuities, 3.75	106093	3.75	3.75	3.96
UK Pension WPSF Form 51, Miscellaneous	7004			3.96
UK Life Form 52 UWP, Assurances	2975437	3.15	3.71	3.96
UK Life Form 52 UWP, ANL ISA	45783	3.65	3.65	3.96
Overseas Life Form 52 UWP Life, SMI	891506	3.70	3.70	3.96
UK Life Form 52 UWP Pensions	1356607	3.65	3.65	3.96
<b>Total:</b>	<b>7242353</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>



## Long-term insurance business - analysis of valuation interest rates

Name of insurer **Scottish Mutual Assurance plc**Total business / subfund **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

Product group	Net mathematical reserves	Net valuation interest rate	Gross valuation interest rate	Risk adjusted yield on matching assets
1	2	3	4	5
UL Life OBSF Form 51, Assurances, 3.70	17339	3.70	3.70	4.36
UL Life OBSF Form 51, Assurances, 3.00	133222	3.00	3.75	4.36
UK Life OBSF Form 51, Miscellaneous	24106			4.36
UK Life OBSF Form 51, Annuities, 4.15	6803	4.15	4.15	4.36
UK Life BSF Form 51, Assurances, 0.00	81733			4.36
UK Pension OBSF Form 51, Deferred Annuity, 3.70	82342	3.70	3.70	4.36
UK Pension OBSF Form 51, Term Assurances, 3.70	23501	3.70	3.70	4.36
UK Pension OBSF Form 51, Annuities, 4.15	391169	4.15	4.15	4.36
UK Pension OBSF Form 51, Miscellaneous	8168			4.36
UL Life OBSF Form 52, 53 & 54 Sterling Reserves	31091	3.80	3.80	4.36
UK Pension OBSF Form 52, 53 & 54 Sterling Reserves	32430	3.80	3.80	4.36
UL Life OBSF Form 53, Miscellaneous	166			4.36
UK Pension OBSF Form 53, Miscellaneous	2294			4.36
<b>Total:</b>	<b>834364</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>

## Long term insurance business : distribution of surplus

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Long Term Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	10933619	11662002
Bonus payments in anticipation of a surplus	12	39697	43514
Transfer to non-technical account	13	501290	
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	11474606	11705516
Mathematical reserves	21	10766887	11546784
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	707719	158732
<b>Composition of Surplus</b>			
Balance brought forward	31	115204	451463
Transfer from non-technical account	32		198854
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	592516	(491585)
Total	39	707720	158732
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41	39697	43514
Cash bonuses	42		
Reversionary bonuses	43	1028	
Other bonuses	44		18
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	40725	43532
Net transfer out of fund/part of fund	47	501290	
Total distributed surplus (46+47)	48	542015	43532
Surplus carried forward	49	165706	115200
Total (48+49)	59	707721	158732
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61	7.51	100.00
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

## Long term insurance business : distribution of surplus

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **With Profits Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	Previous year
		1	2
<b>Valuation result</b>			
Fund carried forward	11	7242352	8422362
Bonus payments in anticipation of a surplus	12	39697	43514
Transfer to non-technical account	13	1290	1146
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	7283339	8467022
Mathematical reserves	21	7241325	8422344
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	42014	44678
<b>Composition of Surplus</b>			
Balance brought forward	31		(69072)
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		460000
Surplus arising since the last valuation	34	42014	(346250)
Total	39	42014	44678
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41	39697	43514
Cash bonuses	42		
Reversionary bonuses	43	1028	
Other bonuses	44		18
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	40725	43532
Net transfer out of fund/part of fund	47	1290	1146
Total distributed surplus (46+47)	48	42015	44678
Surplus carried forward	49		
Total (48+49)	59	42015	44678
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61	96.93	97.43
Current year - 1	62	97.43	97.92
Current year - 2	63	97.92	98.42
Current year - 3	64	98.42	97.95

## Long term insurance business : distribution of surplus

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Bonus Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	81733	77225
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds/parts of funds	14		
Subtotal (11 to 14)	15	81733	77225
Mathematical reserves	21	81733	77225
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29		
<b>Composition of Surplus</b>			
Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34		
Total	39		
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47		
Total distributed surplus (46+47)	48		
Surplus carried forward	49		
Total (48+49)	59		
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61		
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

## Long term insurance business : distribution of surplus

Name of insurer **Scottish Mutual Assurance plc**Total business/subfund **Other Business Sub-Fund**Financial year ended **31st December 2005**Units **£000**

		Financial year	
		1	2
<b>Valuation result</b>			
Fund carried forward	11	3691266	3239640
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13	500000	
Transfer to other funds/parts of funds	14		460000
Subtotal (11 to 14)	15	4191266	3699640
Mathematical reserves	21	3525562	3124440
Surplus including contingency and other reserves held towards the solvency margin (deficiency) (15-21)	29	665704	575200
<b>Composition of Surplus</b>			
Balance brought forward	31	115204	520535
Transfer from non-technical account	32		200000
Transfer from other funds/parts of funds	33		
Surplus arising since the last valuation	34	550502	(145331)
Total	39	665706	575204
<b>Distribution of Surplus</b>			
Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund/part of fund	47	500000	460000
Total distributed surplus (46+47)	48	500000	460000
Surplus carried forward	49	165706	115204
Total (48+49)	59	665706	575204
<b>Percentage of distributed surplus allocated to policyholders</b>			
Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

## Long-term insurance business: With-profits payouts on maturity (normal retirement)

Name of insurer **Scottish Mutual Assurance plc**Original insurer **Scottish Mutual Assurance plc**

Date of maturity value/open market option

Category of with-profits policy	Original term (years)	Maturity value/ open market option	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6229	181	0	UWP	N	4500
Endowment assurance	15	11747	797	0	CWP		7971
Endowment assurance	20	22899	3720	0	CWP		10865
Endowment assurance	25	42984	10882	0	CWP		13687
Regular premium pension	5	11128	530	0	UWP	N	ROF
Regular premium pension	10	26970	1284	0	UWP	N	ROF
Regular premium pension	15	54019	2078	0	UWP	N	ROF
Regular premium pension	20	98715	10577	0	UWP	N	ROF
Single premium pension	5	10109	0	0	UWP	N	ROF
Single premium pension	10	17294	1572	0	UWP	N	ROF
Single premium pension	15	34257	6406	0	UWP	N	ROF
Single premium pension	20	61203	11444	0	UWP	N	ROF

Long-term insurance business: With-profits payouts on surrender

Name of insurer **Scottish Mutual Assurance plc**

Original insurer **Scottish Mutual Assurance plc**

Date of surrender value

Category of with-profits policy	Duration at surrender (years)	Surrender value	Terminal bonus	MVA	CWP/UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	5	2399	114	0	UWP	Y	11250
Endowment assurance	10	4455	0	0	CWP		14795
Endowment assurance	15	10249	714	0	CWP		19297
Endowment assurance	20	22295	3666	0	CWP		28849
With-profits bond	2	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	3	n/a	n/a	n/a	n/a	n/a	n/a
With-profits bond	5	10637	0	329	UWP	Y	11076
With-profits bond	10	15740	1030	0	UWP	Y	15897
Single premium pension	2	9294	0	0	UWP	Y	ROF
Single premium pension	3	10497	1125	0	UWP	Y	ROF
Single premium pension	5	10434	0	0	UWP	Y	ROF
Single premium pension	10	17296	1572	0	UWP	Y	ROF

## Long term insurance capital requirement

Name of insurer **Scottish Mutual Assurance plc**

Global business

Financial year ended **31st December 2005**Units **£000**

	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year	
	1	2	3	4	5	6	
<b>Insurance death risk capital component</b>							
Classes I, II and IX	11	0.1%	93411	89622	0.50	47	54
Classes I, II and IX	12	0.15%					
Classes I, II and IX	13	0.3%	42105813	13441206		63159	57799
Classes III, VII and VIII	14	0.3%	15215208	9788581	0.64	29366	28128
<b>Total</b>	15		57414432	23319409		92572	85981
<b>Insurance health risk capital component</b>							
Class IV and supplementary classes 1 and 2	21					10622	11931
<b>Insurance expense risk capital component</b>							
Classes I, II and IX	31	1%	8555373	7987346	0.93	79873	90478
Classes III, VII and VIII (investment risk)	32	1%	323246	323246	1.00	3232	3795
Classes III, VII and VIII (expenses fixed 5 yrs +)	33	1%	29537	29537	1.00	295	151
Classes III, VII and VIII (other)	34	25%				2814	3474
Class IV	35	1%	43838	42681	0.97	427	565
Class V	36	1%					
Class VI	37	1%					
<b>Total</b>	38					86641	98463
<b>Insurance market risk capital component</b>							
Classes I, II and IX	41	3%	8555373	7987346	0.93	239620	271433
Classes III, VII and VIII (investment risk)	42	3%	323246	323246	1.00	9697	11384
Classes III, VII and VIII (expenses fixed 5 yrs +)	43	0%	29537	29537			
Classes III, VII and VIII (other)	44	0%	2385105	2385105			
Class IV	45	3%	43838	42681	0.97	1280	1694
Class V	46	0%					
Class VI	47	3%					
<b>Total</b>	48		11337099	10767915		250597	284511
<b>Long term insurance capital requirement</b>	51					440432	480886



## Abstract of Valuation Report on Scottish Mutual Assurance plc

### 1. Introduction

- 1.1 The date to which the investigation relates is 31 December 2005.
- 1.2 The date to which the previous investigation related was 31 December 2004.
- 1.3 Not applicable.

### 2. Product range

There have been no significant changes to the product range during the year.

### 3. Discretionary charges and benefits

- 3.1 The firm has the right to apply Smoothing Reductions to its Smoothed Investment Funds and Market Value Reductions to its various series of with-profits units.

There were no Smoothing Reductions applied during the year.

Throughout the year there have been some Market Value Reductions applying.

This table applies to regular premium.

Date	UK Life With-Profits Funds	UK Pensions With-Profits Funds
Up to 9 February 2005	Business written in years 1985 to 2000	Business written in years 1989 to 2001
9 February to 22 March 2005	Business written in years 1989 to 1999	Business written in years 1991 to 1993 and in years 1995 to 1999.
22 March to 1 July 2005	Business written in years 1990 to 1993 and in years 1995 to 1999	Business written in 1997 and 1998
1 July to 1 August 2005	Business written in years 1990 to 1993	Nil
1 August to 1 October 2005	Business written in years 1991 to 1993	Nil
From 1 October 2005	Business written in years 1992 and 1993	Nil

This table for Single Premium business.

Date	UK Life With-Profits Funds	UK Pensions With-Profits Funds
Up to 9 February 2005	Business written in years 1995 to 2002	Business written in years 1997 to 2002
9 February to 22 March 2005	Business written in years 1997 to 2001	Business written in years 1997 to 2002
22 March to 1 July 2005	Business written in years 1997 to 2001	Business written in 1998 to 2002
1 July to 1 August 2005	Business written in years 1997 to 2001	Business written in 1998 to 2001
From 1 August 2005	Business written in years 1998 to 2001	Business written in 1998 to 2001

- 3.2 There have been no changes to premiums on reviewable protection policies during the year. Changes were permitted but did not take place on sums assured of £3,514m of business.
- 3.3 N/A
- 3.4 Policy fees on unit-linked contracts were increased by between 2.30% and 3.28% during 2005.
- 3.5 The mortality and morbidity deductions for Pegasus were reviewed in December 2005, in line with the policy terms and conditions, for business with a quote effective date before 17 May 2004. Generally mortality rates were decreased, by up to 60%, and morbidity increased, by up to 100%; on average this increase was 25%. The specific rate changes vary by when the business was originally priced, the benefits provided and the age, sex and smoker status of the life assured. The total number of Pegasus policies affected by this was approximately 78,000 with a sum assured of £18,600m.
- 3.6 There have been no changes to the unit management charges or notional charges on accumulating with profit policies during the year.

### 3.7

#### Method for unit pricing of internal linked funds:

##### Definition of terms used in pricing of internal linked funds.

Asset Units	The number of units in the fund, used to determine the price when creating or cancelling units in internal funds.
Net Asset Value	The market value of assets in the fund, on the pricing basis chosen, including costs of purchase or sale, tax provisions, accrued income and accrued charges as defined by the policy conditions.
Creation Price	The Net Asset Value calculated on market offer prices including purchase costs with tax provisions calculated on a consistent basis, divided by the number of Asset Units.
Cancellation Price	The Net Asset Value calculated on market bid prices less costs of sale with tax provisions calculated on a consistent basis, divided by the number of Asset Units.
Bare Price	Creation Price or Cancellation Price, depending on which pricing basis is being used (see below for details).
Offer Price	Price quoted to policyholders which is used when allocating units from premium and other payments.
Bid Price	Price quoted to policyholders to value their unit holdings and to cancel units to pay for charges as allowed in the policy conditions.
Initial Charge	The percentage used to calculate the quoted Offer Price from the Bare Price; this has averaged 5% during the year.
Bid-Offer Spread	The difference between Bid and Offer Prices; this has averaged 5% during the year.

##### **Method used for creation and cancellation of units**

The Bare Price is calculated each working day at a price no more than the Creation Price and no less than the Cancellation Price. The Creation Price is normally used except in situations where the whole fund is in decline, where the Cancellation Price would be used. Short-term fluctuations in cash flow are normally ignored but see below for further detail.

