

# **Scottish Mutual Assurance Ltd**

**Annual FSA Insurance Returns for the year ended**

**31 December 2008**

**Appendices 9.1, 9.3, 9.4, 9.4A and 9.6**

## Contents

### Appendix 9.1

Form 2	Statement of solvency - long-term insurance business	1
Form 3	Components of capital resources	3
Form 11	Calculation of general insurance capital requirement - premiums amount and brought forward amount	6
Form 12	Calculation of general insurance capital requirement - claims amount and result	7
Form 13	Analysis of admissible assets	8
Form 14	Long term insurance business liabilities and margins	20
Form 15	Liabilities (other than long term insurance business)	23
Form 16	Profit and loss account (non-technical account)	24
Form 17	Analysis of derivative contracts	25
Form 18	With-profits insurance capital component for the fund	29
Form 19	Realistic balance sheet	30

### Appendix 9.3 Long Term Insurance Business

Form 40	Revenue account	32
Form 41	Analysis of premiums	35
Form 42	Analysis of claims	38
Form 43	Analysis of expenses	41
Form 44	Linked funds balance sheet	44
Form 45	Revenue account for internal linked funds	45
Form 46	Summary of new business	46
Form 47	Analysis of new business	47
Form 48	Assets not held to match linked liabilities	51
Form 49	Fixed and variable interest assets	54
Form 50	Summary of mathematical reserves	57
Form 51	Valuation summary of non-linked contracts (other than accumulating with-profits contracts)	61
Form 52	Valuation summary of accumulating with-profits contracts	70
Form 53	Valuation summary of property linked contracts	75
Form 55	Unit prices for internal linked funds	79
Form 57	analysis of valuation interest rate	89
Form 58	Distribution of surplus	91
Form 59A	With-profits payouts on maturity (normal retirement)	95
Form 59B	With-profits payouts on surrender	96
Form 60	Long-term insurance capital requirement	97
	Supplementary notes to the return	98
	Additional information on derivative contracts	106
	Additional information on controllers	107

### Appendix 9.4

	Abstract of the Valuation Report	109
	Abstract of the Realistic Report	127
	Statement of information on the with-profits actuary	146

**Appendix 9.6**

Directors' Certificate  
Auditors' Report

147  
149

**Statement of solvency - long-term insurance business**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Solo solvency calculation

R2	Company registration number	GL/UK/CM	day month year			Units
			31	12	2008	
	133846	GL				£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	731316	901284
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	33764	146568
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	765080	1047853

**Guarantee fund**

Guarantee fund requirement	21	51913	104069
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	713167	943784

**Minimum capital requirement (MCR)**

Long-term insurance capital requirement	31	155739	312207
Resilience capital requirement	32		
Base capital resources requirement	33	2518	2231
Individual minimum capital requirement	34	155739	312207
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	155739	312207
Excess (deficiency) of available capital resources to cover 50% of MCR	37	687211	891749
Excess (deficiency) of available capital resources to cover 75% of MCR	38	648276	813698

**Enhanced capital requirement**

With-profits insurance capital component	39	286793	355795
Enhanced capital requirement	40	442531	668002

**Capital resources requirement (CRR)**

Capital resources requirement (greater of 36 and 40)	41	442531	668002
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	322548	379851

**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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Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**



J S Moss

Chief Executive



K Luscombe

Director



M J Merrick

Director

30/3/09

**Components of capital resources**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R3</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business		Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year
		<b>1</b>		<b>2</b>	<b>3</b>	<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>		152197	152197	58893
Share premium account	<b>13</b>		9000	9000	9000
Positive valuation differences	<b>14</b>		480222	480222	595365
Fund for future appropriations	<b>15</b>		23559	23559	14500
Core tier one capital in related undertakings	<b>16</b>				
Core tier one capital (sum of 11 to 16)	<b>19</b>		2273478	2273478	2286257

**Tier one waivers**

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

**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>		2273478	2273478	2286257
Investments in own shares	<b>32</b>				
Intangible assets	<b>33</b>		44707	44707	124211
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>		44707	44707	124211
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>		2228771	2228771	2162046

## Components of capital resources

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

## Tier two capital

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

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				
Lower tier two capital in related undertakings	<b>53</b>				
<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>		200000	200000	200000
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>		200000	200000	200000

## Components of capital resources

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<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>		2428771	2428771	2362046
Inadmissible assets other than intangibles and own shares	<b>73</b>		13445	13445	986
Assets in excess of market risk and counterparty limits	<b>74</b>		1650245	1650245	1313207
Deductions for related ancillary services undertakings	<b>75</b>				
Deductions for regulated non-insurance related undertakings	<b>76</b>				
Deductions of ineligible surplus capital	<b>77</b>				
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>		765080	765080	1047853

## Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	<b>81</b>		765080	765080	1047853
Available capital resources for 50% MCR requirement	<b>82</b>		765080	765080	1047853
Available capital resources for 75% MCR requirement	<b>83</b>		765080	765080	1047853

## 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>				
Sum of financial engineering adjustments (91+92-93+94+95)	<b>96</b>				



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

 Name of insurer **Scottish Mutual Assurance Ltd**

Global business

 Financial year ended **31 December 2008**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units
	R11	133846	GL	31	12	2008
			This financial year			Previous year
			1			2
Gross premiums written			11			202293
Premiums taxes and levies (included in line 11)			12			
Premiums written net of taxes and levies (11-12)			13			202293
Premiums for classes 11, 12 or 13 (included in line 13)			14			
Premiums for "actuarial health insurance" (included in line 13)			15			202293
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			67431
Gross premiums earned			21			189528
Premium taxes and levies (included in line 21)			22			
Premiums earned net of taxes and levies (21-22)			23			189528
Premiums for classes 11, 12 or 13 (included in line 23)			24			
Premiums for "actuarial health insurance" (included in line 23)			25			189528
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			63176
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			67431
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31			
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			12138
	Excess (if any) over 53.1M EURO x 0.02		33			608
<b>Sub-total J (32-33)</b>			34			11529
Claims paid in period of 3 financial years			41			211015
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42			
	For insurance business accounted for on an accident year basis		43			114094
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44			
	For insurance business accounted for on an accident year basis		45			37483
<b>Sub-total C (41+42+43-44-45)</b>			46			287626
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			216792
<b>Sub-total D (46-47)</b>			48			70834
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.50
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			5765
Provision for claims outstanding (before discounting and net of reinsurance)			51			10311
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52			
<b>Brought forward amount (See instruction 4)</b>			53			10622
Greater of lines 50 and 53			54			10622

**Calculation of general insurance capital requirement - claims amount and result**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		R12	133846	GL	31	12	2008	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11				36
Claims paid in reference period				21				211015
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				114094
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				37483
Claims incurred in reference period (21+22+23-24-25)				26				287626
Claims incurred for classes 11, 12 or 13 (included in 26)				27				
Claims incurred for "actuarial health insurance" (included in 26)				28				287626
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				<b>29</b>				95875
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				<b>31</b>				31958
Division of sub-total F (gross adjusted claims amount)	x 0.26			32				8309
	Excess (if any) over 37.2M EURO x 0.03			33				181
<b>Sub-total G (32-33)</b>				<b>39</b>				8129
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				<b>41</b>				4064
Higher of premiums amount and brought forward amount (11.54)				42				10622
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				<b>43</b>				10622

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	4003	12050
Rights under derivative contracts	<b>44</b>	47017	19941
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>	53543	76793
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

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>	51	
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	3438	70700
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>		14482
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 admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	108053	193966

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**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 admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	108053	193966
Admissible assets in excess of market and counterparty limits	<b>92</b>	1506218	1313207
Inadmissible assets directly held	<b>93</b>		
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(46295)	(18320)
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 101)	<b>102</b>	1567975	1488853
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	1516	1467
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>	63	4273
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	4287470	6233113
Rights under derivative contracts	<b>44</b>	74929	2096
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	16276 2973
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	30000
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>	1354	1988
Other loans	<b>53</b>	148623	37
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	33887
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	4104
	Property linked	<b>59</b>	1485646 2121261

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	362	3997
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	10383	62055
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>	8217	52992
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	65251	27008
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>	20033	58500
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 admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	6150122	8609752

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**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 admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	6150122	8609752
Admissible assets in excess of market and counterparty limits	<b>92</b>	144028	
Inadmissible assets directly held	<b>93</b>	13445	986
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	(103)	(54)
Deferred acquisition costs excluded from line 89	<b>99</b>	44707	124211
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1040739	995067
Other asset adjustments (may be negative)	<b>101</b>	(90488)	(38067)
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 101)	<b>102</b>	7302449	9691895
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		



**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **With Profits Sub-Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	133846	GL	31	12	2008	£000	11
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>		
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>	63	4273
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	3532598	5315313
Rights under derivative contracts	<b>44</b>	74928	1685
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	2948
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	30000
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>		
Other loans	<b>53</b>		
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	
	Property linked	<b>59</b>	

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **With Profits Sub-Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>11</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

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>	4420	36079
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	18293	
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>	19420	48685
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 admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	3679722	5408983

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **With Profits Sub-Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>11</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**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 admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	3679722	5408983
Admissible assets in excess of market and counterparty limits	<b>92</b>	420	
Inadmissible assets directly held	<b>93</b>	213	
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>		
Deferred acquisition costs excluded from line 89	<b>99</b>		
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>		
Other asset adjustments (may be negative)	<b>101</b>	(70848)	(5582)
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 101)	<b>102</b>	3609506	5403400
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Other Business Sub-Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>12</b>
						<b>As at end of this financial year</b>	<b>As at end of the previous year</b>
						<b>1</b>	<b>2</b>
Land and buildings			<b>11</b>				

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	<b>21</b>		
	Debts and loans	<b>22</b>		
Other insurance dependants	Shares	<b>23</b>		
	Debts and loans	<b>24</b>		
Non-insurance dependants	Shares	<b>25</b>	1516	1467
	Debts and loans	<b>26</b>		
Other group undertakings	Shares	<b>27</b>		
	Debts and loans	<b>28</b>		
Participating interests	Shares	<b>29</b>		
	Debts and loans	<b>30</b>		

**Other financial investments**

Equity shares	<b>41</b>		
Other shares and other variable yield participations	<b>42</b>		
Holdings in collective investment schemes	<b>43</b>	754872	917801
Rights under derivative contracts	<b>44</b>	1	412
Fixed interest securities	Approved	<b>45</b>	
	Other	<b>46</b>	16276 25
Variable interest securities	Approved	<b>47</b>	
	Other	<b>48</b>	
Participation in investment pools	<b>49</b>		
Loans secured by mortgages	<b>50</b>		
Loans to public or local authorities and nationalised industries or undertakings	<b>51</b>		
Loans secured by policies of insurance issued by the company	<b>52</b>	1354	1988
Other loans	<b>53</b>	148623	37
Bank and approved credit & financial institution deposits	One month or less withdrawal	<b>54</b>	33887
	More than one month withdrawal	<b>55</b>	
Other financial investments	<b>56</b>		
Deposits with ceding undertakings	<b>57</b>		
Assets held to match linked liabilities	Index linked	<b>58</b>	4104
	Property linked	<b>59</b>	1485646 2121261

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Other Business Sub-Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>12</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	<b>60</b>		
Claims outstanding	<b>61</b>		
Provision for unexpired risks	<b>62</b>		
Other	<b>63</b>		

**Debtors and salvage**

Direct insurance business	Policyholders	<b>71</b>	362	3997
	Intermediaries	<b>72</b>		
Salvage and subrogation recoveries		<b>73</b>		
Reinsurance	Accepted	<b>74</b>		
	Ceded	<b>75</b>	10383	62055
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>	3797	16913
	due in more than 12 months	<b>79</b>		

**Other assets**

Tangible assets	<b>80</b>		
Deposits not subject to time restriction on withdrawal with approved institutions	<b>81</b>	46958	27008
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>	613	9815
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 admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	<b>89</b>	2470400	3200769

**Analysis of admissible assets**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Category of assets **Other Business Sub-Fund**

	Company registration number	GL/ UK/ CM	day month year			Units	Category of assets
<b>R13</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>12</b>
					<b>As at end of this financial year</b>	<b>As at end of the previous year</b>	
					<b>1</b>	<b>2</b>	

**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 admissible assets in excess of market risk and counterparty limits (as per line 89 above)	<b>91</b>	2470400	3200769
Admissible assets in excess of market and counterparty limits	<b>92</b>	143608	
Inadmissible assets directly held	<b>93</b>	13232	986
Capital resources requirement deduction of regulated related undertakings	<b>94</b>		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	<b>95</b>		
Inadmissible assets of regulated related undertakings	<b>96</b>		
Book value of related ancillary services undertakings	<b>97</b>		
Other differences in the valuation of assets (other than for assets not valued above)	<b>98</b>	(103)	(54)
Deferred acquisition costs excluded from line 89	<b>99</b>	44707	124211
Reinsurers' share of technical provisions excluded from line 89	<b>100</b>	1040739	995067
Other asset adjustments (may be negative)	<b>101</b>	(19641)	(32484)
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 101)	<b>102</b>	3692943	4288494
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	<b>103</b>		