The shareholder owns a supply of units and this supply is used to avoid having to create and cancel units on a frequent basis and hence to change the Bare Price from Creation Price to Cancellation Price on a similarly frequent basis.

##### **Method used for allocation and de-allocation of units**

The quoted Offer Price for a particular day is the Bare Price divided by (1 minus the Initial Charge) and rounded up by no more than 0.1p. The quoted Bid Price equals the quoted Offer Price adjusted for the Bid-Offer Spread and rounded to the lower 0.1p.

The prices used for transactions on a particular day are determined based on the asset position of the fund at 12pm on the previous working day (except Broker Managed Funds which are priced at close of business). All funds use Forward Pricing, the timing of the transaction relative to the time at which the policyholder requested the trade varies by product and is defined in the policy conditions.

##### **Exceptional circumstances**

There will be occasional circumstances where a significant transaction requires the calculation of a special price. For example, if the transaction is a large sale and the normal quoted Bid Price has been based on a Creation Price, a special (lower) price might be quoted for the transaction.

Similarly, if a significant purchase of units is involved and the normal quoted Offer Price has been based on a Cancellation Price, a special (higher) price might have to be quoted. These special prices would be within the limits implied above.

The significance of a transaction will depend on the size of the fund, the expected cash flows and the current shareholder holding of units.

(b) Not applicable.

(c) The internal linked funds managed by ANAM invest predominantly in Abbey unit trusts and OEICs. These collective investment schemes are priced daily at 12pm. The cancellation price calculated for the unit trust on a particular day and single price calculated for an OEIC on a particular day is used in the valuation of the linked fund on the same day and is the price at which policyholder transactions in the linked fund on that working day are based.

3.8 Linked Life: Income tax deducted £1,647,229  
 Tax on realised investment gains £2,281,649  
 Tax charge on unrealised investment gains £3,721,441  
 Linked Pension : Income tax deducted £28,080

There were no realised losses this year.

The tax in the linked funds for realised gains and realised losses is settled at 31 December each year by paying the liability to the non-linked fund.

These figures include all gains, including those on Unit Trusts.

The CGT rate for realised gains is 19.50% and the CGT rate for unrealised gains is 19.50%.

3.9 Each internal fund is treated as an independent entity for the purposes of assessing capital gains tax. A rate of tax is levied on the gain net of any indexation relief and capital losses, as appropriate.

The maximum rate of tax for realised capital gains is the policyholder rate of tax for the period in question. Where appropriate, this may be reduced to reflect the period between the realisation of the gain and the date when the tax is actually due to be paid.

The maximum rate of tax for unrealised capital gains is the rate for realised capital gains. This is normally reduced to reflect the extra expected period until the gain is finally crystallised.

The rates applying to internal funds, excluding broker-managed funds, during the reporting period were:

	01 Jan – 30 Sep 2005	01 Oct – 09 Nov 2005	10 Nov – 31 Dec 2005
All realised gains	19.50%	19.50%	19.50%
All realised losses	8.00%	7.00%	6.75%
Unrealised gains	19.50%	19.50%	19.50%
Unrealised losses	8.00%	7.00%	6.75%

The rate applying to broker-managed funds for profits and losses during the reporting period was 20%.

- 3.10 Where internal linked funds invest in units of the type referred to in paragraph 5 of part 1 of Appendix 3.2, any discount or other allowance negotiated with the manager of the units is fully passed on to the appropriate policyholders.

#### **4. Valuation basis (other than for special reserves)**

##### **4.1 Methodolgy**

In general, non-linked non profit contracts have been valued using the gross premium method. For the Smoothed Funds the reserve held is the sum of the sterling reserve and the valuation smoothed prices multiplied by the number of units. All non-linked with profit contracts have been valued using the gross premium method. Certain assurances accepted at an increased rate of premium are valued at correspondingly increased ages. A proportion of all other current extra premiums receivable is reserved.

It is assumed that annuities in payment occur at the end of the month in which they are due and that increments under increasing annuities take place at the end of the month in which they escalate. For certain annuities there is a capital guarantee that if the annuitant dies before the annuity payments made equal or exceed the purchase price, the shortfall becomes payable immediately. Provision for those extra guarantees is included with the reserves shown.

The benefits valued for group schemes are the amounts secured by premiums paid prior to the valuation date, except for contracts where benefits in force are secured by premiums fixed until retirement. Full prospective benefits are given in the Notes to Forms 51 to 53.

Linked contracts are valued individually with the number of units allocated to the contract being multiplied by the valuation price for the corresponding internal linked fund. Cash flow calculations have been made individually for each linked contract. The bases used are described below. For some contracts, the unit reserve has been reduced to allow for actuarial funding. The overall unit and sterling reserve for each contract is always at least equal to the surrender or transfer value, subject to a minimum of zero.

For unitised with profit business the funded value of the units has been compared to the surrender value taking into account policyholders' reasonable expectations, and the lower of these two items has been valued. The result of this calculation is then compared with a valuation using the bonus reserve method and the larger of the two items is then taken as the reserve. For units with a guaranteed rate of bonus this guaranteed rate is allowed for in the bonus reserve valuation.

For the Triple Bonus Bond, the liability comprises the market value of assets held to provide for policyholder guaranteed maturity benefits plus the market value of assets in the option holding fund (i.e. effectively the asset share of the policy). This amount is then compared with the expected present value of the Guaranteed Maturity Values, allowing for future bonuses, on the valuation basis with the greater of the two amounts being held as a reserve. In addition, there is a Sterling Reserve calculated on a gross premium cashflow basis including projection of assets at 97.5% of the yield on the Guaranteed Fund and a 6.25% return on the Options Holding Fund.

## 4.2 Valuation interest rates

Product group	Valuation interest rate at end of this financial year	Valuation interest rate at end of last financial year
Conventional with profit life assurances	3.05%	3.20%
Conventional with profit deferred annuities	3.65% in deferment 3.65% in possession	4.05% in deferment 4.12% in possession
Conventional with profit immediate annuities (group)	3.75%	4.05%
Conventional with profit immediate annuities (individual)	3.75%	0.11%
Conventional non-profit life assurances	3.00%	Regular 3.30% Single 3.40%
Conventional non-profit immediate annuities (life and pensions)	4.15%	GAF 4.50% Pen NP 4.25%
Conventional non-profit deferred annuities	3.70% in deferment 3.70% in possession	Reg 4.10% in deferment Single 4.25% in deferment Reg, single 4.05% in possession
Conventional non-profit pensions special reserves	0.00%	0.00%
Conventional non-profit PHI assurances	Regular 3.70% Single 3.95%	Regular 4.10% Single 4.25%
Unitised with profit life assurances	3.15%	3.20%
Unitised with profit life assurances (ISAs)	3.65%	4.05%
Unitised with profit pensions	3.65%	4.05%
Sterling reserves on unitised with profit and unit-linked business (Life)	3.05%	4.25%/8.75% (positive / negative)
Sterling reserves on unitised with profit and unit-linked business (Pension)	3.80%	4.25%/8.75% (positive / negative)
Unitised with profit life assurances (overseas)	3.70%	4.05%

Life rates are adjusted for tax, the above rates have been adjusted.

An additional reserve is held in respect of negative sterling reserves of £1.0m. This has the effect of increasing the valuation interest rate used and is held for prudence.

## 4.3 Adjustments to valuation interest rates

Yields were adjusted for risk, to calculate the risk-adjusted yields shown in form 57, as follows:

- for equity shares, the dividend and earnings yields on each asset were capped at 150% of the dividend or earnings yield respectively on a stock market index appropriate to the country of origin of the particular asset; for example, the yields on UK equities were capped at 150% of the dividend and earnings yields on the FTSE All-Share Index, as published in the Financial Times.

- for non-approved fixed interest securities, the yield on each corporate bond was reduced by a fixed amount which depended on the bond's credit rating; these amounts were based on Moody's published default rates with a margin for prudence.
- there is currently no investment in property and so no risk adjustment is considered for this asset class.

#### 4.4 Mortality Assumptions

Product group	Mortality basis at end of this financial year	Mortality basis at end of previous financial year
Conventional with profit life assurances and non-profit life assurances excluding Pegasus and Self Assurance (individual)	92% AF92 (non-smoker F) 74% AM92 (non-smoker M) 184% AF92 (smoker F) 147% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate	100% AM92/AF92 (non-smoker) 130% AM92/AF92 (smoker) Ultimate
Conventional with profit life assurances and non-profit life assurances excluding Pegasus and Self Assurance (group)	115% AF92 (Female) 92% AM92 (Male) plus allowance for AIDS of 33% of R6A projection for males Ultimate	100% A67/70 Ult -1 Ultimate
Self Assurance	Modified TM92/TF92 plus allowance for AIDS of 33% of R6A projection – see below Ultimate	Modified TM92/TF92 plus allowance for AIDS of 33% of R6A projection – see below Ultimate
Conventional with profit pensions assurances (individual)	69% AF92(Female) 75% AM92(Male) Ultimate	130% AM92/AF92 Ultimate
Conventional with profit pensions assurances (group)	69% AF92(Female) 75% AM92(Male) Ultimate	100% A67/70 Ult -4 Ultimate
Conventional non-profit pensions assurances (individual)	69% AF92(Female) 75% AM92(Male) Ultimate	100% AM92/AF92 (non-smoker) 130% AM92/AF92 (smoker) Ultimate
Conventional non-profit pensions assurances (group)	69% AF92(Female) 75% AM92(Male) Ultimate	100% A67/70 Ult -1 Ultimate
Conventional PHI (mortality element)	100% A67/70 Ult -3 Ultimate	100% A67/70 Ult -3 Ultimate
Unit-linked life business excluding Pegasus and Homeowner	81% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate	100% AM80/AF80 Ultimate
Homeowner	81% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate	87.5% AM80/AF80 Ultimate
Pegasus	123% AF80(Phase 3, FS) 67% AF80(Phase 3, FN) 113% AM80(Phase 3, MS) 61% AM80(Phase 3, MN) 115% AF80(Series 10, FS) 63% AF80(Series 10, FN) 105% AM80(Series 10, MS) 58% AM80(Series 10, MN) Select	100% AM80/AF80 Select



Unit-linked pensions business	81% AM80/AF80 Ultimate	100% AM80/AF80 Ultimate
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For Self Assurance with mortality benefits only (i.e. no critical illness benefits), rates are age-related percentages of TM92/TF92 ult. Sample mortality rates per £1,000 of benefit are:

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.425	0.756	0.206	0.310
35	0.456	0.746	0.319	0.539
45	1.062	1.816	0.796	1.489
55	2.672	6.743	2.085	4.284

See paragraph 4.5 below for details of Self Assurance with critical illness benefits.

## Annuities

Product group	Mortality basis at end of this financial year	Expectations of life (years)	Mortality basis at end of previous financial year
Deferred annuities (individual) – life and pensions, with profit and non-profit	69% AF92 in deferment, Fem 75% AM92 in deferment, Male Ultimate  102% IFA92mc, fem 94% IMA92mc, male in possession, Life  119% PFA92mc, fem 102% PMA92mc, male in possession, Pension	At age 65: Life Mortality <ul style="list-style-type: none"> <li>• 24.0 (male currently age 45)</li> <li>• 23.5 (male currently age 55)</li> <li>• 25.7 (female currently age 45)</li> <li>• 25.4 (female currently age 55)</li> </ul> Pension Mortality <ul style="list-style-type: none"> <li>• 22.8 (male currently age 45)</li> <li>• 22.3 (male currently age 55)</li> <li>• 24.4 (female currently age 45)</li> <li>• 24.0 (female currently age 55)</li> </ul>	130% AM92/AF92 in deferment  57.5% PMA92/PFA92 (C2010) in possession
Deferred annuities (group) – life and pensions, with profit and non-profit	69% AF92 in deferment, Fem 75% AM92 in deferment, Male Ultimate  102% IFA92mc, fem 94% IMA92mc, male in possession, Life  119% PFA92mc, fem 102% PMA92mc, male in possession, Pension		100% A67/70 Ult –4 in deferment  57.5% PMA92/PFA92 (C2010) in possession
Annuities in payment (life)	108% IFA92mc, fem 99% IMA92mc, male	22.5 (male age 65) 14.0 (male age 75) 24.5 (female age 65) 15.1 (female age 75)	65% IMA92/IFA92 (C2010)
Annuities in payment (pensions)	126% PFA92mc, fem 108% PMA92mc, male	21.2 (male age 65) 12.7 (male age 75) 22.9 (female age 65) 14.3 (female age 75)	76% PMA92 / 134% PFA92 (C2010 medium cohort)

### 4.5 Morbidity Assumptions

Product group	Morbidity basis at end of this financial year	Morbidity basis at end of previous financial year
Conventional PHI (excluding Pegasus)	CMI 12 – 160% inception, 70% recovery rates	CMI 12 – 160% inception, 70% recovery rates
Self Assurance and Pegasus with critical illness	Based on reinsurers' rates – see below	Based on reinsurers' rates – see below

For Self Assurance with critical illness, the rates are based on the reinsurers' rates. Sample valuation rates per £1,000 are:

#### Mortality & Critical Illness (with Work Tasks Total Permanent Disability)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	1.15	1.303	0.722	0.842
35	1.197	1.863	1.091	1.749
45	2.722	5.731	2.262	5.064

55	8.712	15.981	6.354	12.075
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**Critical Illness (with Work Tasks Total Permanent Disability)**

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.656	0.737	0.574	0.642
35	0.887	1.367	1.242	1.909
45	2.147	4.440	2.614	5.615
55	7.400	13.435	7.102	12.950

An allowance for a future deterioration of 0.65% per annum was also made for Accelerated Critical Illness Cover morbidity for AIA critical illness and AIA TPD.

An allowance for a future deterioration of 1.25% per annum was also made for Stand Alone Critical Illness Cover morbidity for AIA critical illness and AIA TPD.

For Pegasus with critical illness, rates are similarly based on the reinsurers' rates. Sample valuation rates per £1,000 are:

**Critical Illness rates**

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.611	0.951	0.596	0.988
35	1.202	1.951	1.417	2.419
45	3.244	6.165	3.343	5.939
55	9.090	19.091	7.418	14.640

**Residual mortality rates**

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.337	0.569	0.095	0.189
35	0.201	0.375	0.095	0.191
45	0.278	0.695	0.122	0.288
55	0.331	1.064	0.270	0.999

For Homeowner, critical illness rates are again based on the reinsurers' rates. Sample valuation rates per £1,000 are:

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.543	0.969	0.516	0.919
35	0.784	1.502	1.326	2.453
45	2.174	3.969	3.275	6.044
55	7.133	12.907	6.845	12.368

#### 4.6 Expense Assumptions

Conventional	Expense basis at end of this financial year £ p.a.		Expense basis at end of last financial year £ p.a.	
	Premium paying	Paid Up	Premium paying	Paid Up
Conventional Savings Life - Regular	42.31	29.62	38.79	27.15
Conventional Savings Pension - Regular	54.58	38.21	48.87	34.21
With Profit Annuity	27.65	-	41.73 plus £1.08 per annuity payment	
Conventional Savings Pension - Single	38.21		33.17	
Conventional Protection – Life (not FI or PHI)	34.47	-	22.24	
Family Income (FI) and PHI	17.92		12.77	
Self Assurance	17.57	-	17.90	
Conventional Pegasus	15.54		25.09	
Immediate Annuity (not wpan)	28.46	-	10.09 plus £1.08 per annuity payment	
Conventional Protection - Pension	29.01		22.24	

Unit Linked				
UL Life - Bonds	31.21	-	15.47	
UL Life - Regular	41.88	29.32	39.62	27.73
UL Individual Pension - Regular	48.66	34.06	52.75	36.93
UL Group Pension - Regular	35.94	25.16	34.18	23.93
UL Individual Pension - Single	34.06	-	30.67	
UL Group Pension - Single	25.16	-	30.67	
UL Pegasus	14.12	-	19.92	
ULTrustee Investment Plans	96.60	-	30.29	

Unit growth rates before management charges assumed in calculation of non-unit reserves:

5.10% (gross) p.a.  
4.08% (net) p.a.

Inflation rates assumed in calculation of non-unit reserves:

3.75% for future expenses  
3.75% for future increases in policy charges

The reduction in valuation interest rate to allow for investment expenses is 0.048% p.a.

#### 4.7

In accordance with PRU 7.3.9 R, no future bonus rate assumptions are required in the valuation of with-profits policies, except for those UWP policies where there is a guaranteed bonus rate of 3% (life business) or 4% (pensions business). In these cases, the guaranteed bonus rates are used in the valuation.

4.8 Regular withdrawals are assumed to be taken from investment bonds at the following rates:

Product	Regular withdrawal rate this financial year	Regular withdrawal rate last financial year
Select With Profits Bond	3.0% p.a.	3.0% p.a.
With Profits Bond	5.0% p.a.	5.0% p.a.
With Profits Investment Bond, Hybrid With Profits Investment Bond, Flexible Investment Bond	2.5% p.a.	3.5% p.a.
SMI Bond reinsured to SMA	3.0%p.a.	1.0% p.a.
ANL With Profits Bond reinsured to SMA	5.0% p.a.	1.0% p.a.

4.9 No allowance is made for derivatives in the determination of long-term liabilities except for in the valuation of the structured products (i.e. The Income Bond) and the Triple Bonus Bond. For the structured products, assets and liabilities are valued on a consistent basis. The liabilities comprise the market value of assets held to provide for policyholder maturity benefits, the value of call options is used to offset any extra capital gains tax due on maturity and sterling reserves. The valuation of the Triple Bonus Bond is described in paragraph 4.1.

**5. Options and guarantees**

**5.1 Guaranteed annuity rate options**

Where a contract funding for cash has a guaranteed annuity option, the value of the guaranteed annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves for the guaranteed annuity option and the cash option, assuming a take-up rate of the guaranteed annuity option, which may be less than 100%.

For Self Employed (S226) Personal Pensions, the take-up rate is:

- 80% for plans maturing immediately at the valuation date
- 95% for plans maturing 20 years after the valuation date
- interpolated linearly between these limits for intermediate maturity dates

A distribution of retirement ages has been assumed for these contracts, as shown in the table below:

<b>Product name</b>	Self Employed (S226)
<b>Basic reserve</b>	£471.2m
<b>Out-standing durations</b>	399mths to 1 month
<b>Guarantee reserve</b>	£230.7m
<b>GAR for male age 65</b>	11.0%
<b>Open for increments</b>	Yes
<b>Form of annuity</b>	Annual in arrears, is example shown, Annuity can be paid, monthly, quarterly, half yearly, with/out escalation, single or joint life, if single life a 5 or 10 year guarantee can be added
<b>Retirement ages</b>	38% at 60 50% at 65 9% at 70 3% at 75 The above are assumptions used for the valuation basis. Policyholders can retire from age 50 to 75. Specific professions i.e. professional footballers, can retire from age 35 onwards

## 5.2 Guaranteed surrender and unit-linked maturity values

The Flexible Endowment contract is written as a with profit endowment assurance maturing on the policy anniversary prior to the sixty-fifth birthday. There are guaranteed early maturity values available from the tenth policy anniversary. The contracts are valued both as endowment assurances to age 65 and as endowment assurances for the appropriate guaranteed sum assured at the earliest guaranteed option date. The greater of the two values is held.

<b>Product name</b>	Flexible Endowment
<b>Basic reserve</b>	£5.1m
<b>Out-standing durations</b>	491mths to 1month
<b>Guarantee reserve</b>	£8.4m
<b>Guaranteed amount</b>	£24.06m
<b>MVA-free conditions</b>	n/a
<b>In-force premiums</b>	£551k
<b>Open for increments</b>	No

## 5.3 Guaranteed insurability options

Self Assurance contracts may contain guaranteed insurability options:

- some may be written on a renewable basis, giving policyholders the option to renew their policies at the end of the initial term. The method used to calculate the reserve for the renewal option is "option premium \* 70%" for the accumulated option premiums paid to date.
- some include options, exercisable on the occurrence of certain prescribed events, to effect further assurances without evidence of good health

<b>Product name</b>	Self Assurance
<b>In-force premium</b>	£12.3m
<b>Sum assured</b>	£2.326bn
<b>Description of option</b>	Renewal – policyholder may renew policies at end of initial term.
<b>Guarantee reserve</b>	£86,270

Certain increasing term assurances have options to effect further assurances and the corresponding portion of the premiums is accumulated. The Special Reserves include £1m on this account. No new policyholders are being accepted for this class of business.

## 5.4 Other guarantees and options

Some classes of deferred annuity have a cash option. The reserve for these policies is calculated in the same way as for cash contracts with guaranteed annuity options, as described in paragraph 5.1. The value of the annuity at the vesting date (or maturity date) according to the mortality and interest tables in use is compared with the cash option. The reserve is calculated as a weighted average of the reserves for the guaranteed annuity option and the cash option, assuming a take-up rate for the cash option is shown below :

For Self Employed (S226) Personal Pensions and Masterpolicy plans, the take-up rate assumed for the cash option is:

- 20% for plans maturing immediately at the valuation date
- 5% for plans maturing 20 years after the valuation date
- interpolated linearly between these limits for intermediate maturity dates

For Individual Pension Arrangements, the take-up rate assumed for the cash option is 5% for all maturities. The vesting date is taken to be Normal Retirement Age for Individual Pension Arrangements and Masterpolicy plans; for Self Employed (S226) Personal Pensions the distribution of retirements with age is the same as that shown in paragraph 5.1.

The total reserves on these contracts, after allowing for the cash option which reduces the reserve from that which would be required if only the deferred annuity was valued, are:

<b>Deferred annuity contract</b>	<b>Total Mathematical reserves</b>	<b>Mathematical reserves if no option</b>	<b>Reduction to Mathematical reserve in respect of option</b>
Self Employed (S226) Personal Pensions	£14.2m	£15m	£0.8m
Individual Pension Arrangements	£318.4m	£324.8m	£6.4m
Masterpolicy plans	£221.4m	£232.9m	£11.5m



## 6. Expense reserves

- 6.1 The aggregate gross of taxation amount available in the next 12 months, arising from margins in the valuation basis, to meet ongoing expenses from existing business is £37.845 million. This is composed of:
- £36.362m from explicit allowances
  - £1.483m for implicit allowances
- 6.2 Implicit allowances for investment expenses for section 6.1 are calculated as a reduction in the valuation interest rate of 0.048%.
- 6.3 The maintenance expenses shown at line 14 of form 43 is £37.655m, this is not significantly different from that described in section 6.1.
- 6.4 A model office projection assuming budgeted new business volumes for 2006 was used to determine the need, if any, for additional reserves to cover the costs of writing new business. It was assumed that the per policy expense loadings would be at 2005 levels plus an allowance for inflation in 2006. Total loadings were sufficient to cover budgeted expenses for 2006 and so no additional reserve is required.
- 6.5 A model office projection, allowing for budgeted new business volumes in 2006, and no new business thereafter, and on the basis of lapse rates being double the current best estimate assumptions has been carried out to assess whether any additional reserve is required from closure to new business.

The statutory profit released in 2007 from such a projection is more than sufficient to cover the costs of closure, and ongoing expenses, while also being more conservative than a best estimate lapse rates basis, so that no additional reserve is required. The costs of closure include redundancy costs and terminating management agreements.

## 7. Mismatching reserves

### 7.1

Currency in which benefits are payable	Mathematical reserves from Form 14 (excluding liabilities for property linked benefits) (£000)	Currencies in which assets are denominated	Matching assets (£000)
Sterling	7,234,449	Sterling	6,942,373
		Euro	292,077
		US Dollar	0
		TOTAL	7,234,449
Euro	801,757	Euro	801,757
US Dollar	59,850	US Dollar	59,850

7.2 No information required.

7.3 No reserve is held for currency mismatching. Non-profit liabilities are backed purely by sterling-denominated assets. Any non-sterling-denominated assets are held within the with profit fund as part of the diversified portfolio of investments. The discretionary nature of the payouts on with profit policies is such that they can vary with the returns on the assets and so there is no need to hold an additional reserve for currency mismatching.

7.4 The most onerous scenario under PRU 4.2.16 R for assets invested in the UK and for other assets that fall under this rule is:

- a fall in equity market values of 10%
- a fall in equity earnings of 10%
- a fall in fixed interest yields of 0.8243%

7.5 The most onerous scenario under PRU 4.2.23 R for assets invested in significant territories outside the UK is as follows.

For the United States of America:

- a fall in equity market values of 13.17%
- a fall in equity earnings of 10%
- a fall in fixed interest yields of 0.9288%

For Europe:

- a fall in equity market values of 10%
- a fall in equity earnings of 10%
- a fall in fixed interest yields of 0.6905%

7.6

(a) The resilience capital requirement held for the With Profit Sub-Fund is £0 and for the Other Business Sub-Fund is £53,753,000.

(b) For the With Profits Sub-Fund, the decrease in the aggregate amount of long-term liabilities is £31,029,000. For the Other Business Sub-Fund, the increase in the aggregate amount of long-term liabilities is £90,185,000.

(c) For the With Profits Sub-Fund, the increase in the aggregate amount of assets used to match long-term liabilities is £55,009,000. For the Other Business Sub-Fund, the increase in the aggregate amount of assets used to match long-term liabilities is £27,376,000.

7.7 No further reserve arises from the test on assets in PRU 7.2.34 R (2). The liabilities are analysed by duration and the investment strategy is chosen appropriately so that there is no significant mismatch between assets and liabilities.

## 8. Other special reserves

There are no other special reserves that require to be detailed.

## 9. Reinsurance

9.1 No reinsurance is ceded on a facultative basis to a reinsurer who is not authorised to carry on business in the UK.

9.2 Reinsurance treaties with reinsurance premiums and ceded reserves above the de minimis limits:

Reinsurer	Nature and extent of cover under treaty	Premiums paid under treaty during period	Amount deposited under deposit back arrangements	Open / closed to new business	Amount of undis-charged obligation of insurer	Mathematical reserves ceded under treaty	Retention level for new policies being reinsured
Munich Re	All non-profit pensions annuities in payment, subject to fulfilling terms of treaty.	£38,491,730	£467.24m	Closed	£0	£467.24m	Not applicable
GE Frankona Re	Pegasus policies – mortality only, mortality with attaching critical illness, stand-alone critical illness, waiver of premium benefit, other benefits (income replacement, medical expenses, hospital cash) for older policies. All reinsured on risk premium basis.	£15,867,096	No such arrangement exists	Closed	£0	£0	Not applicable
Swiss Re	Mortality, accelerated critical illness and stand-alone critical illness under Self Assurance contract. All reinsured on a quota share basis.	£16,187,784	No such arrangement exists	Closed	£0	£17,226,000	Not applicable.
Revios Reinsurance UK Limited, GE Frankona Re, Revios Ruck-versicherung AG, XL Re Limited UK Branch	Accelerated critical illness on Self Assurance contract. Various treaties, most now closed to new business. Open treaties are one with GE Frankona Re and one combined with the other three listed reinsurers. All reinsured on a quota share basis.	£46,184,286 in total	No such arrangement exists	Open / closed as stated.	£0	£72,203,000	For GE: 62.5% up to £285,714; 33.3% above £625,000. Other treaty: 81.25% up to £285,714; 66.7% above £625,000.