**Long term insurance business liabilities and margins**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Total business/Sub fund **10 Summary**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus		<b>11</b>	4677056	6970793
Cash bonuses which had not been paid to policyholders prior to end of the financial year		<b>12</b>		
Balance of surplus/(valuation deficit)		<b>13</b>	221682	129274
Long term insurance business fund carried forward (11 to 13)		<b>14</b>	4898738	7100067
Claims outstanding	Gross	<b>15</b>	33567	58314
	Reinsurers' share	<b>16</b>	235	9875
	Net (15-16)	<b>17</b>	33332	48439
Provisions	Taxation	<b>21</b>	17419	120567
	Other risks and charges	<b>22</b>	150	3164
Deposits received from reinsurers		<b>23</b>	463369	445448
Creditors	Direct insurance business	<b>31</b>	2251	17672
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	27466	35994
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions		<b>36</b>		4665
Creditors	Taxation	<b>37</b>	32400	4812
	Other	<b>38</b>	165364	56914
Accruals and deferred income		<b>39</b>		
Provision for "reasonably foreseeable adverse variations"		<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)		<b>49</b>	741750	737674
Excess of the value of net admissible assets		<b>51</b>	509634	772010
Total liabilities and margins		<b>59</b>	6150122	8609751

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		<b>61</b>	219	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		<b>62</b>	1478732	2096508

Total liabilities (11+12+49)		<b>71</b>	5418806	7708467
Increase to liabilities - DAC related		<b>72</b>	12518	34217
Reinsurers' share of technical provisions		<b>73</b>	1040739	995067
Other adjustments to liabilities (may be negative)		<b>74</b>	377112	523026
Capital and reserves and fund for future appropriations		<b>75</b>	453275	431117
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)		<b>76</b>	7302450	9691894

**Long term insurance business liabilities and margins**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Total business/Sub fund **21 With Profits Sub-Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	3099623	4823444
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>		
Balance of surplus/(valuation deficit)	<b>13</b>		
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	3099623	4823444
Claims outstanding	Gross	<b>15</b>	
	Reinsurers' share	<b>16</b>	
	Net (15-16)	<b>17</b>	
Provisions	Taxation	<b>21</b>	
	Other risks and charges	<b>22</b>	
Deposits received from reinsurers	<b>23</b>		
Creditors	Direct insurance business	<b>31</b>	180
	Reinsurance accepted	<b>32</b>	
	Reinsurance ceded	<b>33</b>	
Debenture loans	Secured	<b>34</b>	
	Unsecured	<b>35</b>	
Amounts owed to credit institutions	<b>36</b>		341
Creditors	Taxation	<b>37</b>	52
	Other	<b>38</b>	140854
Accruals and deferred income	<b>39</b>		
Provision for "reasonably foreseeable adverse variations"	<b>41</b>		
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	141086	28528
Excess of the value of net admissible assets	<b>51</b>	439013	557010
Total liabilities and margins	<b>59</b>	3679722	5408983

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

Total liabilities (11+12+49)	<b>71</b>	3240709	4851973
Increase to liabilities - DAC related	<b>72</b>		
Reinsurers' share of technical provisions	<b>73</b>		
Other adjustments to liabilities (may be negative)	<b>74</b>	345239	536928
Capital and reserves and fund for future appropriations	<b>75</b>	23559	14500
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	3609507	5403400



**Long term insurance business liabilities and margins**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**Total business/Sub fund **31 Other Business Sub-Fund**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	<b>11</b>	1577433	2147348	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	<b>12</b>			
Balance of surplus/(valuation deficit)	<b>13</b>	221682	129274	
Long term insurance business fund carried forward (11 to 13)	<b>14</b>	1799115	2276622	
Claims outstanding	Gross	<b>15</b>	33567	58314
	Reinsurers' share	<b>16</b>	235	9875
	Net (15-16)	<b>17</b>	33332	48439
Provisions	Taxation	<b>21</b>	17419	120567
	Other risks and charges	<b>22</b>	150	3164
Deposits received from reinsurers	<b>23</b>	463369	445448	
Creditors	Direct insurance business	<b>31</b>	2071	16155
	Reinsurance accepted	<b>32</b>		
	Reinsurance ceded	<b>33</b>	27466	35994
Debenture loans	Secured	<b>34</b>		
	Unsecured	<b>35</b>		
Amounts owed to credit institutions	<b>36</b>		4323	
Creditors	Taxation	<b>37</b>	32348	4812
	Other	<b>38</b>	24509	30243
Accruals and deferred income	<b>39</b>			
Provision for "reasonably foreseeable adverse variations"	<b>41</b>			
Total other insurance and non-insurance liabilities (17 to 41)	<b>49</b>	600664	709146	
Excess of the value of net admissible assets	<b>51</b>	70621	215000	
Total liabilities and margins	<b>59</b>	2470400	3200769	

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	<b>61</b>	219	
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	<b>62</b>	1478732	2096508

Total liabilities (11+12+49)	<b>71</b>	2178097	2856494
Increase to liabilities - DAC related	<b>72</b>	12518	34217
Reinsurers' share of technical provisions	<b>73</b>	1040739	995067
Other adjustments to liabilities (may be negative)	<b>74</b>	31873	(13902)
Capital and reserves and fund for future appropriations	<b>75</b>	429716	416617
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose its external financial reporting (71 to 75)	<b>76</b>	3692943	4288494

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

Global business

Financial year ended **31 December 2008**

	Company registration number	GL/ UK/ CM	day	month	year	Units
<b>R15</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>
					<b>As at end of this financial year 1</b>	<b>As at end of the previous year 2</b>

**Technical provisions (gross amount)**

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

**Provisions and creditors**

Provisions	Taxation	<b>21</b>		
	Other risks and charges	<b>22</b>		
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>		
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>		
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>	46144	
Creditors	Taxation	<b>47</b>		18320
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	100	
Accruals and deferred income		<b>51</b>	11203	12077
Total (19 to 51)		<b>59</b>	57446	30397
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>	216843	217000
Total (59 to 63)		<b>69</b>	274289	247397

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		
Other adjustments (may be negative)	<b>83</b>	(46295)	(18320)
Capital and reserves	<b>84</b>	1339981	1259776
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	<b>85</b>	1567975	1488853

**Profit and loss account (non-technical account)**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**

		Company registration number	GL/ UK/ CM	day	month	year	Units
		R16	GL	31	12	2008	£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			2935	2211
Investment income	Income		14			135606	88151
	Value re-adjustments on investments		15				
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17			26739	25702
	Value re-adjustments on investments		18				
	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			(572)	(227)
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			111230	64433
Tax on profit or loss on ordinary activities			31			31024	18667
Profit or loss on ordinary activities after tax (29-31)			39			80205	45767
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			80205	45767
Dividends (paid or foreseeable)			51				
Profit or loss retained for the financial year (49-51)			59			80205	45767

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

Global business

Financial year ended **31 December 2008**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>1</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>	47017				200000		
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>							
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	47017				200000		
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>	47017						

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

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

Global business

Financial year ended **31 December 2008**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>10</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>	344992		116367		3168811		1199791
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>				4953			4865
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>	22358				966672		
	Equity index calls	<b>32</b>	1				1		
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	174709				79931		
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	542060		121321		4215414		1204656
Adjustment for variation margin		<b>52</b>	(467131)		(5497)				
Total (51 + 52)		<b>53</b>	74929		115823				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

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

Global business

Financial year ended **31 December 2008**Category of assets **With Profits Sub-Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>11</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets <b>1</b>		Liabilities <b>2</b>		Bought / Long <b>3</b>		Sold / Short <b>4</b>	
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>	344992		116367		3168811		1199791
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>				4953			4865
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>	22358				966672		
	Equity index calls	<b>32</b>							
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>	174709				79931		
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>	542059		121321		4215413		1204656
Adjustment for variation margin		<b>52</b>	(467131)		(5497)				
Total (51 + 52)		<b>53</b>	74928		115823				

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

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

Global business

Financial year ended **31 December 2008**Category of assets **Other Business Sub-Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		<b>R17</b>	<b>133846</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2008</b>	<b>£000</b>	<b>12</b>
<b>Derivative contracts</b>		Value as at the end of this financial year			Notional amount as at the end of this financial year				
		Assets		Liabilities		Bought / Long		Sold / Short	
				<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>		
Futures and contracts for differences	Fixed-interest securities	<b>11</b>							
	Interest rates	<b>12</b>							
	Inflation	<b>13</b>							
	Credit index / basket	<b>14</b>							
	Credit single name	<b>15</b>							
	Equity index	<b>16</b>							
	Equity stock	<b>17</b>							
	Land	<b>18</b>							
	Currencies	<b>19</b>							
	Mortality	<b>20</b>							
	Other	<b>21</b>							
In the money options	Swaptions	<b>31</b>							
	Equity index calls	<b>32</b>		1			1		
	Equity stock calls	<b>33</b>							
	Equity index puts	<b>34</b>							
	Equity stock puts	<b>35</b>							
	Other	<b>36</b>							
Out of the money options	Swaptions	<b>41</b>							
	Equity index calls	<b>42</b>							
	Equity stock calls	<b>43</b>							
	Equity index puts	<b>44</b>							
	Equity stock puts	<b>45</b>							
	Other	<b>46</b>							
Total (11 to 46)		<b>51</b>		1			1		
Adjustment for variation margin		<b>52</b>							
Total (51 + 52)		<b>53</b>		1					

THE NOTIONAL AMOUNTS IN COLUMNS 3 AND 4 ARE NOT A MEASURE OF EXPOSURE.  
Please see instructions 11 and 12 to this Form for the meaning of these figures.

**With-profits insurance capital component for the fund**

Name of insurer **Scottish Mutual Assurance Ltd**

With-profits fund **21 With Profits Sub-Fund**

Financial year ended **31 December 2008**

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	<b>11</b>	3679722	5408983
	Implicit items allocated to the fund	<b>12</b>		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	<b>13</b>		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	<b>14</b>		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	<b>15</b>		
	Total (11+12-(13+14+15))	<b>19</b>	3679722	5408983
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	<b>21</b>	3099623	4823444
	Regulatory current liabilities of the fund	<b>22</b>	141086	28528
	Total (21+22)	<b>29</b>	3240709	4851973
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		<b>31</b>	125367	194429
Resilience capital requirement in respect of the fund's with-profits insurance contracts		<b>32</b>		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		<b>39</b>	3366075	5046401
Regulatory excess capital (19-39)		<b>49</b>	313646	362582

**Realistic excess capital**

Realistic excess capital	<b>51</b>		(23072)
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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)	<b>61</b>	313646	385654
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	<b>62</b>		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	<b>63</b>		
Present value of future shareholder transfers arising from distribution of surplus	<b>64</b>	26853	29859
Present value of other future internal transfers not already taken into account	<b>65</b>		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	<b>66</b>	286793	355795



**Realistic balance sheet**

Name of insurer **Scottish Mutual Assurance Ltd**  
 With-profits fund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

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

**Realistic value of assets available to the fund**

Regulatory value of assets	<b>11</b>	3679722	5408983
Implicit items allocated to the fund	<b>12</b>		
Value of shares in subsidiaries held in fund (regulatory)	<b>13</b>		
Excess admissible assets	<b>21</b>	420	
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	<b>22</b>		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	<b>23</b>		
Value of shares in subsidiaries held in fund (realistic)	<b>24</b>		
Prepayments made from the fund	<b>25</b>		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	<b>26</b>	3680141	5408983
Support arrangement assets	<b>27</b>		
Assets available to the fund (26+27)	<b>29</b>	3680141	5408983

**Realistic value of liabilities of fund**

With-profits benefit reserve	<b>31</b>	2623867	4717312	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	<b>32</b>		
	Past miscellaneous deficit attributed to with-profits benefits reserve	<b>33</b>		
	Planned enhancements to with-profits benefits reserve	<b>34</b>	293049	146927
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	<b>35</b>		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	<b>36</b>	8922	
	Future costs of contractual guarantees (other than financial options)	<b>41</b>	505734	386063
	Future costs of non-contractual commitments	<b>42</b>		
	Future costs of financial options	<b>43</b>	118616	129986
	Future costs of smoothing (possibly negative)	<b>44</b>		
	Financing costs	<b>45</b>		
	Any other liabilities related to regulatory duty to treat customers fairly	<b>46</b>		
	Other long-term insurance liabilities	<b>47</b>	8890	10200
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	<b>49</b>	917366	673177
Realistic current liabilities of the fund	<b>51</b>	138909	18494	
Realistic value of liabilities of fund (31+49+51)	<b>59</b>	3680141	5408983	

**Realistic balance sheet**

Name of insurer **Scottish Mutual Assurance Ltd**  
 With-profits fund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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**Realistic excess capital and additional capital available**

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	<b>62</b>	3680141	5432055
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	<b>63</b>		
Value of relevant assets before applying the most adverse scenario (62+63)	<b>64</b>	3680141	5432055
Risk capital margin for fund (62-59)	<b>65</b>		23072
Realistic excess capital for fund (26-(59+65))	<b>66</b>		(23072)
Realistic excess available capital for fund (29-(59+65))	<b>67</b>		(23072)
Working capital for fund (29-59)	<b>68</b>		
Working capital ratio for fund (68/29)	<b>69</b>		

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

Additional amount potentially available for inclusion in line 62	<b>81</b>	295695	372339
Additional amount potentially available for inclusion in line 63	<b>82</b>		

## Long-term insurance business : Revenue account

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

## Income

Earned premiums	11	(620871)	(116116)
Investment income receivable before deduction of tax	12	350426	406879
Increase (decrease) in the value of non-linked assets brought into account	13	30757	(204091)
Increase (decrease) in the value of linked assets	14	(366520)	60481
Other income	15		
<b>Total income</b>	<b>19</b>	<b>(606208)</b>	<b>147154</b>

## Expenditure

Claims incurred	21	1541974	1709495
Expenses payable	22	124534	129012
Interest payable before the deduction of tax	23	22561	37843
Taxation	24	(41557)	19745
Other expenditure	25		
Transfer to (from) non technical account	26	2935	2211
<b>Total expenditure</b>	<b>29</b>	<b>1650447</b>	<b>1898305</b>

Business transfers - in	31		
Business transfers - out	32	(55326)	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(2201329)	(1751151)
Fund brought forward	49	7100067	8851218
Fund carried forward (39+49)	59	4898738	7100067

## Long-term insurance business : Revenue account

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

## Income

Earned premiums	11	(787936)	25975
Investment income receivable before deduction of tax	12	221668	251852
Increase (decrease) in the value of non-linked assets brought into account	13	62871	(70680)
Increase (decrease) in the value of linked assets	14		
Other income	15		
<b>Total income</b>	<b>19</b>	<b>(503396)</b>	<b>207147</b>

## Expenditure

Claims incurred	21	1157500	1137996
Expenses payable	22	26527	32749
Interest payable before the deduction of tax	23	23399	17239
Taxation	24	10065	(898)
Other expenditure	25		
Transfer to (from) non technical account	26	2935	2211
<b>Total expenditure</b>	<b>29</b>	<b>1220425</b>	<b>1189296</b>

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1723821)	(982150)
Fund brought forward	49	4823444	5805594
Fund carried forward (39+49)	59	3099623	4823444

## Long-term insurance business : Revenue account

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

## Income

Earned premiums	11	167064	(142091)
Investment income receivable before deduction of tax	12	128758	155028
Increase (decrease) in the value of non-linked assets brought into account	13	(32114)	(133411)
Increase (decrease) in the value of linked assets	14	(366520)	60481
Other income	15		
<b>Total income</b>	<b>19</b>	<b>(102812)</b>	<b>(59993)</b>

## Expenditure

Claims incurred	21	384474	571499
Expenses payable	22	98007	96262
Interest payable before the deduction of tax	23	(837)	20604
Taxation	24	(51622)	20643
Other expenditure	25		
Transfer to (from) non technical account	26		
<b>Total expenditure</b>	<b>29</b>	<b>430022</b>	<b>709009</b>

Business transfers - in	31		
Business transfers - out	32	(55326)	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(477508)	(769002)
Fund brought forward	49	2276623	3045624
Fund carried forward (39+49)	59	1799115	2276623

## Long-term insurance business : Analysis of premiums

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Regular premiums	11	310307	70432		380739	410675
Single premiums	12	(593399)	(123770)		(717169)	103819

**Reinsurance - external**

Regular premiums	13	112558	192		112749	104793
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	46	90604		90651	
Single premiums	16		81042		81042	525817

**Net of reinsurance**

Regular premiums	17	197703	(20364)		177339	305882
Single premiums	18	(593399)	(204811)		(798211)	(421998)

**Total**

Gross	19	(283092)	(53337)		(336430)	514494
Reinsurance	20	112604	171838		284442	630610
Net	21	(395696)	(225175)		(620871)	(116116)

## Long-term insurance business : Analysis of premiums

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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**Gross**

Regular premiums	11	10427	12228		22655	26023
Single premiums	12	(593410)	(217133)		(810544)	

**Reinsurance - external**

Regular premiums	13					48
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15	46	1		48	
Single premiums	16					

**Net of reinsurance**

Regular premiums	17	10381	12227		22608	25975
Single premiums	18	(593410)	(217133)		(810544)	

**Total**

Gross	19	(582983)	(204905)		(787888)	26023
Reinsurance	20	46	1		48	48
Net	21	(583029)	(204907)		(787936)	25975

## Long-term insurance business : Analysis of premiums

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Regular premiums	11	299879	58204		358084	384652
Single premiums	12	11	93364		93375	103819

**Reinsurance - external**

Regular premiums	13	112558	192		112749	104745
Single premiums	14					

**Reinsurance - intra-group**

Regular premiums	15		90603		90603	
Single premiums	16		81042		81042	525817

**Net of reinsurance**

Regular premiums	17	187322	(32590)		154731	279907
Single premiums	18	11	12322		12333	(421998)

**Total**

Gross	19	299890	151568		451459	488471
Reinsurance	20	112558	171837		284394	630562
Net	21	187333	(20268)		167064	(142091)



**Long-term insurance business : Analysis of claims**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	97987	20680		118667	150596
Disability periodic payments	12	42566	162		42728	258
Surrender or partial surrender	13	817531	362428		1179959	1315080
Annuity payments	14		84463		84463	79288
Lump sums on maturity	15	147571	132913		280484	257664
<b>Total</b>	<b>16</b>	<b>1105655</b>	<b>600646</b>		<b>1706301</b>	<b>1802886</b>

**Reinsurance - external**

Death or disability lump sums	21	59325	146		59471	57831
Disability periodic payments	22	20445			20445	
Surrender or partial surrender	23					
Annuity payments	24		38511		38511	35528
Lump sums on maturity	25					32
<b>Total</b>	<b>26</b>	<b>79769</b>	<b>38657</b>		<b>118427</b>	<b>93391</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		45900		45900	
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>45900</b>		<b>45900</b>	

**Net of reinsurance**

Death or disability lump sums	41	38663	20534		59196	92765
Disability periodic payments	42	22121	162		22283	258
Surrender or partial surrender	43	817531	362428		1179959	1315080
Annuity payments	44		52		52	43759
Lump sums on maturity	45	147571	132913		280484	257632
<b>Total</b>	<b>46</b>	<b>1025885</b>	<b>516089</b>		<b>1541974</b>	<b>1709495</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	3557	2430		5988	6521
Disability periodic payments	12					
Surrender or partial surrender	13	804692	168039		972730	1008557
Annuity payments	14		4453		4453	4374
Lump sums on maturity	15	112763	61567		174330	118543
<b>Total</b>	<b>16</b>	<b>921012</b>	<b>236488</b>		<b>1157500</b>	<b>1137996</b>

**Reinsurance - external**

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>					

**Reinsurance - intra-group**

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>					

**Net of reinsurance**

Death or disability lump sums	41	3557	2430		5988	6521
Disability periodic payments	42					
Surrender or partial surrender	43	804692	168039		972730	1008557
Annuity payments	44		4453		4453	4374
Lump sums on maturity	45	112763	61567		174330	118543
<b>Total</b>	<b>46</b>	<b>921012</b>	<b>236488</b>		<b>1157500</b>	<b>1137996</b>

**Long-term insurance business : Analysis of claims**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Death or disability lump sums	11	94430	18249		112679	144075
Disability periodic payments	12	42566	162		42728	258
Surrender or partial surrender	13	12839	194390		207229	306523
Annuity payments	14		80011		80011	74913
Lump sums on maturity	15	34808	71346		106154	139120
<b>Total</b>	<b>16</b>	<b>184642</b>	<b>364158</b>		<b>548801</b>	<b>664890</b>

**Reinsurance - external**

Death or disability lump sums	21	59325	146		59471	57831
Disability periodic payments	22	20445			20445	
Surrender or partial surrender	23					
Annuity payments	24		38511		38511	35528
Lump sums on maturity	25					32
<b>Total</b>	<b>26</b>	<b>79769</b>	<b>38657</b>		<b>118427</b>	<b>93391</b>

**Reinsurance - intra-group**

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34		45900		45900	
Lump sums on maturity	35					
<b>Total</b>	<b>36</b>		<b>45900</b>		<b>45900</b>	

**Net of reinsurance**

Death or disability lump sums	41	35105	18103		53209	86244
Disability periodic payments	42	22121	162		22283	258
Surrender or partial surrender	43	12839	194390		207229	306523
Annuity payments	44		(4400)		(4400)	39385
Lump sums on maturity	45	34808	71346		106154	139088
<b>Total</b>	<b>46</b>	<b>104873</b>	<b>279601</b>		<b>384474</b>	<b>571499</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11	42541	193		42734	47781
Commission - other	12	6031	2910		8941	9475
Management - acquisition	13	18194	805		18999	20851
Management - maintenance	14	19548	20343		39890	32928
Management - other	15	13969			13969	17976
<b>Total</b>	<b>16</b>	<b>100283</b>	<b>24251</b>		<b>124534</b>	<b>129012</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	42541	193		42734	47781
Commission - other	42	6031	2910		8941	9475
Management - acquisition	43	18194	805		18999	20851
Management - maintenance	44	19548	20343		39890	32928
Management - other	45	13969			13969	17976
<b>Total</b>	<b>46</b>	<b>100283</b>	<b>24251</b>		<b>124534</b>	<b>129012</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11					
Commission - other	12	206	22		228	271
Management - acquisition	13		16		16	(3327)
Management - maintenance	14	7850	15272		23122	31489
Management - other	15	3160			3160	4317
<b>Total</b>	<b>16</b>	<b>11216</b>	<b>15311</b>		<b>26527</b>	<b>32749</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41					
Commission - other	42	206	22		228	271
Management - acquisition	43		16		16	(3327)
Management - maintenance	44	7850	15272		23122	31489
Management - other	45	3160			3160	4317
<b>Total</b>	<b>46</b>	<b>11216</b>	<b>15311</b>		<b>26527</b>	<b>32749</b>

**Long-term insurance business : Analysis of expenses**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Commission - acquisition	11	42541	193		42734	47781
Commission - other	12	5825	2888		8713	9205
Management - acquisition	13	18194	789		18983	24178
Management - maintenance	14	11698	5070		16768	1439
Management - other	15	10808			10808	13660
<b>Total</b>	<b>16</b>	<b>89067</b>	<b>8940</b>		<b>98007</b>	<b>96262</b>

**Reinsurance - external**

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
<b>Total</b>	<b>26</b>					

**Reinsurance - intra-group**

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
<b>Total</b>	<b>36</b>					

**Net of reinsurance**

Commission - acquisition	41	42541	193		42734	47781
Commission - other	42	5825	2888		8713	9205
Management - acquisition	43	18194	789		18983	24178
Management - maintenance	44	11698	5070		16768	1439
Management - other	45	10808			10808	13660
<b>Total</b>	<b>46</b>	<b>89067</b>	<b>8940</b>		<b>98007</b>	<b>96262</b>

**Long-term insurance business : Linked funds balance sheet**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Internal linked funds (excluding cross investment)**

Directly held assets (excluding collective investment schemes)	11	103572	122778
Directly held assets in collective investment schemes of connected companies	12	1123421	1438610
Directly held assets in other collective investment schemes	13	207637	496659
<b>Total assets (excluding cross investment) (11+12+13)</b>	<b>14</b>	<b>1434630</b>	<b>2058047</b>
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17	2426	20211
<b>Total net assets (14-15-16-17)</b>	<b>18</b>	<b>1432204</b>	<b>2037836</b>

**Directly held linked assets**

Value of directly held linked assets	21	51016	63214
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**Total**

Value of directly held linked assets and units held (18+21)	31	1483220	2101050
Surplus units	32	4488	4543
Deficit units	33		
<b>Net unit liability (31-32+33)</b>	<b>34</b>	<b>1478732</b>	<b>2096508</b>

**Long-term insurance business : Revenue account for internal linked funds**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Income**