Revios Reinsurance UK Limited, Revios Ruck-versicherung AG, XL Re Limited UK Branch	Standalone critical illness on Self Assurance contract. Various treaties; the one which is open to new business is a combined treaty with all three listed reinsurers. All reinsured on a quota share basis	£5,394,480 in total	No such arrangement exists	Open / closed as stated	£0	£8,434,000	50% up to £250,000; nil above this.
GE Frankona Re	Disability income benefit on Self Assurance contract. All reinsured on a quota share basis	£664,294	No such arrangement exists	Open	£0	£1,039,000	25% up to £18,000; nil above this.

**Notes:**

- (l) All of the reinsurers listed above are authorised to carry on insurance business in the UK.
- (m) None of the listed reinsurers is a connected company.
- (n) None of the treaties is subject to any material contingencies.
- (o) No provision is made for any liability to refund any amounts of reinsurance commission in the event of lapse or surrender.
- (p) The Company is not party to any financing arrangements.

**10. Reversionary (or annual) bonus**

Bonus series	Gross Mathematical reserves	Reversionary bonus rate (this financial year)	Reversionary bonus rate (last financial year)	Total guaranteed bonus rate (this financial year)
Conventional life assurance and general annuity business	£440m	0%	0%	0%
Other conventional pension business	£1,484m	0%	0%	0%
Unitised Life Series III	£2,960m	0%	0%	0%
Unitised Pensions Series I & II	£620m	4.00%	4.00%	4.00%
Other unitised Pensions Series	£720m	0%	0%	0%
Unitised ISA Series	£46m	0%	0%	0%
Unitised International Series I – £	£30m	0%	0%	0%
Unitised International Series I – \$ or Euro	£861m	0%	0%	0%
Triple Bonus Bond (all tranches)	£82m	0%	0%	0%
With Profit Annuity	£46m	Pre 2002 2% 2002 starts 6% 2003 starts 14%	0%	Pre 2002 2% 2002 starts 6% 2003 starts 14%

Abstract of Valuation Report  
for Realistic Valuation of Scottish Mutual Assurance plc  
With-Profit Sub-Fund

**1. Introduction**

The current valuation date is 31 December 2005.

The previous valuation date was 31 December 2004.

An interim valuation was carried out at 30 June 2005.

**2. Assets**

(1) – (5) Not applicable

**3. With-Profits Benefit Reserve Liabilities**

Breakdown of methods used to calculate With-profits benefits reserve –				
Product	Method	With-profits Benefits Reserve (£m's)	Future Policy Related Liabilities (£m's)	Total Policy Liabilities (£m's)
CWP Life	Retrospective	531.57	19.07	550.64
CWP Life	Prospective	28.29	1.01	29.30
UWP Life	Retrospective	3,797.96	185.40	3,983.36
Life Total		4,357.82	205.48	4,563.30
CWP Pensions with GAO	Retrospective	465.32	233.74	699.06
CWP Pensions with GAO	Prospective	20.85	10.47	31.32
CWP Pensions with GCO	Retrospective	319.20	216.49	535.69
Group Full Profit	Prospective	134.75	11.05	145.80
Other DA	Prospective	112.10	38.28	150.38
UWP Pensions, 0%	Retrospective	802.84	69.23	872.07
UWP Pensions, 4%	Retrospective	568.56	117.73	686.30
Pensions Total		2,423.61	697.01	3,120.62
Total		6,781.43	902.48	7,683.92

(2) Not applicable

(3) See (1) above.

#### 4. With-profits benefits reserve – Retrospective method

(1) All the with profits benefit reserves are based on asset shares calculated on an individual basis.

	Proportion valued on an individual basis	Proportion valued on a grouped basis
Life		
Conventional with profits	100%	0%
Unitised with profits	100%	0%
Pensions		
Conventional Deferred annuity with profits	100%	0%
Unitised with profits	100%	0%

The unitised with profit contracts are valued individually. However, the methodology makes the same calculation for contracts that have the same month of entry and premium status, so it would produce the same results as a grouping methodology that grouped policies by premium status and month of entry and then valued the contracts.

(2) There have been no significant changes in the valuation method except for the Whole of Life contracts. These were previously valued using a retrospective method but are now valued using a prospective method. See Section 5. There is no change to pension business valuation methodology; rather the prospectively calculated liabilities had previously incorrectly been presented as retrospective calculations.

(3) (a) The expenses allocated to the WPSF were based on an expense investigation carried out in respect of the period 1 January to 31 December 2005.

(b) The expense investigation is updated on an annual basis.

(c) The total expenses allocated to the conventional with profits benefits reserves are:

	WPSF
Initial expenses	£0.073M
Maintenance expenses	£3.828M
Initial commission	£0.430M
Renewal commission	£0.566M
Investment expenses	£0.460M
Total	£5.356M

Expenses are charged to conventional with profits contracts by way of:

- A initial expense charge of a monetary amount per policy
- An initial expense charge at a percentage of the annual or single premium
- A renewal expense charge of a monetary amount per policy
- An investment expense charge at a percentage of the total asset share
- An initial commission charge and renewal commission charge

As the fund is closed to new business except for a very small number of incremental policies on existing pensions business, the initial expense and commission charges are negligible. All ongoing expenses have been charged to the with profit benefit reserve. One off and project costs are charged to the fund.

(4) Regular adjustments to asset shares may take place going forward due to the need to rebalance the hedge asset purchased to cover a substantial part of the guarantees within the With Profit Fund as well as distributing profits and losses emerging. In 2005, this amounted to a 0.8% reduction in the Conventional asset shares and a 0.3% increase in Unitised asset shares. In 2004 there was no adjustment to asset shares for hedge rebalancing.

(5) Annual management charges deducted from the WPSF in respect of unitised with-profit business amounted to £55.82m over the period.

(6) The average ratios of total claims paid to with-profits benefit reserve for those claims (plus any miscellaneous surplus or deficit) for each of the preceding three financial years is 97.2% (2005), 96.8% (2004), 98.91% (2003).

(7) Investment returns for year to date (i.e. 31 December 2004 to 31 December 2005).

Contribution to total return	SMA
Fixed Interest	3.83%
UK Equities	4.71%
International Equities	1.49%
Property	0.86%
Cash	0.66%
Derivatives	0.62%
Other	0.16%
Total	12.33%

## 5. With-profits benefits reserve – Prospective method

(1)

The benefit reserve for the Whole of Life policies are calculated using bonus reserve valuations based on the following assumptions.

(a) Risk Discount Rate	4.09%
(b) Investment Returns	4.09% net
(c) Expense Inflation	3.75%
(d) Reversionary Bonus Rate	0%

### (d) Terminal Bonus Rates

Term	UK
5	0%
10	0%
15	8%
20	20%
25	35%
30	75%
35	125%
40+	135%

### (e) Expense

In-force Expenses	£40.30
Paid-up Expenses	£28.21

### (f) Decrements

Mortality	64% AM80
Persistency	0% lapses

(2)

The benefit reserves for the conventional pensions policies are calculated using Gross premium valuations based on the following assumptions.

	(a)	(b)	(c)	(d)	(e)	
	Risk Discount Rate	Investment Return	Expense Inflation	Reversionary Bonus	Premium Paying Expenses	Paid Up Expenses
Group Full Profit	3.65%	N/A	3.75%	0.00%	54.58	-
Other Deferred Annuity	3.65%	N/A	3.75%	0.00%	54.58	38.21
With Profit Annuity	3.75%	N/A	3.75%	1.12%	27.65	-
Other Annuity	3.75%	N/A	3.75%	0.00%	28.46	-

No terminal bonus is assumed.



## 6. Costs of guarantees, options and smoothing

The following table shows the types of guarantees applicable to SMA with-profit contracts, the valuation method used to value them and the extent of whole portfolio being captured.

Products	Type of guarantees & Valuation method	No of individual contracts	No of model points used
Conventional WP Life Business			
CWP Life	See Note 1	45,544	60
Conventional WP Pensions Business			
SE Pensions	See Note 1&2	34,878	249
IP Pensions	See Note 1&3	15,442	1,146
MP Pensions	See Note 1	20,297	823
Unitised Life Business			
ANL Low Cost Mortgage Endowment	See Note 1	105,739	24
ANL Low Start Mortgage Endowment	See Note 1	1,427	1
ANL WP Bond	See Note 1	34,349	2
SMA Select WP Bond	See Note 1	4,547	2
SMA WP Bond	See Note 1	4,069	1
SMA WP Investment Bond	See Note 1	72,051	26
SMI WP Investment Bond	See Note 1	4,820	38
Unitised Pension Business			
ANL Contracted Out Pension Plan	See Note 1	13,139	1
ANL Personal Pension Regular Premium	See Note 1	47,115	12
ANL Personal Pension Single Premium	See Note 1	5,219	2
EPP (Single and Regular Premium)	See Note 1	5,127	5
EPP Independence 96 Regular Premium	See Note 1	3,003	1
EPS Independence 95 Regular Premium	See Note 1	441	1
Group Pension Scheme Regular Premium	See Note 1	91,301	16
Group Pension Scheme Singles	See Note 1	5,406	1
Personal Pension Scheme	See Note 1	267,146	387
Personal Pension Scheme Independence 95 regular	See Note 1	4,454	1
Personal Pensions Protected Rights Rebate	See Note 1	12,546	51
PPR Independence 96 Regular	See Note 1	11,168	2
<b>Total</b>		<b>809,228</b>	<b>2,852</b>

### Note on valuation method:

#### Note 1 - Valuation of cash guarantees

The cost of cash guarantee is the excess of expected payment at guarantee date over its corresponding asset share. The asset share on guarantee date is heavily dependent on future investment performance of the with profit fund. The future likely economic variables are estimated by Monte Carlo simulation – risk neutral approach. The asset share at guarantee date can then be estimated for each model point.

For policies with MVA-free guarantees, the present value of this cost is multiplied by the likely take up rate. The take up on the MVA-free date depends on the money-ness of the option. Refer to Section 6.7. for the take up rate assumed for each money-ness band.

This calculation is done for each scenario and the value of cash guarantees is derived by taking a weighted average of the individual scenario values. (See (3) significant changes to the valuation methods below).

#### Note 2 - Valuation of GAOs

GAO products give policyholders the option to convert the accumulated fund to an annuity at terms guaranteed at outset. Policyholders are likely to exercise the option when the prevailing market annuity rate at conversion is lower than the guaranteed annuity rate. The GAO cost is the excess of guaranteed annuity that can be converted from the fund at retirement over the equivalent market annuity. The future likely interest rate at conversion is estimated by stochastic Monte Carlo simulation – risk neutral approach. The annuity price has allowed for improvement of mortality.

The present value of this cost is multiplied by the likely GAO take up rate. The GAO take up rate depends on the money-ness of the option. Refer to Section 6.7 for the take up rate assumed for each money-ness band.

This calculation is done for each scenario and then the value of GAOs is derived by taking a weighted average of the individual scenario values. (See (3) significant changes to the valuation methods below).

### Note 3 - Valuation of GCOs

GCO products give policyholders the option at retirement to convert the pre-specified benefit defined in pension into a cash fund on guaranteed terms. Policyholders are likely to exercise the option when the prevailing market interest rate is higher than that implied by the guaranteed pension. The GCO cost is the excess of market annuity price over the guaranteed annuity multiplied by pension guaranteed at outset. The future likely interest rate at conversion is estimated by stochastic Monte Carlo simulation – risk neutral approach.

The present value of this cost is multiplied by the likely take up rate. The GCO take up rate depends on the money-ness of the option. Refer to Section 6.7 for the take up rate assumed for each money-ness upper band. This calculation is done for each scenario and then a weighted average is derived to give the value of GCOs (See (3) significant changes to valuation methods). The value of the GCO will also depend on the difference between the mortality assumed in the guaranteed conversion rate and the mortality assumed in the market annuity price.

#### (b) Details of grouping process

(i) No with-profits contract has been valued on an individual basis.

(ii) All with-profits contracts have been valued on a grouped basis.

(iii) The number of individual contracts and the number of model points used to represent them are shown in the table above. The individual policy data are grouped by product code, sex, smoker status, premium frequency, paid up status, age at entry band, duration in force bands, outstanding policy term bands, sum assured or face value bands, accrued bonus bands, asset share bands and money-ness bands. The money-ness is calculated using closed form formulae at data manipulation stage. The values of guarantees before and after grouping are compared to ensure the model points are a good representation of individual policy data.