Value of total creation of units	11	624280	183739
Investment income attributable to the funds before deduction of tax	12	83333	50653
Increase (decrease) in the value of investments in the financial year	13	(367084)	48825
Other income	14		
<b>Total income</b>	<b>19</b>	<b>340529</b>	<b>283217</b>

**Expenditure**

Value of total cancellation of units	21	855477	505531
Charges for management	22	13733	17265
Charges in respect of tax on investment income	23	11665	148
Taxation on realised capital gains	24	(398)	852
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	4485	(7787)
Other expenditure	26	61199	240
<b>Total expenditure</b>	<b>29</b>	<b>946161</b>	<b>516249</b>

Increase (decrease) in funds in financial year (19-29)	39	(605632)	(233032)
Internal linked fund brought forward	49	2037836	2270868
Internal linked funds carried forward (39+49)	59	1432204	2037836



**Long-term insurance business : Summary of new business**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/  
scheme members for direct  
insurance business**

Regular premium business	11	87204	1292		88496	102765
Single premium business	12		3497		3497	4309
<b>Total</b>	<b>13</b>	<b>87204</b>	<b>4789</b>		<b>91993</b>	<b>107074</b>

**Amount of new regular  
premiums**

Direct insurance business	21	32289	3500		35789	46641
External reinsurance	22					
Intra-group reinsurance	23		300		300	340
<b>Total</b>	<b>24</b>	<b>32289</b>	<b>3800</b>		<b>36089</b>	<b>46981</b>

**Amount of new single  
premiums**

Direct insurance business	25	11	87723		87734	103819
External reinsurance	26					
Intra-group reinsurance	27					
<b>Total</b>	<b>28</b>	<b>11</b>	<b>87723</b>		<b>87734</b>	<b>103819</b>

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

Name of insurer

**Scottish Mutual Assurance Ltd**

Total business

Financial year ended

**31 December 2008**

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
1	2	3	4	5	6
325	Level term assurance	16302	4914		
330	Decreasing term assurance	6380	1504		
340	Accelerated critical illness (guaranteed premiums)	20450	11031		
345	Accelerated critical illness (reviewable premiums)	4283	2583		
350	Stand-alone critical illness (guaranteed premiums)	4514	2080		
355	Stand-alone critical illness (reviewable premiums)	531	225		
360	Income protection non-profit (guaranteed premiums)	31645	3445		
365	Income protection non-profit (reviewable premiums)	688	223		
395	Annuity non-profit (PLA)				1
500	Life UWP single premium				
505	Life UWP whole life regular premium		38		
510	Life UWP endowment regular premium - savings				
700	Life property linked single premium				10
710	Life property linked whole life regular premium	2411	6246		
715	Life property linked endowment regular premium - savings				

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

Name of insurer

**Scottish Mutual Assurance Ltd**

Total business

Financial year ended

**31 December 2008**

Units

**£000**

UK Life / Reinsurance accepted intra-group

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

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

Name of insurer

**Scottish Mutual Assurance Ltd**

Total business

Financial year ended

**31 December 2008**

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
170	Conventional deferred annuity with-profits - increments (with guaranteed annuity option)		22		146
170	Conventional deferred annuity with-profits - increments (with guaranteed cash option)		8		14
180	Group conventional deferred annuity with-profits - increments (with guaranteed cash option)		280		80
325	Level term assurance		66		
400	Annuity non-profit (CPA)		4		
530	Individual pensions UWP - increments				
540	Group money purchase pensions UWP - increments			3138	84042
570	Income drawdown UWP (Income withdrawal plan)		102		67
725	Individual pensions property linked		1386		618
730	Individual pensions property linked - increments				
735	Group money purchase pensions property linked				
740	Group money purchase pensions property linked - increments	18	69	88	851
750	Income drawdown property linked (Income withdrawal plan)		305		501
755	Trustee investment plan	1274	1259	271	1405

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

Name of insurer

**Scottish Mutual Assurance Ltd**

Total business

Financial year ended

**31 December 2008**

Units

**£000**

UK Pension / Reinsurance accepted intra-group

Product code number 1	Product description 2	Regular premium business		Single premium business	
		Number of policyholders / scheme members 3	Amount of premiums 4	Number of policyholders / scheme members 5	Amount of premiums 6
530	Individual pensions UWP - increments (Abbey National Life)		300		

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2008**  
 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

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12		428134	19139	3.21	
Other fixed interest securities	13	16276	97229	5587	9.39	
Variable interest securities	14					
UK listed equity shares	15		610			
Non-UK listed equity shares	16					
Unlisted equity shares	17	1516	1516			
Other assets	18	966963	457266	5051	1.10	
<b>Total</b>	<b>19</b>	<b>984755</b>	<b>984755</b>	<b>29778</b>	<b>2.84</b>	

**Assets backing with-profits liabilities and with-profits capital requirements**

Land and buildings	21					
Approved fixed interest securities	22		695719	30981	3.26	12.23
Other fixed interest securities	23		624146	42350	9.28	(4.68)
Variable interest securities	24	30000	30000	1762	5.87	
UK listed equity shares	25	63	681818	42673	9.46	(29.23)
Non-UK listed equity shares	26		236907	10554	7.35	(14.09)
Unlisted equity shares	27					
Other assets	28	3649658	1411131	5142	0.36	5.31
<b>Total</b>	<b>29</b>	<b>3679722</b>	<b>3679722</b>	<b>133461</b>	<b>4.60</b>	<b>(2.77)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					(8.89)
Return allocated to non taxable 'asset shares'	32					(8.89)
Return allocated to taxable 'asset shares'	33					(10.26)

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Category of assets **11 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 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

**Assets backing non-profit liabilities and non-profit capital requirements**

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>					

**Assets backing with-profits liabilities and with-profits capital requirements**

Land and buildings	21					
Approved fixed interest securities	22		695719	30981	3.26	12.23
Other fixed interest securities	23		624146	42350	9.28	(4.68)
Variable interest securities	24	30000	30000	1762	5.87	
UK listed equity shares	25	63	681818	42673	9.46	(29.23)
Non-UK listed equity shares	26		236907	10554	7.35	(14.09)
Unlisted equity shares	27					
Other assets	28	3649658	1411131	5142	0.36	5.31
<b>Total</b>	<b>29</b>	<b>3679722</b>	<b>3679722</b>	<b>133461</b>	<b>4.60</b>	<b>(2.77)</b>

**Overall return on with-profits assets**

Post investment costs but pre-tax	31					(8.89)
Return allocated to non taxable 'asset shares'	32					(8.89)
Return allocated to taxable 'asset shares'	33					(10.26)

**Long-term insurance business : Assets not held to match linked liabilities**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Category of assets **12 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 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

**Assets backing non-profit liabilities and non-profit capital requirements**

Land and buildings	11					
Approved fixed interest securities	12		428134	19139	3.21	
Other fixed interest securities	13	16276	97229	5587	9.39	
Variable interest securities	14					
UK listed equity shares	15		610			
Non-UK listed equity shares	16					
Unlisted equity shares	17	1516	1516			
Other assets	18	966963	457266	5051	1.10	
<b>Total</b>	<b>19</b>	<b>984755</b>	<b>984755</b>	<b>29778</b>	<b>2.84</b>	

**Assets backing with-profits liabilities and with-profits capital requirements**

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>					

**Overall return on with-profits assets**

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 Ltd**  
 Category of assets **10 Total long term insurance business assets**  
 Financial year ended **31 December 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	860986	9.58	3.10	3.10

<b>Other approved fixed interest securities</b>	<b>21</b>	262867	7.87	3.69	3.69
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	117967	5.40	4.97	3.80
AA/Aa	<b>32</b>	156029	6.64	6.79	5.62
A/A	<b>33</b>	273772	7.13	11.87	10.70
BBB/Baa	<b>34</b>	112806	6.16	11.13	9.96
BB/Ba	<b>35</b>	1995	8.56	10.96	9.79
B/B	<b>36</b>	43	5.06	25.33	24.16
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	58763	6.43	9.21	8.09
<b>Total other fixed interest securities</b>	<b>39</b>	721375	6.54	9.31	8.15

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>	30000	0.04	5.87	
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	1875228	8.02	5.62	5.08
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## Long-term insurance business : Fixed and variable interest assets

Name of insurer **Scottish Mutual Assurance Ltd**  
 Category of assets **11 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	460265	9.52	3.02	3.02

<b>Other approved fixed interest securities</b>	<b>21</b>	235454	7.83	3.72	3.72
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	103687	5.35	4.98	3.81
AA/Aa	<b>32</b>	140993	6.61	6.85	5.68
A/A	<b>33</b>	240839	7.13	11.89	10.72
BBB/Baa	<b>34</b>	99028	6.18	11.11	9.94
BB/Ba	<b>35</b>	1834	8.73	9.99	8.82
B/B	<b>36</b>				
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	37765	6.51	8.64	7.47
<b>Total other fixed interest securities</b>	<b>39</b>	624146	6.53	9.28	8.11

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>	30000	0.04	5.87	
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	1349865	7.63	6.10	5.43
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## Long-term insurance business : Fixed and variable interest assets

Name of insurer **Scottish Mutual Assurance Ltd**  
 Category of assets **12 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
<b>UK Government approved fixed interest securities</b>	<b>11</b>	400721	9.65	3.19	3.19

<b>Other approved fixed interest securities</b>	<b>21</b>	27413	8.19	3.44	3.44
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**Other fixed interest securities**

AAA/Aaa	<b>31</b>	14280	5.80	4.93	3.76
AA/Aa	<b>32</b>	15036	7.00	6.20	5.05
A/A	<b>33</b>	32933	7.11	11.79	10.62
BBB/Baa	<b>34</b>	13778	6.05	11.30	10.13
BB/Ba	<b>35</b>	161	6.69	22.02	20.85
B/B	<b>36</b>	43	5.06	25.33	24.16
CCC/Caa	<b>37</b>				
Other (including unrated)	<b>38</b>	20998	6.30	10.23	9.20
<b>Total other fixed interest securities</b>	<b>39</b>	97229	6.58	9.53	8.40

<b>Approved variable interest securities</b>	<b>41</b>				
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<b>Other variable interest securities</b>	<b>51</b>				
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<b>Total (11+21+39+41+51)</b>	<b>61</b>	525363	9.01	4.38	4.17
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## Long-term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance Ltd**Total business / subfund **10 Long Term Fund**Financial year ended **31 December 2008**

Units

£000

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11	268058	1192562		1460620	1630720
Form 51 - non-profit	12	24754	1092670		1117424	1010251
Form 52	13	638732	697340	301929	1638002	3193414
Form 53 - linked	14	212253	1266479		1478732	2096508
Form 53 - non-linked	15	4654	17758		22412	31080
Form 54 - linked	16					4104
Form 54 - non-linked	17					15
<b>Total</b>	<b>18</b>	<b>1148451</b>	<b>4266810</b>	<b>301929</b>	<b>5717190</b>	<b>7966093</b>

**Reinsurance - external**

Form 51 - with-profits	21	692			692	863
Form 51 - non-profit	22	76	378923		378999	468741
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					(24379)
Form 54 - linked	26					
Form 54 - non-linked	27					
<b>Total</b>	<b>28</b>	<b>768</b>	<b>378923</b>		<b>379691</b>	<b>445226</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31					
Form 51 - non-profit	32		662609		662609	550705
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>662609</b>		<b>662609</b>	<b>550705</b>

**Net of reinsurance**

Form 51 - with-profits	41	267366	1192562		1459928	1629856
Form 51 - non-profit	42	24678	51138		75816	(9195)
Form 52	43	638732	697340	301929	1638002	3193414
Form 53 - linked	44	212253	1266479		1478732	2096508
Form 53 - non-linked	45	4654	17758		22412	55459
Form 54 - linked	46					4104
Form 54 - non-linked	47					15
<b>Total</b>	<b>48</b>	<b>1147683</b>	<b>3225277</b>	<b>301929</b>	<b>4674890</b>	<b>6970162</b>

## Long-term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11	268058	1192562		1460620	1630720
Form 51 - non-profit	12					
Form 52	13	638265	697335	301929	1637529	3192958
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>906323</b>	<b>1889897</b>	<b>301929</b>	<b>3098149</b>	<b>4823677</b>

**Reinsurance - external**

Form 51 - with-profits	21	692			692	863
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>692</b>			<b>692</b>	<b>863</b>

**Reinsurance - intra-group**

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>					

**Net of reinsurance**

Form 51 - with-profits	41	267366	1192562		1459928	1629856
Form 51 - non-profit	42					
Form 52	43	638265	697335	301929	1637529	3192958
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>905631</b>	<b>1889897</b>	<b>301929</b>	<b>3097457</b>	<b>4822814</b>

## Long-term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance Ltd**Total business / subfund **31 Other Business Sub-Fund**Financial year ended **31 December 2008**