(c) The remaining contracts are modelled using a proxy contract. The proxy contract is an accurately modelled contract. These model points are scaled such that in aggregate the asset share and guaranteed benefits are equal to the total values for the approximately modelled contract.

#### (3) Significant changes to valuation methods

There have been a few enhancements in the model allowing more products to be calculated automatically with less manual adjustments required to be made. In addition, corporate bonds are now modelled as actual A rated corporate bonds as opposed to be a mix of gilt and equities. The yield curve in scenario file are now modelled using a Libor Market Model (LMM) as opposed to a Black Karansinki (BK) model at the year end 2004.

For the resubmission the methodology has been adjusted in two ways:

- A weighted average of the discounted scenario cash flows, as opposed to a pure average, has been used to derive the relevant values. The weights have been selected to improve the ability of the scenarios to price the hedge instruments owned by SMA. In aggregate the hedge instruments closely reflect the nature and term of the liabilities being valued and therefore form a natural set of calibration instruments for the stochastic scenarios.
- The asset model has been calibrated using a "bespoke" rather than "standard" calibration. Specifically a mid market swaps curve (as opposed to a gilts curve +10bp) has been used to define the risk free rate. The valuation has been subsequently adjusted so that it is consistent with a value that would have been derived if the risk free rate had been based upon the gilts curve + 10bp.

#### (4) Details of valuation methods

(a) A full stochastic approach is used to value our guarantees.

(i) All guarantees are valued in the stochastic model. GAO and MVA free guarantees are predominately in the money. Remaining guarantees vary by duration and policy size.

##### (ii) Asset Model

The stochastic Monte Carlo simulation – risk neutral approach of valuation is based on stochastic economic output generated by the Economic Scenario Generator (ESG). The ESG creates a 9000 scenario file of each asset model. The parameters for each asset are based on standard calibrations performed in line with a standard methodology set out by Barrie & Hibbert.

Details of the asset model and calibration parameters used are as follows:

Nominal interest rates are modelled using a Monthly Libor Market Model (LMM). The model is calibrated to price at the money swaption implied volatilities with greatest attention paid to options on 20-years swaps. (The calibration of nominal interest rates to fit the market price of swaptions has assumed a swaps curve, as is the financial markets convention, to derive the risk free rate). The final valuation has been adjusted so that it reflects the value that would have been obtained had the risk free rate been set equal to the gilts curve +10bp. The swap and gilt yield curves & swaption implied volatility data are tabulated below.

Government gilt yield+10 bps (%)

Term	GBP	EUR	USD	JPY
2	4.30	2.93	4.51	0.40
3	4.29	2.99	4.47	0.57
4	4.29	3.05	4.46	0.77
5	4.29	3.12	4.47	0.94
6	4.28	3.17	4.44	1.12
7	4.27	3.18	4.46	1.27
8	4.25	3.29	4.49	1.40
9	4.24	3.33	4.51	1.50
10	4.23	3.37	4.49	1.52
20	4.14	3.61	4.71	2.07

Swap Curve (%) – fit of the asset model to the market data

Term	GBP		EUR		USD		JPY	
	Market	Model	Market	Model	Market	Model	Market	Model
2	4.59	4.62	3.07	3.02	4.86	4.84	0.37	0.40
3	4.61	4.60	3.14	3.11	4.83	4.83	0.58	0.60
4	4.61	4.59	3.20	3.18	4.85	4.82	0.78	0.79
5	4.61	4.58	3.26	3.26	4.87	4.82	0.96	0.96
6	4.60	4.56	3.31	3.33	4.86	4.83	1.14	1.13
7	4.58	4.55	3.36	3.39	4.86	4.84	1.28	1.28
8	4.57	4.53	3.39	3.45	4.86	4.86	1.42	1.42
9	4.55	4.51	3.45	3.50	4.86	4.88	1.53	1.54
10	4.53	4.50	3.49	3.55	4.86	4.90	1.63	1.66
20	4.38	4.35	3.77	3.81	5.02	5.07	2.22	2.34

Swaption Implied Volatility (%) – (20-year swaps) fit of the asset model to the market data

Term	GBP		EUR		USD		JPY	
	Market	Model	Market	Model	Market	Model	Market	Model
1	13.19	13.32	15.48	15.70	16.89	16.08	22.14	21.38
2	13.23	13.23	15.85	15.56	16.70	15.71	22.01	21.40
3	13.21	13.15	15.73	15.42	16.50	15.36	21.84	21.30
4	13.06	13.07	15.62	15.28	15.93	15.04	21.62	21.11
5	13.05	13.00	15.51	15.15	15.51	14.74	21.18	20.87
7	12.88	12.88	14.98	14.86	14.70	14.16	20.72	20.27
10	12.53	12.74	14.26	14.44	13.52	13.36	19.77	19.20
15	12.54	12.54	13.40	13.81	12.04	12.18	16.92	17.42
20	12.36	12.40	12.82	13.30	11.18	11.18	15.90	15.87
25	12.40	12.29	12.93	12.88	10.33	10.32	13.17	14.58
30	12.11	12.21	12.91	12.55	9.74	9.60	13.17	13.51

Expense inflation is modelled deterministically, currently set at 3.75% for SMA.

A multi-factor model models equity and property returns. The fund holds no property and therefore property volatilities and yields are not relevant. The equity volatilities are calibrated to implied volatilities of traded option prices. The fit of the asset model to the market data is as follows:

Market	USD Equities		EUR Equities		JPY Equities	
	Market	Model	Market	Model	Market	Model
2	15.9	16.2	17.0	16.8	20.0	20.1
5	19.4	19.6	19.8	20.1	21.8	21.8
10	23.6	23.0	23.6	23.2	22.3	22.5

GBP Equities

Strike/Share	0.8		1.0		1.2	
	Market	Model	Market	Model	Market	Model
2	18.8	19.0	14.1	14.1	11.2	11.1
5	20.4	20.5	16.9	16.9	14.4	14.5
10	22.1	22.5	19.8	19.8	17.9	17.9

The equity dividend yields are shown in the next table

Market	GBP	USD	EUR	JPY
Equity Dividend Yield	3.56%	1.70%	2.80%	1.20%

Corporate bonds are modelled using a JLT Credit Calibration. The model is calibrated to fit gilt yield+ 10 basis points and all corporate bonds held are assumed to be grade A.

Spread (bps) of A bond				
Term	GBP	EUR	USD	JPY
1	10	4	28	1
2	16	6	45	1
3	23	8	60	3
4	29	12	72	4
5	36	16	82	7
10	60	37	105	24
15	74	54	110	42
20	82	66	111	55
25	87	73	110	65
30	90	79	109	72

Nominal foreign exchange rates are modelled as the combination of real exchange rate and inflation rate where real exchange rate follows a mean-reverting process and is calibrated to the long-term best estimates derived by Barrie & Hibbert.

(iii) UK FSA Asset Table

K	N	Duration (n)	0.75			1			1.5							
			5	15	25	35	5	15	25	35	5	15	25	35		
R		Annualised compound equivalent of the risk free rate assumed for the period (r)	4.29%	4.20%	4.09%	3.99%	4.29%	4.09%	3.99%	4.09%	4.29%	3.99%	4.09%	4.20%	4.09%	3.99%
1		Risk-Free Zero Coupon Bond	810,617	539,719	367,124	253,969	X	X	X	X	X	X	X	X	X	X
2		FTSE All Share Index (p=1)	116,954	295,353	590,031	722,147	242,936	458,933	845,127	981,307	592,193	835,777	1,356,601	1,499,873		
3		FTSE All Share Index (p=0.8)	104,609	244,434	459,059	537,835	222,778	363,706	661,419	735,810	545,802	698,698	1,078,009	1,133,189		
4		Property (p=1)														
5		Property (p=0.8)														
6		15yr Risk-Free ZCBs (p=1)														
7		15yr Risk-Free ZCBs (p=0.8)														
8		15yr Corporate Bonds (p=1)														
9		15yr Corporate Bonds (p=0.8)														
10		Portfolio of 65% FTSE All Share and 35% property (p=1)	85,834	286,092	542,433	742,990	225,031	431,175	771,100	1,003,990	532,120	805,472	1,278,946	1,515,431		
11		Portfolio of 65% FTSE All Share and 35% property (p=0.8)	72,283	237,290	433,482	564,196	205,491	361,204	604,360	756,730	484,535	664,357	1,004,177	1,154,398		
12		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	51,707	263,839	521,649	730,293	172,612	422,090	772,669	997,024	546,136	817,781	1,313,358	1,543,992		
13		Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	42,992	217,127	397,059	549,795	149,778	344,138	590,794	744,238	490,590	669,975	1,020,816	1,156,345		
14		risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	17,207	235,405	451,087	688,208	125,176	387,091	675,048	936,879	514,835	803,656	1,187,064	1,451,957		
15		risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	10,099	202,508	338,312	519,895	106,162	312,353	513,505	700,574	454,007	643,575	910,381	1,085,392		
16		Sterling Receiver Swaptions	13.03%	8.28%	8.17%	2.61%	16.91%	9.65%	9.56%	3.20%	19.06%	10.55%	10.56%	3.64%		

## Notes to Table

The entries in lines 4 to 9 have been left blank for the following reasons:

Lines 4 and 5: There are no property assets in the asset portfolio.

Lines 6 to 9: The weighted average of the scenarios has been derived by considering the performance of the underlying portfolio of assets backing asset shares. The weighted average of the scenarios has not considered the performance of options with an individual asset class as the underlying and therefore these entries are not relevant to the calibration of the model. Section (vi) below demonstrates that the model is appropriately calibrated to the assets backing the guarantees.

Lines 2 and 3 have been included in the table as the behaviour of more volatile equity options is more closely related to the behaviour of the overall portfolio, although a specific calibration to options where the underlying is only equities has not been performed as part of the weighting process. In particular, some unusual values are generated by the process at longer terms where 'vanilla' puts make up only a small fraction of the assets and liabilities.

The above table was based on 9000 scenarios was produced by a similar model used for valuing the liabilities. Hence the table has been calculated by taking a weighted average of the individual scenario values and adjusted to reflect the difference between the swap and gilts +10bp risk free rates.

Row 1 shows the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive have been completed for the appropriate asset classes to show the value of a put option on a portfolio worth £1,000,000 on the valuation date exercisable n years after the valuation date with strike price of  $K \times £1,000,000 \times (1+r)^n$ .

15 year bonds have been taken to mean rolling bonds traded to maintain the 15 year duration at all future dates. The corporate bonds have been assumed to be rolling AA rated zero coupon bonds.

Row 16 shows the value of sterling receiver swaptions with a strike of 5% exercisable n years after the valuation date with swap durations on exercise of L years. The values have been expressed as a percentage of nominal. The values of swaptions in Row 16 are based on swaptions with monthly payments.

In carrying out the calculations required to complete the table above, where appropriate, we have assumed that the options for which a value is to be included in the table are options which, where appropriate, are based on underlying asset portfolios which are continuously rebalanced to the stated proportions. The table above reflects the value that the liability model would produce for such options.

In each case the options have been valued with reinvestment of any dividend income into the FTSE All Share Index.

Tax has been ignored in all calculations.

All options have been assumed to be European-style.

(iv) The initial dividend yield assumed for the United Kingdom is 3.56%. The EU and the US territories have initial dividend yields of 1.7% and 2.8% respectively. Property rental yield is not applicable as the With Profit Fund does not hold any property as at 31 December 2005.

(v) The following tables show entries (K=1 only) for the risk free rate, line 1 and 2 for economies where the With Profit Fund has significant asset exposure. They are denominated in the appropriate respective currency and based on 9000 scenarios.

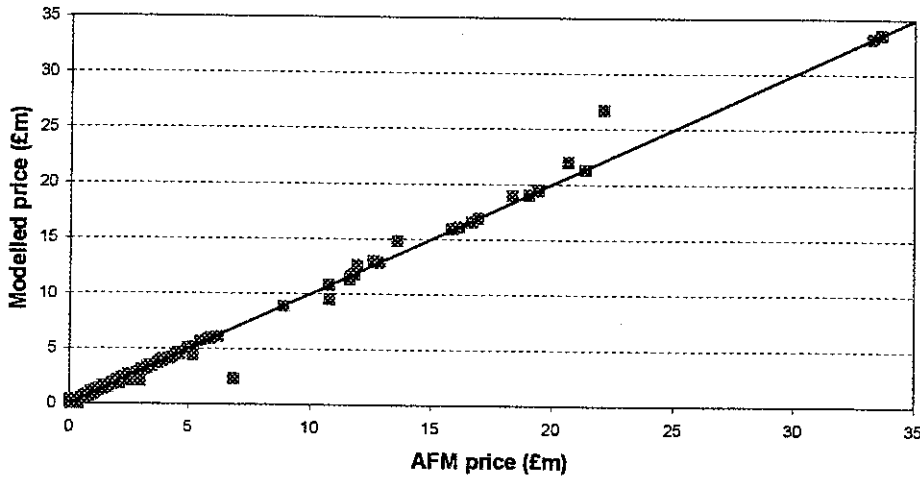
EU FSA Asset Table (denominated in Euros)

Asset type (EU assets)	K= 1			
n Duration	5	15	25	35
Strike price per EU1m	1,166,481	1,706,396	2,555,148	3,796,358
r Annualised compound equivalent of the risk free rate	3.13%	3.63%	3.82%	3.89%
1 Risk-Free Zero Coupon Bond	856,902	565,386	367,345	271,449
2 ESTOXX (p=1)	99,676	524,989	850,490	935,994

No US FSA Asset Table (denominated in US\$) is shown, as there are no assets in the underlying hedge portfolio in this currency and it is these assets that are used in the calibration to calculate liability values.