Units

£000

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12	24754	1092670	1117424	1010251
Form 52	13	468	6	473	457
Form 53 - linked	14	212253	1266479	1478732	2096508
Form 53 - non-linked	15	4654	17758	22412	31080
Form 54 - linked	16				4104
Form 54 - non-linked	17				15
<b>Total</b>	<b>18</b>	<b>242129</b>	<b>2376913</b>	<b>2619041</b>	<b>3142415</b>

**Reinsurance - external**

Form 51 - with-profits	21				
Form 51 - non-profit	22	76	378923	378999	468741
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				(24379)
Form 54 - linked	26				
Form 54 - non-linked	27				
<b>Total</b>	<b>28</b>	<b>76</b>	<b>378923</b>	<b>378999</b>	<b>444363</b>

**Reinsurance - intra-group**

Form 51 - with-profits	31				
Form 51 - non-profit	32		662609	662609	550705
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>662609</b>	<b>662609</b>	<b>550705</b>

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42	24678	51138	75816	(9195)
Form 52	43	468	6	473	457
Form 53 - linked	44	212253	1266479	1478732	2096508
Form 53 - non-linked	45	4654	17758	22412	55459
Form 54 - linked	46				4104
Form 54 - non-linked	47				15
<b>Total</b>	<b>48</b>	<b>242052</b>	<b>1335380</b>	<b>1577433</b>	<b>2147348</b>

## Long-term insurance business : Summary of mathematical reserves

Name of insurer **Scottish Mutual Assurance Ltd**Total business / subfund **32 Bonus Sub-Fund**Financial year ended **31 December 2008**

Units

£000

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Gross**

Form 51 - with-profits	11				
Form 51 - non-profit	12				26878
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>26878</b>

**Reinsurance - external**

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>				

**Reinsurance - intra-group**

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>				

**Net of reinsurance**

Form 51 - with-profits	41				
Form 51 - non-profit	42				26878
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>26878</b>

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 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	1155	23002	281				12326
120	Conventional endowment with-profits OB savings	24934	484233	8581				254644
125	Conventional endowment with-profits OB target cash (with gao)	24	215	1				197
205	Miscellaneous conventional with-profits	19	79					890
205	Miscellaneous conventional with-profits per annum		0					



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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
100	Conventional whole life with-profits OB		1334	9				574
120	Conventional endowment with-profits OB savings		219	4				118

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 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	1	6					9
165	Conventional deferred annuity with-profits(with guaranteed annuity option) per annum	22026	33931	4064				518129
165	Conventional deferred annuity with-profits(with guaranteed cash option) per annum	6001	16860	680				206037
175	Group conventional deferred annuity with-profits(with guaranteed cash option) per annum	4277	19145	3697				206754
175	Group conventional deferred annuity with-profits(full profit) per annum	948	10422					125146
175	Group conventional deferred annuity with-profits(reversionary bonus) per annum		3228					21668
185	Group conventional pensions endowment with-profits	265	8788	65				7136
200	Annuity with-profits (CPA)	1228	4451					38311
200	Annuity with-profits (CPA)(vested full profit)	1105	4762					63599
205	Miscellaneous conventional with-profits	153	1281					2199
210	Additional reserves with-profits OB							3574

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 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 WL/EA OB	4169	10743	118				9035
305	Single premium non-profit WL/EA OB		5489					5489
325	Level term assurance	2914	114122	436				776
330	Decreasing term assurance	174	5279	54				110
330	Decreasing term assurance per annum		786					
390	Deferred annuity non-profit per annum	59	55	0				963
395	Annuity non-profit (PLA) per annum	514	55	0				5586
435	Miscellaneous non-profit	369	703					311
440	Additional reserves non-profit OB			23				2485

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 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 WL/EA OB		20					17
325	Level term assurance		2680	14				18
330	Decreasing term assurance		1828	21				10
330	Decreasing term assurance per annum		5					
435	Miscellaneous non-profit		597	3				32

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 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	8141	230484	773				9318
390	Deferred annuity non-profit per annum	2435	7753	2				112552
400	Annuity non-profit (CPA) per annum	44839	96364					952046
435	Miscellaneous non-profit per annum	29	2063	2				3629
440	Additional reserves non-profit OB							15125

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

Name of insurer **Scottish Mutual Assurance Ltd**  
Total business / subfund **31 Other Business Sub-Fund**  
Financial year ended **31 December 2008**  
Units **£000**  
UK Pension / Reinsurance ceded external

Product code number 1	Product description 2	Number of policyholders / scheme members 3	Amount of benefit 4	Amount of annual office premiums 5	Nominal value of units 6	Discounted value of units 7	Other liabilities 8	Amount of mathematical reserves 9
325	Level term assurance		5308	18				164
400	Annuity non-profit (CPA) per annum		44774					378741
435	Miscellaneous non-profit							18

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **32 Bonus Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Gross

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

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31-Dec-08**  
 Units **£000**  
 UK Pension / Reinsurance ceded intra-group

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
390	Deferred annuity non-profit per annum		7753	2				97613
400	Annuity non-profit (CPA) per annum		51589					564996



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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 Overseas (n/a) / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
500	Life UWP single premium (SMI with profit bond Sterling)		3395		3395	3234		3234
500	Life UWP single premium (SMI with profit bond Dollar)		8068		8068	7581		7581
500	Life UWP single premium (SMI with profit bond Euro)		293311		293311	291114		291114

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
500	Life UWP single premium (SMA bonds)	25431	650801		650801	623222		623222
505	Life UWP whole life regular premium (SMA)		2135	386	2135	2135	21	2156
510	Life UWP endowment regular premium - savings (SMA)		12819	1722	12819	12819	68	12887

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Pension / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
525	Individual pensions UWP (SMA)		406447	6374	406447	421104	3150	424254
535	Group money purchase pensions UWP (SMA)		233679	3421	233679	246101	2284	248385
570	Income drawdown UWP (income withdrawal plan)		19104		19104	18648		18648
571	Trustee investment plan UWP		6366		6366	6049		6049

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
500	Life UWP single premium (SMA bonds)		6426				468	468

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Pension / Gross

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

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Gross

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium	9548	188721		180842	180842	2630	183472
710	Life property linked whole life regular premium	8738	267390	1599	8488	8488	1214	9703
715	Life property linked endowment regular premium - savings	3727	129176	2066	22922	22922	642	23564
790	Miscellaneous protection rider (waiver of premium)			37			168	168
795	Miscellaneous property linked (term assurance)							
800	Additional reserves property linked							

**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Life / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
700	Life property linked single premium		2833					
710	Life property linked whole life regular premium		40238	91				
715	Life property linked endowment regular premium - savings		97	0				
795	Miscellaneous property linked (term assurance)							
800	Additional reserves property linked (extra premium - life and PHI)							

## Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 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	86108	577389	13618	562213	561111	(153)	560958
735	Group money purchase pensions property linked	132205	318215	20941	312467	312467	24860	337328
750	Income drawdown property linked	4469	257148		257129	257129	(9047)	248082
755	Trustee investment plan				135773	135773	58	135831
790	Miscellaneous protection rider		197				900	900
795	Miscellaneous property linked							
800	Additional reserves property linked						1139	1139



**Long-term insurance business : Valuation summary of property linked contracts**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**  
 UK Pension / Reinsurance ceded external

<b>Product code number</b>	<b>Product description</b>	<b>Number of policyholders / scheme members</b>	<b>Amount of benefit</b>	<b>Amount of annual office premiums</b>	<b>Nominal value of units</b>	<b>Discounted value of units</b>	<b>Other liabilities</b>	<b>Amount of mathematical reserves</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
725	Individual pensions property linked		1474	2				
735	Group money purchase pensions property linked							

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Life Corporate Bond	04	2985	Accumulation	1.00	115.60	109.80	(5.02)
Life Managed 100	04	3103	Accumulation	1.00	129.80	135.30	4.24
Life Managed 95	04	1584	Accumulation	1.00	120.80	125.00	3.48
Life Cash	04	12012	Accumulation	1.00	270.40	281.90	4.25
Cash Plus Life Fund	04	59	Accumulation		108.80	111.40	2.39
Unit Endowment	04	2716	Accumulation	0.38	3,471.60	2,631.80	(24.19)
Life European	06	6402	Accumulation	1.00	1,032.50	740.90	(28.24)
Life Far Eastern	06	2331	Accumulation	1.00	660.10	488.80	(25.95)
Life Gilts & Fixed interest	04	12547	Accumulation	1.00	414.10	451.40	9.01
Life Growth	02	60271	Accumulation	1.00	457.70	347.10	(24.16)
Life International	06	1754	Accumulation	1.00	514.40	365.70	(28.91)
Life Japanese	06	640	Accumulation	1.00	108.90	102.20	(6.15)
Life North American	06	1276	Accumulation	1.00	608.40	516.20	(15.15)
Life Opportunity	06	11430	Accumulation	1.00	412.10	289.60	(29.73)
Life Safety	03	55710	Accumulation	1.00	426.30	385.10	(9.66)
Life Technology	06	6	Accumulation	1.50	78.80	65.90	(16.37)
Life UK Equity	05	5376	Accumulation	1.00	572.70	404.70	(29.33)
ABN AMRO Equity Income Life	05	785	Accumulation	0.98	154.80	115.90	(25.13)

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
ABN AMRO Higher Income Life	04	1367	Accumulation	0.96	139.90	100.10	(28.45)
ABN AMRO UK Growth Life	05	251	Accumulation	0.84	139.90	78.30	(44.03)
Artemis UK Smaller Cos Life	05	126	Accumulation	0.94	211.00	95.10	(54.93)
Artemis UK Special Sits Life	05	358	Accumulation	0.98	205.20	136.60	(33.43)
Attica Europe (Ex UK ) Life	06	11	Accumulation	0.90	200.20	161.90	(19.13)
Attica Far East (ex Japan) Life	06	16	Accumulation	0.90	255.70	188.30	(26.36)
Attica Japan Life	06	4	Accumulation	0.90	126.30	159.70	26.44
Attica UK Bond Life	04	40	Accumulation	0.90	111.20	106.80	(3.96)
Attica UK Equity Life	05	9	Accumulation	0.90	155.80	100.50	(35.49)
Attica US Equity Life	06	12	Accumulation	0.90	124.10	96.90	(21.92)
Baillie Gifford British 350 Life	05	113	Accumulation	0.93	132.80	89.40	(32.68)
Baillie Gifford Pacific Life	06	98	Accumulation	0.89	216.50	105.50	(51.27)
Fidelity American Life	06	334	Accumulation	0.97	109.20	90.90	(16.76)
Fidelity European Life	06	793	Accumulation	0.91	206.00	158.00	(23.30)
Fidelity Managed Life	02	698	Accumulation	0.91	139.60	104.00	(25.50)
Fidelity Special Sits Life	05	2141	Accumulation	0.90	188.10	129.80	(30.99)
Fidelity Wealthbuilder Life	02	511	Accumulation	0.93	159.50	116.90	(26.71)
Framlington Health Life	05	158	Accumulation	0.83	88.60	79.50	(10.27)

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Framlington UK Growth Life	05	157	Accumulation	0.92	126.10	83.90	(33.47)
First State Global Emerging Markets Life	06	177	Accumulation	0.89	261.10	195.40	(25.16)
First State Global Opportunities Life	06	168	Accumulation	0.97	203.60	160.90	(20.97)
Gartmore Corporate Bond Life	04	566	Accumulation	0.94	109.80	88.50	(19.40)
Gartmore European Selected Opp Life	06	492	Accumulation	0.88	169.20	129.40	(23.52)
Gartmore UK Focus Life	05	75	Accumulation	0.91	172.90	82.70	(52.17)
Inscape Cautious Growth Life	03	371	Accumulation	0.89	116.30	100.90	(13.24)
Inscape Higher Growth Life	01	96	Accumulation	0.91	153.30	109.90	(28.31)
Inscape Steady Growth Life	02	279	Accumulation	0.89	137.50	100.60	(26.84)
Lion Trust First Income Life	05	555	Accumulation	0.98	166.30	105.00	(36.86)
Morley Commercial Property Fund	07	2134	Accumulation	0.91	121.50	95.20	(21.65)
Merrill Lynch Managed Life	02	188	Accumulation	0.88	132.30	91.70	(30.69)
Merrill Lynch UK Smaller Cos Life	05	124	Accumulation	0.86	181.00	119.60	(33.92)
Merrill Lynch UK Value Life	05	247	Accumulation	0.89	157.20	108.80	(30.79)
Multi Manager Balanced Fund	04	2687	Accumulation		124.70	100.60	(19.33)
Multi Manager Cautious Fund	04	1702	Accumulation		107.20	95.20	(11.19)
Multi Manager Equity Fund	06	1042	Accumulation		141.80	103.80	(26.80)
Multi Manager Bond Fund	04	917	Accumulation		101.90	93.40	(8.34)

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Multi Manager Growth Fund	02	716	Accumulation		132.10	102.30	(22.56)
Newton Higher Income Life	04	919	Accumulation	0.94	178.20	137.70	(22.73)
Newton Income Life	05	1010	Accumulation	0.89	153.40	125.40	(18.25)
Newton Managed Life	02	1512	Accumulation	0.91	142.90	138.40	(3.15)
Newton Oriental Life	06	269	Accumulation	0.91	204.90	141.00	(31.19)
Invesco Perpetual Global Bond Life	04	648	Accumulation	0.96	111.80	129.90	16.19
Invesco Perpetual Higher Income Life	04	3975	Accumulation	0.94	197.50	151.10	(23.49)
Invesco Perpetual Managed Life	02	885	Accumulation	0.98	154.50	118.80	(23.11)
Schroders UK Mid 250 Life	05	522	Accumulation	1.02	220.60	122.20	(44.61)
Schroders Medical Discovery Life	06	2	Accumulation	0.92	115.20	117.70	2.17
3001	04	190	Accumulation	1.00	215.20	201.42	(6.40)
3002	04	1518	Accumulation	1.00	249.90	198.90	(20.41)
3003	04	314	Accumulation	1.00	272.40	200.99	(26.21)
3012	04	615	Accumulation	1.00	340.90	292.43	(14.22)
3051	04	794	Accumulation	1.00	215.80	153.49	(28.87)
3066	04	327	Accumulation	1.00	171.30	177.90	3.85
3072	04	491	Accumulation	1.00	730.90	574.82	(21.35)
3085	04	2066	Accumulation	1.00	1,231.20	870.31	(29.31)

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

Name of insurer **Scottish Mutual Assurance Ltd**  
Total business  
Financial year ended **31 December 2008**  
Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
3087	04	215	Accumulation	1.00	613.70	373.17	(39.19)
3088	04	177	Accumulation	1.00	375.00	274.76	(26.73)
Corporate Bond Pension Fund	14	112	Accumulation	1.00	112.80	105.70	(6.29)
Pension FTSE 100	14	4230	Accumulation	1.00	168.10	170.70	1.55
Pension FTSE 95	14	6926	Accumulation	1.00	133.90	120.80	(9.78)
Pension Managed 100	14	21800	Accumulation	1.00	179.50	187.40	4.40
Pension Managed 95	14	110950	Accumulation	1.00	195.00	204.40	4.82
Pension Cash	14	153732	Accumulation	1.00	381.00	400.70	5.17
Pension Trustee Cash Fund	14	14140	Accumulation	0.50	117.70	125.40	6.54
Pension Equity Tracker	15	5055	Accumulation	1.00	117.40	82.60	(29.64)
Pension European	16	38200	Accumulation	1.00	1,047.10	772.10	(26.26)
Pension Gilts and Fixed Interest	14	42769	Accumulation	1.00	590.30	653.40	10.69
Pension Growth	12	303916	Accumulation	1.00	560.50	426.60	(23.89)
Pension Halifax	14	61401	Accumulation	0.75	504.60	539.30	6.88
Pension International	16	15392	Accumulation	1.00	556.70	397.90	(28.53)
Pension Japanese	16	5260	Accumulation	1.00	102.30	96.10	(6.06)
Pension Far Eastern	16	17185	Accumulation	1.00	823.30	601.20	(26.98)
Pension Long Gilts	14	4390	Accumulation	1.00	157.80	179.30	13.62

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Pension North American	16	15557	Accumulation	1.00	835.30	712.10	(14.75)
Pension Opportunity	16	70612	Accumulation	1.00	510.00	359.20	(29.57)
Pension Safety	13	77260	Accumulation	1.00	599.90	516.80	(13.85)
Stakeholder Cash	14	1784	Accumulation	1.00	379.50	399.68	5.32
Stakeholder Gilt & Fixed interest	14	1818	Accumulation	1.00	591.84	659.35	11.41
Stakeholder Growth	12	13757	Accumulation	1.00	564.71	427.30	(24.33)
Stakeholder International	16	1869	Accumulation	1.00	555.65	392.85	(29.30)
Stakeholder Opportunity	12	810	Accumulation	1.00	512.78	358.34	(30.12)
Stakeholder Safety	13	1676	Accumulation	1.00	599.66	515.52	(14.03)
Stakeholder UK Equity	15	3838	Accumulation	1.00	606.30	422.20	(30.37)
Pension Full Participation	14		Accumulation		143.90		(100.00)
Pension Higher Protection	14		Accumulation		123.50		(100.00)
Pension Select Income	14		Accumulation		129.70		(100.00)
TIA Pooled Cash	14		Accumulation				
TIA Pooled Corporate Bond	14		Accumulation				
TIA Pooled European	16		Accumulation				
TIA Pooled Far Eastern	16		Accumulation				
TIA Pooled UK Gilts and Fixed Interest	14		Accumulation		158.60		(100.00)

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business  
 Financial year ended **31 December 2008**  
 Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
TIA Pooled Long Gilt	14		Accumulation				
TIA Pooled Index linked Gilt	14		Accumulation				
TIA Pooled Japanese	16		Accumulation				
TIA Pooled Managed	12		Accumulation		177.20		(100.00)
TIA Pooled Managed 100 Guarantee	14		Accumulation		200.90		(100.00)
TIA Pooled Managed 95 Guarantee	14		Accumulation		137.20		(100.00)
TIA Pooled North American	16		Accumulation				
TIA Pooled UK Equity	15		Accumulation				
Pension UK Equity	15	55571	Accumulation	1.00	609.50	430.70	(29.34)
ABN AMRO Equity Income Pension	15	3193	Accumulation	0.98	193.10	145.90	(24.44)
ABN AMRO Higher Income Pension	14	2732	Accumulation	0.96	142.10	102.40	(27.94)
ABN AMRO UK Growth Pension	15	996	Accumulation	0.84	187.60	111.00	(40.83)
Artemis UK Smaller Cos Pension	15	769	Accumulation	0.94	235.30	113.60	(51.72)
Artemis UK Special Sits Pension	15	2666	Accumulation	0.98	227.30	161.10	(29.12)
Attica Europe (Ex UK ) Pension	16	2	Accumulation	0.90	223.60	177.00	(20.84)
Attica Far East (ex Japan) Pension	16	15	Accumulation	0.90	302.40	210.70	(30.32)
Attica Japan Pension	16	1	Accumulation	0.90	144.00	129.60	(10.00)
Attica UK Bond Pension	14	138	Accumulation	0.90	110.10	104.40	(5.18)



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

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Attica UK Equity Pension	15	188	Accumulation	0.90	164.50	112.30	(31.73)
Attica US Equity Pension	16	4	Accumulation	0.90	123.00	94.50	(23.17)
Baillie Gifford British 350 Pension	16	432	Accumulation	0.93	168.80	115.70	(31.46)
Baillie Gifford Pacific Pension	16	671	Accumulation	0.89	297.70	154.90	(47.97)
Fidelity American Pension	16	1583	Accumulation	0.97	124.60	103.70	(16.77)
Fidelity European Pension	16	3735	Accumulation	0.91	253.90	198.00	(22.02)
Fidelity Special Sits Pension	16	4834	Accumulation	0.90	220.40	162.80	(26.13)
Fidelity Wealthbuilder Pension	16	1293	Accumulation	0.93	168.20	125.20	(25.56)
SMA Fidelity Managed Pension	12	11264	Accumulation	0.91	137.40	104.70	(23.80)
Framlington Health Pension	16	242	Accumulation	0.83	132.40	119.20	(9.97)
Framlington UK Growth Pension	15	484	Accumulation	0.92	163.50	110.50	(32.42)
First State Global Emerging Markets Pension	16	1345	Accumulation	0.89	284.80	217.80	(23.53)
First State Global Opportunities Pension	16	1312	Accumulation	0.97	220.40	174.60	(20.78)
Gartmore Corporate Bond Pension	14	2720	Accumulation	0.94	111.10	82.40	(25.83)
Gartmore European Selected Opp Pension	16	2208	Accumulation	0.88	224.20	179.40	(19.98)
Gartmore UK Focus Pension	15	335	Accumulation	0.91	187.60	90.60	(51.71)
Inscape Cautious Growth Pension	13	28	Accumulation	0.89	117.10	99.10	(15.37)
Inscape Higher Growth Pension	11	38	Accumulation	0.91	152.70	112.10	(26.59)

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

(Sheet 9)

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Inscape Steady Growth Pension	12	659	Accumulation	0.89	139.50	109.50	(21.51)
Liontrust First Income Pension	15	380	Accumulation	0.98	119.20	77.10	(35.32)
Morley Commercial Property Pension	17	12327	Accumulation	0.91	122.90	97.60	(20.59)
SMA Merrill Lynch Managed Pension	12	4170	Accumulation	0.88	113.70	81.00	(28.76)
Merrill Lynch UK Smaller Cos Pension	15	900	Accumulation	0.86	255.00	166.50	(34.71)
Merrill Lynch UK Value Pension	15	589	Accumulation	0.89	201.10	137.30	(31.73)
Multi Manager Balanced Pension	13	3211	Accumulation		128.30	103.80	(19.10)
Multi Manager Cautious Pension	14	1940	Accumulation		110.30	94.70	(14.14)
Multi Manager Equity Pension	16	354	Accumulation		147.70	108.90	(26.27)
Multi Manager Bond Pension	14	513	Accumulation		103.70	92.80	(10.51)
Multi Manager Growth Pension	16	887	Accumulation		135.40	105.10	(22.38)
Newton Higher Income Pension	14	2632	Accumulation	0.94	182.00	144.30	(20.71)
Newton Income Pension	15	2265	Accumulation	0.89	192.30	160.80	(16.38)
Newton Oriental Pension	16	2882	Accumulation	0.91	263.90	189.30	(28.27)
SMA Newton Managed Pension	11	42001	Accumulation	0.91	124.00	121.00	(2.42)
Invesco Perpetual Global Bond Pension	14	2522	Accumulation	0.96	116.40	139.90	20.19
Invesco Perpetual Higher Income Pension	14	12396	Accumulation	0.94	211.00	166.80	(20.95)
SMA Perpetual Managed Pension	12	17992	Accumulation	0.98	161.90	126.40	(21.93)

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

(Sheet 10)

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2008**Units **£000**

Fund name 1	Type of fund 2	Net assets 3	Main series 4	Unit management charge 5	Price at previous valuation date 6	Price at current valuation date 7	Change in price during year 8
Schroders UK Mid 250 Pension	15	3615	Accumulation	1.02	235.60	133.90	(43.17)
Schroders Medical Discovery Pension	16	38	Accumulation	0.92	110.00	112.80	2.55
3501	14	306	Accumulation	1.00	214.40	173.87	(18.90)
3502	14	2459	Accumulation	1.00	263.20	206.44	(21.56)
3503	14	1676	Accumulation	1.00	258.60	200.43	(22.49)
3551	14	126	Accumulation	1.00	276.40	204.21	(26.12)
3563	14	1313	Accumulation	1.00	479.80	383.64	(20.04)
3575	14	2254	Accumulation	1.00	352.90	225.19	(36.19)
3576	14	1341	Accumulation	1.00	288.10	206.32	(28.39)
3580	14	334	Accumulation	1.00	172.50	137.50	(20.29)
3583	14	1471	Accumulation	1.00	738.80	539.22	(27.01)
3584	14	3461	Accumulation	1.00	637.20	451.98	(29.07)
3585	14	2144	Accumulation	1.00	681.30	451.78	(33.69)
3586	14	223	Accumulation	1.00	216.30	156.59	(27.60)

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **Scottish Mutual Assurance Ltd**Subfund **21 With Profits Sub-Fund**Financial year ended **31 December 2008**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Life WPSF Form 51, Assurances, 3.60	266475	3.60%	4.30%	5.88%
UK Life WPSF Form 51, Miscellaneous	890	n/a	n/a	5.88%
UK Pension WPSF Form 51, Annuities, 5.60	104076	5.60%	5.60%	5.88%
UK Pension WPSF Form 51, Deferred annuity, 4.3	828859	4.30%	4.30%	5.88%
UK Pension WPSF Form 51, Deferred annuity, 4.85	256020	4.85%	4.85%	5.88%
UK Pension WPSF Form 51, Additional Reserves	3574	0.00%	0.00%	5.88%
UK Pension WPSF Form 51, Miscellaneous	2199	n/a	n/a	5.88%
UK Life Form 52 UWP, Assurances	638265	4.25%	4.30%	5.88%
UK Life Form 52 UWP Pensions	697335	4.30%	4.30%	5.88%
Overseas Life Form 52 UWP Life, SMI	301929	4.85%	4.85%	5.30%
<b>Total</b>	3099623			