(vi) SMA has significant hedge instruments that form a close match, in aggregate, to their liabilities. The hedge instruments include options on both bond (interest rate) and equity type assets. The chart below shows the value of the hedge instruments derived using the stochastic simulation versus the market value. The market value is obtained from Abbey Financial Markets (AFM). The chart shows that a stochastic simulation of the hedge instruments is in line with the market price of hedge instruments.

**Simulated versus market value of hedge instruments held by SMA**



(vii) The asset model of each main asset class - equities, risk free bonds, corporate bonds and cash were validated by projecting future income, gains and losses on asset values up to 35 years and the net present value of these amounts were compared to the current asset values. This is done for each of the dominant economies we have assets invested, namely the UK, EU, USA and Japan. At 9000 scenarios, the difference between the weighted average net present value of each asset class of each economy and the current asset value is close (i.e. not statistically significant). This helps to confirm that the total return is a martingale and risk neutral.

(viii) The projections of assets and liabilities are carried out on 9000 scenarios. The cost of options and guarantees derived is stable with this number of scenarios: stability arises at approximately 8000 scenarios. With 7000 the value derived differs by approximately 3%. At 8000 scenarios the value derived differs by less than 1%. 9000 scenarios is reasonable as it provides an acceptable level of accuracy without an exorbitant run time.

(b) Market cost of hedging  
Not applicable

(c) Deterministic approach  
Not applicable to SMA

(5) No assumptions have been made regarding future management actions except as shown in Section 10 for the purpose of the RCM calculation.

(6) SMA Lapse assumptions employed in Realistic Balance Sheet (as % of policies in force)

Policy Year	1	2	3	4	5	6	7	8	9	10	11+
<b>Conventional WP Life Business</b>											
Mortgage	2.5	2.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
All (exc. Mortgage)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>Conventional WP Pensions Business</b>											
SE Pensions	2	2	2	2	2	2	2	2	2	2	2
IP Pensions	2	2	2	2	2	2	2	2	2	2	2
MP Pensions	2	2	2	2	2	2	2	2	2	2	2
Group Full Profit Single Premium	10	10	10	10	10	10	10	10	10	10	10
<b>Unitised Life Business</b>											
ANL Low Cost Mortgage Endowment	10	10	10	10	10	10	10	10	10	10	10
ANL Low Start Mortgage Endowment	14	14	14	14	14	14	14	14	14	14	14
ANL WP Bond	15	15	15	15	15	15	15	15	15	15	10
SMA Select WP Bond	40	40	40	40	40	40	40	40	40	40	10
SMA WP Bond	30	30	30	30	30	30	30	30	30	30	10
SMA WP Investment Bond	20	20	20	20	20	20	20	20	20	20	10
SMI WP Investment Bond	10	10	10	10	10	10	10	10	10	10	10
<b>Unitised Pension Business</b>											
ANL Contracted Out Pension Plan	1	1	1	1	1	1	1	1	1	1	1
ANL Personal Pension Regular Premium	10	3	3	3	3	3	3	3	3	3	3
ANL Personal Pension Single Premium	2	2	2	2	2	2	2	2	2	2	2
EPP Single Premium	5	5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
EPP Independence 96 Regular Premium	8	8	8	8	8	8	8	8	8	8	8
EPS Independence 95 Regular Premium	8	8	8	8	8	8	8	8	8	8	8
EPP Regular Premium	5	5	5	5	5	5	5	5	5	5	5
Group Pension Scheme Single Premium	1.5	1.5	2	2	2	2	2	2	2	2	2
Group Pension Scheme Regular Premium	4	12	12	12	12	8	8	8	8	8	8
Personal Pension Scheme	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Personal Pens Scheme Independence 95 regular	4	4	4	4	4	4	4	4	4	4	4
Personal Pension Single Premium	1.5	1.5	3	3	3	3	3	3	3	3	3
Personal Pensions Protected Rights Rebate	1	1	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5

6.7. Other policyholder actions

SMA – GAO

The following table shows the assumed take up rates for given levels of in the money-ness: Money-ness in this case is defined as (Market annuity rate / GAO annuity rate) at retirement date for the GAO's – i.e. a figure of more than 100% implies the option is in the money from a policyholder perspective.

Product	Money-ness upper limit %	Take-up Rate%
SE Pensions	100	0
	140	67
	160	85
	9999	95



The following table shows the assumed take up rates for given levels of in the money-ness:

**SMA – GCO**

Money-ness in this case is defined as (GCO factor / Market annuity) at retirement date for the GCO's – i.e. a figure of more than 100% implies the option is in the money from a policyholder perspective.

Product	Money-ness upper limit %	Take-up Rate%
IP Pensions	60	5
	90	10
	100	25
	9999	100
MP Pensions	60	5
	90	30
	100	30
	9999	100

**SMA – MVA-free options**

Money-ness in this case is defined as (Asset share / Face value of units) on the MVA-free date for the MVA-free options – i.e. a figure of less than 100% implies the option is in the money from a policyholder perspective.

Money-ness upper limit %	Take-up Rate%
75	100
90	75
100	25
9999	0

**7. Financing costs**

Not Applicable

**8. Other long-term insurance liabilities**

The Discounted Value of Future Transfers to Shareholders is £2.57m

**9. Realistic current liabilities**

The statutory current liabilities (F18.22) can be analysed as follows:

Regulatory current liabilities of fund	10.82
Recoverable deferred tax asset	-12.06
Total	-1.24

## 10. Risk capital margin

(a) The risk capital margin is £97.0m.

This was based on the following assumptions.

(i) Market risk scenario - percentage change in equity and real estate market values

	Equities
UK and "Non-significant" Overseas Holdings	20%
Europe	20%
USA	20%

A fall in equity values was more onerous.

Note that the With Profit Fund does not hold any real estate at 31 December.

(ii) Market risk scenario - nominal change in yields on fixed interest securities

	Nominal Change in Yields	% change in long term gilt yield / nearest equivalent
UK and "Non-significant" Overseas Holdings	0.72%	17.5%
Europe	0.60%	17.5%
USA	0.81%	17.5%

A decrease in yields was the most onerous.

(iii) Credit Risk Scenario

The average change in spread for bonds is 0.36%.

The percentage change in the asset values is –

(a) Change in value of bonds	-2.43%
(b) Change in value of debts	immaterial
(c) Change in values of reinsurance	immaterial
(d) Change in value of finance agreements	nil
(e) Change in value of other assets	immaterial

(iv) Persistency Risk Scenario

Lapse rates are assumed to drop by 32.5%. This leads to a 14% (£204m) rise in the value of the cost of guarantees and options (Form 19 Line 41 and Line 43).

(v) Correlation between values of Assets and Liabilities

Not Applicable

(b) Management Actions

(i) The following management actions have been taken:

Release capital set aside for future asset share augmentations, by setting "Planned enhancements to with-profits benefits reserve" (F19L34) to zero.

Reduce asset shares by up to 2.5% per annum, for a maximum of 4 years, such that the surplus is no more than 0.5% of realistic liabilities.

No assumption changes have been made.

(ii) The impact of management actions is £304M.

(iii) No changes have been made to future proportions of equity assets or bonus rates. Annual bonus rates remain unchanged at 0.

(iv) The requirements of PRU 7.4.188R would be met if these management actions had been integrated into the protection of assets and liabilities.

(c) Assets covering risk capital margin

(i) The RCM of £97.0m is covered by assets held within the Other Business Subfund and are cash type assets.

A support arrangement of £220m is in existence. The funds are held within the OBSF and are available for transfer into the WPSF should the need arise.

## 11. Tax

(i) The investment returns allocated to asset shares include an allowance for historic and future anticipated recoverable tax.

(ii) The investment returns allocated to the asset shares in the calculation of the future policy related liabilities have been reduced to allow for tax.

(iii) An amount of £12.1m in respect of deferred tax on anticipated recoverable investment losses has been used to reduce current liabilities.

## 12. Derivatives

The derivative contracts described in the following sections were held by the With-Profits fund to cover risk capital margin in part or in full during the financial year.

### I. Structured Derivatives

The following structured derivatives are held within the With Profit funds to hedge various guarantees attaching to certain with profit policies:

Type 1 - A schedule of European vanilla put options with a combined equity and fixed interest index as the underlying. The options represent hedges of cash guarantees (i.e., maturity guarantees for CWP and MVA Free guarantees for UWP business).

Type 2 - A schedule of two-asset compound options with a combined equity and fixed interest index and a reference annuity index as the underlying instruments. The options represent hedges of guaranteed annuity options on top of with-profit maturity guarantees

Type 3 - A schedule of two-asset exchange and compound options with a combined equity and fixed interest index and a reference annuity index as the underlying instruments. The options represent hedges of maturity guarantees in respect of deferred with profit deferred annuity contracts with guaranteed commutation rates.

Type 4 - A schedule of two-asset exchange and compound options with a combined equity and fixed interest index and a reference annuity index as the underlying instruments. The options represent hedges of maturity guarantees in respect of deferred with profit deferred annuity contracts with guaranteed commutation rates.

As at 31 December 2005, the aggregate nominal amount and value of the options were £3.6 billion and £631 million, respectively. The nominal amount is distributed according to the structured derivative type as follows:

Type 1	79%
Type 2	11%
Type 3	4%
Type 4	6%
Total	100%

### II. Futures

At 31 December 2005, equity futures positions represented exposures (not values) in the amount of £258 million were held in the With Profit fund for efficient portfolio management purposes.

### 13. Analysis of working capital

	<u>Working Capital arising</u>
Opening Working Capital Position	75.3
Modelling Changes	7.1
Assumption changes	
lapses	75.8
mortality	27.8
expenses assumption	(1.4)
other assumptions	13.1
Experience Variances	
Hedge Rebalance	-
Yield Change	(59.6)
Volatility Change	(22.5)
Premiums, Investment Returns & Claims	91.5
Expenses	(15.9)
Tax	18.6
other	8.2
Recalibration of Liabilities	(214.6)
Untraced	12.2
Closing Working Capital position	<u>15.6</u>

### 14. Optional disclosure

Not applicable

## Returns under Insurance Companies Legislation

Scottish Mutual Assurance plc

Financial year ended 31 December 2005

### Notes to the Return

#### \*0201\* Modification of the Return

Modification of the Return: Direction No. 208780. The FSA, on application of the firm, made a direction in March 2004 under section 148 of the Act. The effect of the direction is to require the firm to include its class II business, which provides for the payment of a sum on the birth of a child and is written as part of its "Healthcash Product with Childbirth Benefit", as Class IV business in rows 21, 35 and 45 of form 60 and not as Class II business in rows 11-13, 31 and 41.

#### \*0301\* Reconciliation of net admissible assets to total capital resources

	2005 £000
<b>Net admissible assets per FSA return</b>	
Form 13 line 89 (Long term business)	12,388,642
Form 13 line 89 (Other than long term business)	1,111,068
Form 14 sum of lines 11,12, 49	(11,667,056)
Form 15 line 69	(241,006)
Form 3 line 79	<u>1,591,648</u>

#### \*0310\* Positive valuation differences

Valuation differences are analysed below:

	Positive valuation differences		
	(a) £000	(b) £000	Total £000
Negative sterling reserves	57,422	-	57,422
Investment in subsidiaries	6,393	-	6,393
Deferred income reserve	-	18,468	18,468
Adjustment to realistic liabilities in respect of FRS 27	-	260,363	260,363
Deferred tax liability on IFRS deferred acquisition cost asset	-	107,676	107,676
IAS 19 pensions deficit	-	79,299	79,299
	<u>63,815</u>	<u>465,806</u>	<u>529,621</u>

(a) Relates to the positive valuation differences included within line 14 in respect of assets where PRU valuation exceeds the valuation in IFRS statutory financial statements.

(b) Relates to the positive valuation differences included within line 14 in respect of liabilities where PRU valuation is lower than the valuation in IFRS statutory financial statements.

**\*1301\*&**

**\*1308\* Unlisted Investments**

The aggregate value of unlisted investments included in lines 41, 46 and 48 is £1,904,401 in the Other Business Sub Fund and £34,756,533 in the With Profits Sub Fund.

Units or other beneficial interests in collective investment schemes which are not UCITS nor authorised under FSA 1996 are £17,037,415 in the Other Business Sub Fund and nil in the With Profits Sub Fund.

**\*1304\*&**

**\*1310\* Offset of debtor and creditor balances**

Debtors and creditors have only been offset to the extent that they are due from / to the same person and in accordance with United Kingdom generally accepted accounting principles.

**\*1305\*&**

**\*1311\* Maximum permitted counterparty limits**

- a The Investment Guidelines operated in 2005 restricted the total exposure of the company together with that of the other UK life companies in the Banco Santander Group to a maximum amount. These limits apply to total investment in deposits, derivatives and foreign exchange transactions placed with banks other than the parent bank, Banco Santander Central Hispano, S.A.

Deposits could only be made with counterparties which had been agreed by the Company's Credit and Market Risk Committee or its Investment Sub-Committee.