**Long-term insurance business: analysis of valuation interest rate**Name of insurer **Scottish Mutual Assurance Ltd**Subfund **31 Other Business Sub-Fund**Financial year ended **31 December 2008**Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UL Life OBSF Form 51, Assurances, 3.85	5586	3.85%	3.85%	4.00%
UL Life OBSF Form 51, Assurances, 2.85	9876	2.85%	3.55%	4.00%
UK Life OBSF Form 51, Miscellaneous	279	n/a	n/a	4.00%
UK Life OBSF Form 51, Deferred Annuity, 3.5	16	3.50%	3.50%	4.00%
UK Life OBSF Form 51, Deferred Annuity, 3.55	946	3.55%	3.55%	4.00%
UK Life OBSF Form 51, Additional Reserves, 0	7974	0.00%	0.00%	4.00%
UK Pensions OBSF Form 51, Annuities, 5.745	8310	5.75%	5.75%	6.25%
UK Pensions OBSF Form 51, Deferred Annuity, 3.395	91	3.40%	3.40%	3.60%
UK Pension OBSF Form 51, Term Assurances, 3.55	9154	3.55%	3.55%	4.00%
UK Pensions OBSF Form 51, Additional Reserves, 0	30845	0.00%	0.00%	4.00%
UK Pension OBSF Form 51, Miscellaneous	2738	n/a	n/a	4.00%
UK Life OBSF Form 52, 53 & 54 Sterling Reserves	3740	2.85%	3.55%	4.00%
UK Life OBSF Form 52, 53 & 54 Miscellaneous	1382	n/a	n/a	4.00%
UK Pensions OBSF Form 52, 53 & 54 Sterling Reserves	11204	3.55%	3.55%	4.00%
UK Pensions OBSF Form 52, 53 & 54 Additional Reserves	1139	0.00%	0.00%	4.00%
UK Pensions OBSF Form 52, 53 & 54 Miscellaneous	5420	n/a	n/a	4.00%
<b>Total</b>	98701			

**Long-term insurance business : Distribution of surplus**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **10 Long Term Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	4898738	7100067
Bonus payments in anticipation of a surplus	12	67215	59347
Transfer to non-technical account	13	2935	2211
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4968887	7161625
Mathematical reserves	21	4674890	6970162
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	293998	191462

**Composition of surplus**

Balance brought forward	31	129274	175553
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	164723	15909
Total	39	293998	191462

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	67215	59347
Cash bonuses	42		
Reversionary bonuses	43	2167	630
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	69381	59977
Net transfer out of fund / part of fund	47	2935	2211
Total distributed surplus (46+47)	48	72316	62188
Surplus carried forward	49	221683	129274
Total (48+49)	59	293999	191463

**Percentage of distributed surplus allocated to policyholders**

Current year	61		
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 Ltd**  
 Total business / subfund **21 With Profits Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	3099623	4823444
Bonus payments in anticipation of a surplus	12	67215	59347
Transfer to non-technical account	13	2935	2211
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	3169772	4885002
Mathematical reserves	21	3097457	4822814
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	72315	62188

**Composition of surplus**

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	72315	62188
Total	39	72315	62188

**Distribution of surplus**

Bonus paid in anticipation of a surplus	41	67215	59347
Cash bonuses	42		
Reversionary bonuses	43	2167	630
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	69381	59977
Net transfer out of fund / part of fund	47	2935	2211
Total distributed surplus (46+47)	48	72316	62188
Surplus carried forward	49		
Total (48+49)	59	72316	62188

**Percentage of distributed surplus allocated to policyholders**

Current year	61	95.94	96.44
Current year - 1	62	96.44	96.80
Current year - 2	63	96.80	96.93
Current year - 3	64	96.93	97.43

**Long-term insurance business : Distribution of surplus**

Name of insurer **Scottish Mutual Assurance Ltd**  
 Total business / subfund **31 Other Business Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11	1799115	2276622
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	1799115	2276622
Mathematical reserves	21	1577433	2147348
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	221683	129274

**Composition of surplus**

Balance brought forward	31	129274	175553
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	92408	(46279)
Total	39	221683	129274

**Distribution of surplus**

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	221683	129274
Total (48+49)	59	221683	129274

**Percentage of distributed surplus allocated to policyholders**

Current year	61		
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 Ltd**  
 Total business / subfund **32 Bonus Sub-Fund**  
 Financial year ended **31 December 2008**  
 Units **£000**

Financial year	Previous year
1	2

**Valuation result**

Fund carried forward	11		26878
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		26878
Mathematical reserves	21		26878
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29		

**Composition of surplus**

Balance brought forward	31		
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34		
Total	39		

**Distribution of surplus**

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		

**Percentage of distributed surplus allocated to policyholders**

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 Ltd**  
 Original insurer **41 Scottish Mutual Assurance**  
 Date of maturity value / open market option **01 March 2009**

Category of with-profits policy 1	Original term (years) 2	Maturity value / open market option 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	10	N/a	N/a	N/a	N/a	N/a	N/a
Endowment assurance	15	9677	236	N/a	CWP	N	13490
Endowment assurance	20	18104	1959	N/a	CWP	N	23005
Endowment assurance	25	29961	4345	N/a	CWP	N	34028
Regular premium pension	5	N/a	N/a	N/a	N/a	N/a	N/a
Regular premium pension	10	24611	1563	N/a	UWP	N	24611
Regular premium pension	15	45900	3936	N/a	UWP	N	45900
Regular premium pension	20	85136		N/a	UWP	N	85136
Single premium pension	5	N/a	N/a	N/a	N/a	N/a	N/a
Single premium pension	10	12443		N/a	UWP	N	12443
Single premium pension	15	22619	3286	N/a	UWP	N	22619
Single premium pension	20	45172	4777	N/a	UWP	N	45171

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

Name of insurer **Scottish Mutual Assurance Ltd**  
 Original insurer **41 Scottish Mutual Assurance**  
 Date of surrender value **01 March 2009**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	N/a	N/a	N/a	N/a	N/a	N/a
Endowment assurance	10	N/a	N/a	N/a	N/a	N/a	N/a
Endowment assurance	15	8041	196	N/a	CWP	N	15619
Endowment assurance	20	16662	1805	N/a	CWP	N	22471
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	N/a	N/a	N/a	N/a	N/a	N/a
With-profits bond	10	12363			UWP	N **	12486
Single premium pension	2	N/a	N/a	N/a	N/a	N/a	N/a
Single premium pension	3	N/a	N/a	N/a	N/a	N/a	N/a
Single premium pension	5	N/a	N/a	N/a	N/a	N/a	N/a
Single premium pension	10	11448			995 UWP	Y	12683

\*\* The Bond has an MVA-free guarantee date on the 10th anniversary

**Long-term insurance capital requirement**Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2008**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

**Insurance death risk capital component**

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%	88452	94430	0.99	87	50
Classes I (other), II and IX	13	0.15%					
Classes I (other), II and IX	14	0.3%	747725	730717		2214	63614
Classes III, VII and VIII	15	0.3%	439367	394725	0.90	1184	28806
<b>Total</b>	<b>16</b>		1275544	1219872		3485	92470

**Insurance health risk and life protection reinsurance capital component**

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					136	10622
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**Insurance expense risk capital component**

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	4219848	3177570	0.85	35869	49929
Classes III, VII and VIII (investment risk)	33	1%	173260	173260	1.00	1733	1707
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	25610	25610	1.00	256	334
Classes III, VII and VIII (other)	35	25%				1453	2238
Class IV (other)	36	1%	97	75	0.85	1	
Class V	37	1%					
Class VI	38	1%					
<b>Total</b>	<b>39</b>					39311	54208

**Insurance market risk capital component**

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	4219848	3177570	0.85	107606	149786
Classes III, VII and VIII (investment risk)	43	3%	173260	173260	1.00	5198	5122
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	25610	25610			
Classes III, VII and VIII (other)	45	0%	1300540	1300540			
Class IV (other)	46	3%	97	75	0.85	2	
Class V	47	0%					
Class VI	48	3%					
<b>Total</b>	<b>49</b>		5719356	4677055		112806	154908

<b>Long term insurance capital requirement</b>	<b>51</b>					155739	312207
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## Returns under the Accounts and Statements Rules

### Scottish Mutual Assurance Ltd

Financial year ended 31 December 2008

### Supplementary Notes to the Return

#### \*0201\* Financial Services and Markets Act 2000 S148

The FSA, on the application of the firm, made a direction in December 2008 under section 148 of the Act. The effect of the direction is to modify INSPRU 3.1.46R so that the risk-adjusted yield assumed for the investment or reinvestment of sums denominated in sterling for the firm's with-profits business must be no more than the greater of (i) the forward gilts yield and (ii) the forward rate on sterling interest rate swaps as reduced by that part of the rate that represents compensation for credit risk.

#### \*0204\* Business Transfer

On 29 December 2008, part of the Other Business Sub Fund of the Company was transferred to The Royal London Mutual Insurance Society Limited (the Society) for £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 4 December 2008 (the Scheme). The Scheme provides for the transfer of certain assets and liabilities. As a result of the transfer, an additional asset and liability have been generated.

Details of the regulatory value of assets and liabilities transferred under the Scheme, the consequential generation of assets / liabilities, and the regulatory loss arising are set out below:

	<b>OBSF £000</b>
<b>Assets transferred (Form 13)</b>	
Holding in collective investment schemes	40,883
Assets held to match linked liabilities – Property Linked	61,481
Direct insurance business – Policyholders	5,772
Reinsurance – Ceded	24,736
Deposits not subject to time restriction on withdrawal with approved institutions	9,942
Accrued interest and rent	6
	<hr/> 142,820
<b>Liabilities transferred (Form 14)</b>	
Mathematical reserves	(55,326)
Claims outstanding – Net	13,065
Creditors – Direct insurance business	8,535
Creditors – Reinsurance Ceded	11,707
Creditors – Other	2,306
	<hr/> (19,713)
Net assets transferred	<hr/> 162,533
<b>Assets generated (Form 13)</b>	
Other financial investments – Other loans	144,930
<b>Regulatory loss on transfer</b>	<hr/> 17,603

The business transferred under the Scheme includes non linked, non profit Self Assurance protection business and unit linked and conventional protection products originally sold by Pegasus Assurance. The Scheme provides for the Society to pay the Company for the net negative insurance contract liabilities transferred and non linked reserves on Pegasus

business, less the surplus generated on the business during 2008, in equal annual instalments over six years.

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

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
<b>Net admissible assets per FSA return</b>		
Form 13 line 89 (Long term business)	6,150,122	8,609,752
Form 13 line 89 (Other than long term business)	108,053	193,966
Form 14 sum of lines 11,12,49	(5,418,806)	(7,708,468)
Form 15 line 69	(274,289)	(247,397)
Net admissible assets	<u>565,080</u>	<u>847,853</u>
Subordinated debt (Form 3 line 46)	200,000	200,000
Form 3 line 79	<u>765,080</u>	<u>1,047,853</u>

Form 15 line 63 recognises the amortised cost of the subordinated debt of £216,843k. For Upper Tier 2 Capital purposes the subordinated debt is recognised in Form 3 at its par value of £200,000k.

**\*0310\* Valuation differences**

Net positive valuation differences are analysed below:

		<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
<b>Positive valuation differences:</b>			
Sterling reserves	(a)	15,675	28,288
Deferred income reserve	(b)	9,044	11,962
Adjustment to realistic liabilities in respect of FRS 27	(b)	416,087	542,511
Deferred tax liability on IFRS deferred acquisition cost asset	(b)	12,518	34,217
Deferred tax liability on project reserve	(b)	4,200	4,200
Deferred tax liability on inadmissible assets	(b)	45,644	-
Write down in value of subsidiary from net asset value to cost	(a)	103	54
<b>Negative valuation differences:</b>			
Deferred tax asset on IFRS deferred income reserve liability	(c)	(2,417)	(3,182)
Deferred tax asset on sterling reserves	(c)	(5,632)	(7,685)
Project reserve	(d)	<u>(15,000)</u>	<u>(15,000)</u>
		<u>480,222</u>	<u>595,365</u>

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

(c) Relates to the negative valuation differences included within line 14 in respect of assets where INSPRU valuation exceeds the valuation in IFRS statutory financial statements.

(d) Relates to the negative valuation differences included in line 14 in respect of liabilities where INSPRU valuation is lower than the valuation in IFRS statutory financial statements.