The maximum exposure allowable depends on the credit rating and type of the institution. The maximum allowed is 5% of funds for AAA banks.

- b These limits apply also to counterparties which are not 'approved counterparties'.
- c There were no breaches of overall limits during the year.

**\*1306\*&**

**\*1312\* Counterparty exposure**

At 31 December 2005 exposure to the following counterparties was greater than 5% of the base capital resources requirement plus long-term insurance liabilities, excluding property-linked liabilities and net of reinsurance ceded.

	<b>Total £000</b>	<b>LTBF £000</b>	<b>SHF £000</b>
Banco Santander Central Hispano, S.A.*			
Hedge asset	630,966	630,966	-
Accrued income	165,922	165,922	-
Deposits	808,483	257,930	745,338
Equities	4,331	4,331	-
Debentures	4,246	4,246	-
Debtors	27,274	27,274	-
	<hr/>	<hr/>	<hr/>
	1,641,222	1,641,222	745,338
	<hr/>	<hr/>	<hr/>
UBS			
Equities	82,988	82,988	-

\*1306\*&

\*1312\* Counterparty exposure continued

Halifax Bank of Scotland			
Accrued income	421	421	-
Deposits	178,271	178,271	-
Equities	2,287	2,287	-
	180,979	180,979	-
National Australia Bank			
Accrued income	553	553	-
Deposits	127,368	127,368	-
	127,921	127,921	-
Lloyds			
Accrued income	353	353	-
Deposits	115,704	115,704	-
	116,057	116,057	-
Westpac Banking			
Accrued income	655	655	-
Deposits	107,032	107,032	-
	107,687	107,687	-
Banque Federal du Credit Mutual			
Accrued income	54	54	-
Deposits	105,891	105,891	-
	105,945	105,945	-
Macquarie Bank			
Accrued income	373	373	-
Deposits	96,267	96,267	-
	96,639	96,639	-
Depfa Bank			
Accrued income	1,270	1,270	-
Deposits	76,430	76,430	-
	77,700	77,700	-
Royal Bank of Scotland			
Accrued income	207	207	-
Deposits	64,662	64,662	-
Equities	2,306	2,306	-
	67,175	67,175	-
Links Finance			
Accrued income	506	506	-
Deposits	65,312	65,312	-
	65,818	65,818	-
Ebury			
Accrued income	148	148	-
Deposits	64,664	64,664	-
	64,812	64,812	-
Lake Constance Funding			
Accrued income	127	127	-
Deposits	55,033	55,033	-
	55,160	55,160	-
Thames Asset Global Securitisation			
Accrued income	273	273	-
Deposits	54,639	54,639	-
	54,912	54,912	-

**\*1306\*&****\*1312\* Counterparty exposure continued**

<b>Suncorps-Metway</b>			
Accrued income	132	132	-
Deposits	54,442	54,442	-
	<u>54,574</u>	<u>54,574</u>	-
<b>General Electric Company Ltd</b>			
Accrued income	51,505	51,505	-
Deposits	2	2	-
	<u>51,507</u>	<u>51,507</u>	-
<b>Calyon</b>			
Accrued income	153	153	-
Deposits	50,014	50,014	-
	<u>50,167</u>	<u>50,167</u>	-
<b>IKB Deutsche Industriebank AG</b>			
Accrued income	62	62	-
Deposits	49,862	49,862	-
	<u>49,924</u>	<u>49,924</u>	-
<b>Chesham Finance</b>			
Accrued income	55	55	-
Deposits	49,804	49,804	-
	<u>49,859</u>	<u>49,859</u>	-
<b>Caterpillar</b>			
Accrued income	231	231	-
Deposits	49,430	49,430	-
	<u>49,661</u>	<u>49,661</u>	-
<b>Australia &amp; New Zealand Bank Group</b>			
Accrued income	382	382	-
Deposits	49,248	49,248	-
	<u>49,630</u>	<u>49,630</u>	-

\* Banco Santander Central Hispano is the Company's ultimate parent undertaking.

**\*1307\*&****\*1313\* Exposures secured by collateral**

Form 13 line 44 includes a hedge asset of £630,966,000 held with Abbey National Treasury Services, a fellow subsidiary in the Banco Santander Group, which is secured by a collateral loan of £660,611,000 (see note 1701 for details of how this variation margin has been invested).



**\*1318\* Other Asset Adjustments**

Other asset adjustments on Form 13 line 100 are shown below.

		WPSF £000	OBSF £000	LTF £000	SHF £000
Form 13					
Line 100	Net derivative asset offset with collateral loan	29,664	(10,951)	18,713	-
	Interfund transfer	-	305,216	305,216	(500,000)
	Linked asset adjustments	-	(1,804)	(1,804)	-
	Settlement of WPF bonus	2,436	-	2,436	-
	Inadmissible preference shares	4,246	-	4,246	-
	Reclassification of tax debtor	(594)	-	(594)	(864)
	Write down of policyholder debtor	-	762	762	-
	Reconciliation of derivatives to Form 17	(26)	-	(26)	-
		<u>35,726</u>	<u>293,223</u>	<u>328,949</u>	<u>(500,864)</u>

**\*1401\*&****\*1501\* Provisions for reasonably foreseeable adverse variations**

No provision has been made for reasonably foreseeable adverse variations on derivative contracts because there are, within the admissible assets of the Company, assets of a nature and quantity such that it is reasonable to expect that any adverse change would be matched by a favourable change in the value of the assets.

**\*1402\*&****\*1502\* Details of liabilities and charges**

No charge has been made on the assets of the company to secure the liabilities of any other person.

Full provision is made in respect of Corporation Tax on the Long Term Business Fund within line 21 of Form 14.

Full provision is made in respect of Corporation Tax on the Life fund proportion of unrealised capital gains in the long term business fund. The provision is nil due to excess losses.

Contingent liabilities not included in Form 14 and Form 15 are:

- 1 A guarantee amounting to £100,000 in respect of loans made by a former related company of the Company.
- 2 The company is registered with HM Revenue and Customs as a member of a group for VAT purposes and as a result is jointly and severally liable on a continuing basis for amounts owing by any other member of that group in respect of unpaid VAT. £4m was outstanding at 31 December 2005 in respect of VAT (2004: £3m).

**\*1402\*&**

**\*1502\* Details of liabilities and charges continued**

- 3 The company is required under the Financial Services Compensation Scheme to contribute towards levies raised by that scheme on long term insurance business companies for the purpose of assisting policyholders of UK long-term business insurers that may become insolvent. The amount collected may vary, but cannot exceed 0.8% of relevant net premium income, gross of reinsurance, in any one financial year of the scheme. The amount levied in the year was £0.8m (2004: £1.5 million).
- 4 The company may also be required to contribute to a compensation scheme to compensate policyholders advised independently in the purchase of pension products - the uncertainties surrounding this issue are such that any liability is currently unquantifiable.
- 5 Outstanding calls on investments at 31 December 2005 were nil (2004: £11.0 million).
- 6 There were no guarantees, indemnities or other contractual commitments effected by the company in respect of the existing or future liabilities of any related companies at the end of the financial year.
- 7 The company provides a guarantee in respect of certain mortgage advances made by a related company to employees of the Company.

**\*1405\* Other Adjustments to Liabilities**

Other adjustments to liabilities on Form 14 line 74 are shown below.

	WPSF £000	OBSF £000	LTF £000
Form 14			
Line 74			
Negative sterling reserves		57,422	57,422
FRS 27 realistic liabilities	260,363	-	260,347
Deferred income reserve	-	18,468	18,468
Excess of staff pension fund deficit over its deficit reduction amount	-	79,299	79,299
Deferred tax	-	(21,068)	(21,068)
Net derivative asset offset with collateral loan	29,664	(10,951)	18,713
Interfund transfer	-	(194,785)	(194,785)
Linked asset adjustments	-	(1,804)	(1,804)
Settlement of WPF bonus	2,436	-	2,436
Reclassification of tax debtor	(594)	-	(594)
Reconciliation of derivatives to Form 17	(26)	-	(26)
Other	(16)	-	-
	291,827	(73,419)	218,408

**\*1507\* Other adjustments to liabilities**

Other adjustments to liabilities on Form 15 line 83 are as follows:

	SHF £000
Form 15	
Line 83	
Reclassification of tax debtor	864

**\*1601\* Foreign Currency Translation**

Assets and liabilities in currencies other than sterling have with minor exceptions been included in the return at the rates of exchange ruling at the end of the period. Revenue transactions are converted at the rates of exchange ruling on the date of settlement.

**\*1603\* Other income and charges**

Included at Form 16 Line 21 is and expense of nil (2004: £29.7m). The prior year figure related to a general contingency provision set up in respect of other liabilities, including potential mis-selling.

**\*1701\* Variation Margin**

The variation margin received has been invested as follows:

	2005 £000	2004 £000
Fixed interest debt securities (included in Form 13, Line 46)	207,048	217,805
Holdings in collective investment schemes (included in Form 13, Line 43)	453,562	491,957
	660,611	709,762

**\*1901\* Capital support**

The amount potentially available for inclusion in line 62 as shown in line 81 is equal to the capital resources arising within the Non Profit fund less the minimum capital requirement for the Non Profit fund plus the capital resources allocated towards long term insurance business arising outside the long term insurance fund. As noted in paragraph 10 of the Appendix 9.4A valuation abstract, an arrangement is in place to provide capital support for the risk capital margin amounting to £220m if the need arises. This amount is included in the value disclosed at line 81.

**\*4002\* Other Expenditure**

Other expenditure on Form 40 line 25 consists mainly of intra-fund transfers. The With Profit Unit Transfers relate to net claims in respect of Abbey National Life plc and Scottish Mutual International plc and to unitised With Profits business written within Scottish Mutual Assurance plc. The transfer-in for the receiving fund is shown as negative on the same line.

2005		WPSF £000	OBSF £000	Total £000
Form 40				
Line 25	With Profit Expenses	48,656	(48,656)	-
	With Profit Unit Transfers	1,189,439	(1,189,439)	-
	Defined benefit pension scheme amortisation payments		20,001	20,001
		<hr/>	<hr/>	<hr/>
		1,238,095	(1,218,094)	20,001
<hr/>				
2004		WPSF £000	OBSF £000	Total £000
Form 40				
Line 15	Transfer re. contingent loan	(460,000)	460,000	-
	With Profit Expenses	62,745	(62,745)	-
	With Profit Unit Transfers	1,205,199	(1,205,199)	-
		<hr/>	<hr/>	<hr/>
		807,944	(807,944)	-
<hr/>				

**\*4003\* Transfer to Non-Technical Account**

Included at Form 40 line 26 is the share of the With Profits Sub Fund bonus attributable to the Shareholder Fund.

**\*4005\* Foreign Currency Translation**

Assets and liabilities in currencies other than sterling have with minor exceptions been included in the return at the rates of exchange ruling at the end of the period. Revenue transactions are converted at the rates of exchange ruling on the date of settlement.

**\*4006\* Basis of Apportionment between funds**

All income items are credited to and claims, commission and taxation are debited from the relevant fund. Administration and other expenses are initially charged to the Non Profit Fund, which then recharges the With Profit Fund in accordance the Scheme of Demutualisation.

**\*4008\* Management Services**

Management Services were provided to Scottish Mutual Assurance plc throughout the year by Abbey National Financial & Investment Services plc and Abbey National Asset Managers Limited. Management charges by Abbey National Financial & Investment Services plc included in the operating results amounted to £74 million (2004: £152 million). At 31 December 2005, £12million (2004: £13million) was outstanding. Management charges by Abbey National Asset Managers Limited included in the operating results amounted to £1.7 million (2004: £4.8 million). At 31 December 2005, £0.5million was outstanding (2004: £0.7 million). Abbey National Financial & Investment Services and Abbey National Asset Managers Limited are subsidiaries of Abbey National plc, the Company's UK parent undertaking.

**\*4009\* Material Transactions With Connected Companies**

- a. Claim expense includes the following amounts in respect of net claims reassured from connected companies:

	2005	2004
	£m	£m
Abbey National Life plc	299	224
Scottish Mutual International plc	46	29

- b. Management Services were provided to Scottish Mutual Assurance plc throughout the year by Abbey National Financial & Investment Services plc and Abbey National Asset Managers Limited. Details of the charges and amounts outstanding at the end of the year have been provided in note 4008.
- c. At 31 December 2005 £8,976 million (2004: £2,661 million) was invested in unit trusts or Open-ended Investment Companies managed by subsidiaries of Abbey National plc.
- d. The company undertakes stocklending transactions with subsidiaries of Abbey National plc. The value of securities lent at 31 December 2005 amounted to nil (2004: £1,494 million, which was covered by collateral of £1,543 million).
- e. At 31 December 2005, the Company had entered into OTC derivative contracts with nominal values totalling £3,638m (2004: £3,892m) with Abbey National Treasury Services plc, a fellow Group company to provide financial protection against a range of embedded policy guarantees. The contracts take the form of a number of options, specified to capture the material elements of the economic exposure of the With Profits fund to costs of guarantees attributable to equity returns, interest rate movements and foreign exchange rate movements. The terms of the options have been determined to match as closely as possible central expectations regarding asset management, management actions and customer choices.

Guarantee Type	Option type	Maturity Date Range
<b>SMA</b>		
Maturity guarantees on Conventional With Profit policies and Market Value Adjustment free guarantees on UWP policies	European put	29/12/06 to 03/11/31
CWP pensions maturity guarantees with guaranteed annuity options	Bespoke payoff	30/06/09 to 31/03/32
CWP deferred annuity contracts without guaranteed commutation options	Bespoke payoff	30/06/09 to 30/06/31
CWP deferred annuity contracts without guaranteed commutation options	Bespoke payoff	29/06/07 to 30/11/29

The premium payable by the Company for the purchase of these options was £631m.

At 31 December 2005, there is an unrealised loss of £7m on the options held.

As security for the maturity proceeds of these derivatives, Abbey National Treasury Services plc had lent to the Company sums amounting to £661million at 31 December 2005. Such liabilities are included in rights under derivative contracts, which is included at Form 14 line 44.

**\*4009\* Material Transactions With Connected Companies** continued

- f. The company undertakes certain banking transactions with Abbey National plc. Most significant are the unit-linked funds whose assets are represented by deposits placed with Abbey National. Such funds were valued at £272 million at 31 December 2005 (2004: £381 million).
- g. The company has issued index-linked contracts, the benefits of which are backed by derivative contracts issued by Abbey National Treasury Services. The value of such contracts at 31 December 2005 was £4.3 million (2004: £4.5 million), against which margin monies of £4.8 million (2004: £4.5 million) had been received from Abbey National Treasury Services.
- h. With effect from 1 January 2005 the reinsurance agreement with Scottish Mutual Pensions Limited, a fellow subsidiary of Abbey National plc, the Company's UK parent undertaking, was terminated and all reinsured business was recaptured by the Company at that date.

**\*4401\* Basis of Asset Valuation**

The fair values of financial instruments are determined by reference to quoted market prices or published prices. If quoted market prices or published prices are not available, fair values are determined or estimated by using various different techniques, including but not limited to balance sheet analysis and comparison to similar quoted securities.

**\*4402\* Aggregate value of derivatives**

The aggregate value of derivatives included in column 2 is £242k.

**\*4404\* Surplus Units**

The surplus units of the linked funds are held because it would be not be cost effective to re-invest their value elsewhere.

**\*4806\*** The assets used to calculate the investment returns shown in lines 21 to 29 column 5 are the assets of the With-Profits Sub-Fund.

**\*4901\*** The rating agencies used to provide a split by credit rating are Standard & Poors and Moodys.

**\*5103\*** The product code 380 "Miscellaneous protection rider" on form 51 is used primarily for waiver of premium benefit on protection contracts. It also includes reserves of £2.5m for other permanent health insurance rider benefits on these contracts.

**\*5104\*** A small amount of Index-Linked annuities have been included within product code 400.

**\*5301\*** There are 2002 group schemes with no record of details at member level. These all have product code 755 and description Trustee Investment Plan.

**\*5303\*** The product code 795 "Miscellaneous property linked" on form 53 for UK life is used for property linked term assurance, which does not appear to fit into any other product code.

**\*5803\*** We have not included a Form 58 for the Smoothed Growth Sub-Fund or the Smoothed Income Sub-Fund. These funds are sub-funds of the Other Business Sub-Fund. The nature of these funds is that the Mathematical Reserve is equal to the Fund carried forward. There is no surplus and no distribution of surplus.

**\*6002\*** Modification of the Return: Direction No. 208780. The FSA, on application of the firm, made a direction in March 2004 under section 148 of the Act. The effect of the direction is to require the firm to include its class II business, which provides for the payment of a sum on the birth of a child and is written as part of its "Healthcash Product with Childbirth Benefit", as Class IV business in rows 21, 35 and 45 and not as Class II business in rows 11-13, 31 and 41.

**Returns under Insurance Companies Legislation**

**Statement required by Rule 9.29 of the IPRU(INS)**

**Scottish Mutual Assurance plc**

**Financial Year ended 31 December 2005**

**Additional information on derivative contracts**

- a The investment guidelines operated by the Company during the period up to 31 December 2005 for the use of derivative contracts were based on the principles of reduction of risk reduction or efficient portfolio management.

In particular:

- i no uncovered liabilities were permitted;
- ii all contracts were either:
  - a transacted on an approved exchange; or
  - b with an approved counterparty.
- iii all monies relating to exchange traded positions were held in client money segregated accounts at a highly rated international bank.
- iv transactions were conducted within the Insurance and Asset Management Division Delegated Authorities.

The use of derivatives was further restricted by the variety of regulations laid down for the use of derivatives in life assurance companies – in particular the rules and guidance set out in PRU 4.3.

- b The investment guidelines do not prohibit entry into contracts, which were not at the time of entry, reasonably likely to be exercised, to ensure that Insurance and Asset Management Division is not prevented from entering into contracts which could potentially enhance efficient portfolio management.
- c The Company was not a party to any contract during 2005 that was not expected, at the time when the contract was entered into, to be reasonably likely to be exercised.
- d The extent to which any of the amounts recorded on Form 13 would be changed if assets which the Company had a right or obligation to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired or disposed of (including collateral):

<b>With Profits Sub-fund</b>		<b>£000</b>
Form 13 line 81	Cash at bank	305,699
Form 13 line 44	Rights under derivative contracts	14,001
Form 13 line 43	Collective investment schemes	(319,700)

<b>Other Business Sub-fund</b>		<b>£000</b>
Form 13 line 81	Cash at bank	84,065
Form 13 line 44	Rights under derivative contracts	(1,643)
Form 13 line 43	Collective investment schemes	(82,413)

- e If such options as were outstanding at 31 December 2005 had been exercised to change the amounts shown in Form 13 to the maximum extent there would be an additional net effect of (£8,749,000).
- f There was no material difference between the positions at the year end and that during the financial year.
- g No loss would have been incurred by the Company in the event of failure by any one other person to fulfil its obligations under derivative contracts outstanding at the year-end. At other times during the relevant period there may have been a loss but at any time the possible losses are included within the overall monitoring of counterparty exposure and subject to strict internal guidelines, collateralisation also limits overall exposure.
- h Transactions which would require a significant provision under PRU 4.3.17R or which do not fall within PRU 4.3.5 are not undertaken.
- i The Company did not grant any rights under derivative contracts during the year.



**Returns under the Accounts and Statements Rules**

**Statement required by Rule 9.30**

**Scottish Mutual Assurance plc**

**Financial year ended 31 December 2005**

Scottish Mutual Assurance plc had the following controllers throughout the year:

<u>Controller</u>	<u>Relationship</u>	<u>% Interest*</u>
Banco Santander Central Hispano, S.A.	Ultimate parent company	100%
Abbey National plc	Ultimate UK parent company	100%
Abbey National SMA Holdings Limited	Immediate parent company	100%

\* interest in respect of both share capital and voting rights

## **Returns under the Accounts and Statement Rules**

### **Statement required by Rule 9.36**

#### **Scottish Mutual Assurance plc**

#### **Financial year ended 31 December 2005**

### **Information on With Profits Actuary**

Mr D Ramsay was the holder of the with-profits actuarial function throughout 2005.

The following information relates to the year ended 31 December 2005:

- a Mr D Ramsay held 7,329 shares in Banco Santander Central Hispano SA during the year. In addition, under an Abbey National Medium-Term Incentive Plan, Mr D Ramsay was granted a conditional award of 14,500 shares in Banco Santander Central Hispano SA, in line with the rules of the Plan.
- b Aggregate remuneration, excluding pension contributions, received by the Actuary from Abbey National Financial and Investment Services plc during the year was £154,118.
- c Other pecuniary benefits:  
Pension and lump sum benefits provided under the standard terms and conditions of a Group Staff Pension Scheme.

The above particulars were furnished by Mr D Ramsay upon request and they agree with the accounts and records of the Company.

**Returns under the Accounts and Statements Rules**

**Certificate required by Rule 9.34**

**Scottish Mutual Assurance plc**

**Financial year ended 31 December 2005**

We certify that:

- (a) the return has been properly prepared in accordance with the requirements in IPRU(INS) and PRU;
- (b) we are satisfied that:
  - (i) throughout the financial year in question, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and PRU; and
  - (ii) it is reasonable to believe that the Company has continued so to comply subsequently, and will continue so to comply in future;
- (c) in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;
- (d) the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long-term insurance business liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long-term insurance business;
- (e) the with-profits fund has been managed in accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COB 6.10; and
- (f) we have, in preparing the return, taken and paid due regard to:
  - (i) advice in preparing the return from every actuary appointed by the Company to perform the actuarial function in accordance with SUP 4.3.13R; and
  - (ii) advice from every actuary appointed by the Company to perform the with-profits actuary function in accordance with SUP 4.3.16R.

**J Maldonado Trinchant**  
**Chief Executive**

**M Moule**  
**Director**

**K Luscombe**  
**Director**

30 August 2006

Note to the certificate required by Rule 9.34

The Directors note that the Company is part of Abbey National plc (the Group) and as such is run on functional lines across a number of legal entities. The Directors therefore rely on other parts of the Group where they have no direct control. In making this return therefore, the Directors of the Company have received and relied upon representations from these other parts of the Group and note that ultimate responsibility for Governance of the Company rests with the Board and Executive Directors of Abbey National plc as the governing body of the Company.

Considerable effort has been made through the year to improve the risk management framework and the Company has concentrated on identifying areas where there is the opportunity for improvement in the control environment. These initiatives have underpinned the way the Company has operated during the year.

In cases where there have been issues relating to part (b) of this certificate, these have been discussed with the Financial Services Authority. The Directors are satisfied that the actions taken by the Company will resolve the issues identified within a reasonable timeframe and minimise the opportunity for recurrence.

Subsequent to the finalisation of the return dated 29 March 2006, additional work identified an understatement in the reported realistic value of the liabilities of the with-profits fund. Consequently Forms 2, 18, 19 and supplementary report 'Abstract of Valuation Report for Realistic Valuation' have been resubmitted pursuant to the Accounts and Statements Rules set out in part 1 of chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000

The amended forms and directors certificate should be read in conjunction with the other documents submitted on 29 March 2006.

## **Returns under the Accounts and Statements Rules**

### **Report of the auditors to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers**

#### **Scottish Mutual Assurance plc**

#### **Financial year ended 31 December 2005**

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 of 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 19 and 40 to 45, 48, 49, 56, 58 and 60, (including the supplementary notes) ("the Forms");
- the statement required by rule 9.29 ("the Statement");
- the valuation report required by rule 9.31(a) ("the valuation report")
- the realistic valuation report required by rule 9.31(b) ("the realistic valuation report").

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

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes)
- the statements required by rules 9.30 and 9.36
- the directors' certificate signed in accordance with rule 9.34 ("the directors' certificate").

Our report is provided to the directors of Scottish Mutual Assurance plc in accordance with rule 9.35 of the Interim Prudential Sourcebook for Insurers. We acknowledge that our report will be provided to the FSA for the use of the FSA solely for the purposes set down by statute and the FSA's rules. Our 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 auditors' report on an annual FSA return for an insurer and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the FSA, and the Company, for our 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 realistic valuation report, the forms and statements not examined by us and the directors' certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 16 March 2004. Under rule 9.11 the Forms, the Statement, the valuation report, the realistic 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 Company and used to perform the actuarial investigation as set out in the valuation report, and the realistic valuation report, prepared in accordance with rule 9.31 are required to reflect appropriately the requirements of PRU 7.3 and 7.4.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report and the realistic 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.

#### **Returns under the Accounts and Statements Rules**

**Report of the auditors to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers (continued)**

**Scottish Mutual Assurance plc**

**Financial year ended 31 December 2005**

**Basis of opinion**

We conducted our work in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board having regard to the relevant sections of Practice Note 20 'The audit of insurers in the United Kingdom' and Bulletin 2004/5. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the Statement, the valuation report and realistic 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, the valuation report and the realistic 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, the valuation report and the realistic 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 Company.

**Opinion**

In our opinion:

- (a) the Forms, the Statement, the valuation report and the realistic valuation report fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) the methods and assumptions determined by the Company and used to perform the actuarial investigation as set out in the valuation report and the realistic valuation report prepared in accordance with rule 9.31 appropriately reflect the requirements of PRU 7.3 and 7.4.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors

29 March 2006

**Scottish Mutual Assurance plc**

**Global business**

**Financial year ended 31 December 2005**

**Report of the auditors to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers**

We have examined forms 2, 18 and 19 and the realistic valuation report required by rule 9.31(b) prepared by the company as amended documents pursuant to the Accounts and Statements Rules set out in part 1 and part IV of chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000

These documents replace the corresponding documents included in the 2005 return, as reported upon in our report dated 29 March 2006. This auditors' report should be read in conjunction with the auditors' report of 29 March 2006.

Our report is provided to the directors of Scottish Mutual Assurance plc in accordance with rule 9.35 of the Interim Prudential Sourcebook for Insurers. We acknowledge that our report will be provided to the FSA for the use of the FSA solely for the purposes set down by statute and the FSA's rules. Our 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 auditors' report on an annual FSA return for an insurer and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the FSA, and the company, for our work, for this report, or for the opinions we have formed.

**Opinion**

In our opinion:

- (a) these forms and the realistic valuation report 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
- (b) the methods and assumptions determined by the company and used to perform the actuarial investigation as set out in the realistic valuation report prepared in accordance with rule 9.31(b) appropriately reflect the requirements of PRU 7.3 and 7.4.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Glasgow  
United Kingdom  
Date