**\*0313\* Reconciliation of profit and loss account and other reserves**

		<b>£000</b>
F3L12	Profit & loss account and other reserves as at 31/12/07	58,893
F16L59	Profit & loss retained for the financial year	80,205
	2008 movement in non profit reserves	<u>13,099</u>
F3L12	Profit & loss account and other reserves as at 31/12/08	<u>152,197</u>

**\*1301\*& \*1308\* Unlisted Investments**

Units or other beneficial interests in collective investment schemes which are not UCITS nor authorised under FSA 1996 are nil 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 generally accepted accounting principles.

**\*1305\*& \*1319\* Maximum permitted counterparty limits**

- a) The maximum exposure allowable depends on the credit rating and type of institution. The maximum allowed is 5% of funds for AAA banks in respect of UK non-linked business.
- b) These limits apply also to counterparties, which are not 'approved counterparties'.
- c) There were no breaches of overall limits during the period.

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

At 31 December 2008 exposure to the following counterparties was greater than 5% of the sum of base capital resources requirement and 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>
<b>Pearl Group Limited *</b>			
Unsecured debt	1,688,773	129,012	1,559,761

\* Pearl Group Limited is the Company's ultimate parent undertaking.

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

Form 13 line 44 includes hedge assets of £403,450k held with Goldman Sachs and £22,242k held with Barclays Capital, which are secured by collateral loans of £444,411k and £22,720k respectively (see note 1701 for details of how this variation margin has been invested).

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

Other asset adjustments on Form 13 line 101 are shown below.

	<b>WPSF £000</b>	<b>OBSF £000</b>	<b>LTF £000</b>	<b>SHF £000</b>
Form 13 Line 101				
Linked asset adjustments	-	(496)	(496)	-
Reclassification of tax debtor	-	-	-	(51)
Reconciliation of derivatives to Form 17	(70,193)	(449)	(70,642)	-
Reclassification of other debtors	(655)	(18,696)	(19,351)	(46,244)
	<u>(70,848)</u>	<u>(19,641)</u>	<u>(90,489)</u>	<u>(46,295)</u>

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

No provision has been made for reasonably foreseeable adverse variations on derivative contracts because they 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.

The Company's assets are valued on a mark to market basis. Where this is not possible, mark to model or director valuations are calculated on a prudent basis and incorporate all necessary valuation adjustments to GENPRU 1.3.30R to GENPRU 1.3.33R.

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

No charge has been made on the assets of the Company.

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.

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.

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

- 1 During 2008, the Company's primary regulator, the Financial Services Authority (FSA), queried the pricing of certain derivative backed hedging agreements which were put in place in the with profits fund in 2004.

The current assessment of the maximum level of liability to the Company and a fellow subsidiary company, Scottish Provident Limited, is £160m. However, the Directors do not accept FSA's concerns and consider this level of liability as unlikely based on current available information.

The Company's parent, Pearl Life Holdings Limited has the benefit of an indemnity from a non-group third party for 70% of any liability arising out of this matter although recovery cannot be absolutely certain.



Discussions between the Company, the FSA and the third party are continuing. In the event that a liability arises between the shareholder fund and with profits fund in relation to the pricing of the hedges, the Company would seek redress for any amounts payable from shareholders funds into policyholder funds through the indemnity of the parent company with the third party.

- 2 The Company and its subsidiaries are registered with HM Revenue and Customs as members of a group for VAT purposes and, as a result, they are jointly and severally liable on a continuing basis for amounts owing by any other member of that group in respect of unpaid VAT. Any liability in this respect is considered to be remote. At 31 December 2008 the group liability was £1,319k (2007: £3,182k).
- 3 The Company has in the past been required to pay compensation to policyholders who were advised by agents of the Group in the purchase of pension products. At 31 December 2008, any remaining liability in this respect is considered not to be material. There may also be a requirement to contribute under the Financial Services Compensation Scheme to compensate policyholders advised independently in the purchase of pension products. The uncertainties surrounding these issues are such that the liabilities are currently unquantifiable as regards to the Financial Services Compensation Scheme.
- 4 The Company has guaranteed the recoverability of certain mortgage advances made by third parties. Amounts that may be required to be paid in this connection are unquantifiable but are considered not to be material.

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

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

	<b>WPSF £000</b>	<b>OBSF £000</b>	<b>LTF £000</b>
Form 14			
Line 74			
Negative sterling reserves	-	20,192	20,192
Positive sterling reserves	-	(4,517)	(4,517)
FRS 27 realistic liabilities	416,087	-	416,087
Deferred income reserve	-	9,044	9,044
Deferred tax	-	41,795	41,795
Linked asset adjustments	-	(496)	(496)
Reconciliation of derivatives to Form 17	(70,193)	(449)	(70,642)
Project reserve	-	(15,000)	(15,000)
Reclassification of other debtors	(655)	(18,696)	(19,351)
	345,239	31,873	377,112

**\*1507\* Other Liability Adjustments**

Other liability adjustments on Form 15 line 83 comprise reclassification of tax debtor of £51k and other debtors of £46,244k.

**\*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 a charge of £558k (2007: £200k). This figure relates to interest expense accrued due to an intrafund debtor arising from the non profit fund settling the following items on behalf of the shareholder fund:

Group relief – payments on account  
2007 tax liability  
Cash transfer to clear bank overdraft  
December 2008 swap interest payment

In 2007 this figure related to £100k of bank charges and a £100k provision in respect of an impaired asset.

**\*1701\* Derivative contracts**

At 31 December 2008, the variation margin of £467,131k received has been invested in holdings in collective investment schemes (included in Form 13 Line 43) and £5,497k included within cash (Form 13 Line 81).

**\*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 £220,000k if the need arises. This amount is included in the value disclosed at line 81.

**\*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.

**\*4004\* Business Transfers Out**

Included at Form 40 line 32 are amounts of negative mathematical reserves transferred to Royal London Mutual Insurance Society Limited on 29 December 2008 (see note 0204).

**\*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 with the Scheme of Demutualisation.

**\*4008\* Management Services**

During the year, Management Services were provided to Scottish Mutual Assurance Ltd by Pearl Group Management Services Limited (formerly Resolution Management Services Limited), and Ignis Investment Services Limited (formerly Resolution Investment Services Limited).

Business administration services of £50,978k (2007: £49,879k) were recharged in the year from Pearl Group Management Services Limited.

As at 31 December 2008 £3,137k was receivable (2007: £4,382k payable).

Management charges from Ignis Investment Services Limited included in the operating results amounted to £2,442k (2007: £7,398k).

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

- a. Earned premiums include £81,042k (2007: £525,817k) outward reinsurance premiums to Phoenix Pensions Limited as a result of a new reinsurance treaty set up in September 2008.

In addition, on 30 September 2008 Phoenix Life Assurance Limited (PLAL), a former fellow group company, cancelled its reinsurance contract with the Company. As a consequence, the Company repaid £810,441k of reinsurance premiums to PLAL, by way of a transfer of assets. The Company's insurance contract liabilities reduced by a corresponding amount.

- b. Claim expense includes the following amounts in respect of net claims reassured from/(to) connected companies:

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Phoenix Life Assurance Ltd *	76,511	176,655
Scottish Mutual International Ltd	514,498	168,915
Phoenix Pensions Ltd	(45,900)	-

\* related party prior to 1 August 2008

- c. Management Services were provided to Scottish Mutual Assurance Ltd throughout the year by Pearl Group Management Services Ltd (formerly Resolution Management Services Ltd) and Ignis Investment Services Ltd (formerly Resolution Investment Services Limited). Details of the charges and amounts outstanding at the end of the year have been provided in note 4008.
- d. At 31 December 2008, the Company had entered into other connected party transactions with Pearl Group Limited - refer to note 1306. Pearl Group Limited is the Company's ultimate parent.
- e. At 31 December 2008 £nil (2007: £1,139,359k) was invested in unit trusts or Open-ended Investment Companies managed by subsidiaries of Abbey National plc.
- f. At 31 December 2008 £5,416,923k (2007: £6,633,891k) was invested in unit trusts or Open-ended Investment Companies managed by subsidiaries of Pearl Group Limited.
- g. During the year, the Company held OTC derivative contracts totalling £6.4bn with Goldman Sachs and Barclays Capital (2007: £6.9bn with Goldman Sachs and Barclays Capital). As security for the maturity proceeds of these derivatives, Goldman Sachs lent the Company sums amounting to £444,411k (2007: £242,995k) and Barclays Capital lent the Company sums amounting to £22,720k (2007: £nil). Such liabilities are included in rights under derivative contracts, which is included at Form 13 line 44. The Company held an additional £24,189k from Goldman Sachs on 31 December 2008 as a result of a timing difference in the unwind of the OTC contracts on 29 December 2008, and the settlement of related collateral. The £24,189k is included in Form 14 line 38.

**\*4201\* Unitised With Profits Business**

Included at Form 42 line 13 are the amounts shown in the table below in respect of net claims on With Profit Unit transfers relating to business reassured from Phoenix Life Assurance Ltd and Scottish Mutual International Ltd and unitised With Profits business written within Scottish Mutual Assurance Limited. The transfer-in for the receiving fund is shown as negative on the same line. The amounts are recorded net as they cannot be analysed between premiums and claims or between claim types.

<b>2008</b>		<b>WPSF £000</b>	<b>OBSF £000</b>	<b>Total £000</b>
Form 42 Line 13	With Profit Unit Transfers	784,434	(784,434)	-
<b>2007</b>		<b>WPSF £000</b>	<b>OBSF £000</b>	<b>Total £000</b>
Form 42 Line 13	With Profit Unit Transfers	778,759	(778,759)	-

**\*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 1 is £449k.

**\*4502\* Other expenditure**

Included at Form 45 line 26 is the transfer of £61,093k (2007: £nil) net linked assets to Royal London Mutual Insurance Society Limited arising on the transfer of business on 29 December 2008 (see note 0204), and bank charges of £106k (2007: £240k).

**\*4806\* Assets used to calculate investment returns in column 5**

The investment returns in lines 21-29 of column 5 were calculated using the SMA WPSF GBP assets.

**\*4901\* Source of credit ratings**

The rating agencies used to provide a split by credit rating are Standard & Poor's and Moody's.

**\*5201\* Number of Group Schemes**

There are 86 group schemes with no record of details at member level. These all have product code 571 and description 'Trustee Investment Plan UWP'.

**\*5301\* Number of Group Schemes**

There are 814 group schemes with no record of details at member level. These all have product code 755 and description 'Trustee Investment Plan'.

**\*6001\* Estimation of Form 11 & 12**

The total gross annual premium for Class IV business is £545k. This is less than 1% of the total gross annual premium and so a Form 11 and 12 has not been completed. The method used to estimate the capital component is to take 25% of the Class IV gross annual premium.

## Returns under the Accounts and Statements Rules

### Statement required by Rule 9.29

#### Scottish Mutual Assurance Ltd

Financial Year ended 31 December 2008

#### Additional information on derivative contracts

- a The investment guidelines operated by the Company during the period up to 31 December 2008 for the use of derivative contracts were based on the principles of reduction of risk 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 Phoenix Life Division Delegated Authorities.

The use of derivatives is 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 INSPRU 3.2.

- 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 Phoenix Life 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 2008 that was not expected, at the time when the contract was entered into, to be reasonably likely to be exercised.
- d Transactions which would require significant provision under INSPRU 3.2.17R or which do not all within the definition of a permitted derivative contract under the permitted links rules are not undertaken.
- e The Company did not grant any uncovered rights under derivative contracts during the year.

## Returns under the Accounts and Statements Rules

### Statement of additional information on controllers required by rule 9.30

#### Scottish Mutual Assurance Limited

#### Financial year ended 31 December 2008

- (1) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:
- (a) Pearl Life Holdings Limited (formerly Resolution Life Limited);
  - (b) Pearl Group Holdings (No.1) Limited (formerly Resolution plc) (ceased to be a controller on 31 December 2008);
  - (c) Impala Holdings Limited;
  - (d) Pearl Assurance plc;
  - (e) Pearl Group Limited;
  - (f) Sun Capital Investments Limited;
  - (g) Hera Investments One Limited;
  - (h) Sun Capital Investments No.2 Limited;
  - (i) Hera Investments No. 2 Limited;
  - (j) Xercise Limited (ceased to be a controller on 16 April 2008);
  - (k) Jambright Limited (ceased to be a controller on 16 April 2008);
  - (l) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas (ceased to be controllers on 16 April 2008);
  - (m) TDR Capital Nominees Limited (ceased to be a controller on 16 April 2008); and
  - (n) TDR Capital LLP (ceased to be a controller on 16 April 2008).
- (2) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:
- (a) Pearl Life Holdings Limited (formerly Resolution Life Limited)  
  
As at 31 December 2008, Pearl Life Holdings Limited owned 100% of the shares of Scottish Mutual Assurance Limited and was able to exercise 100% of the voting power at any general meeting.
  - (b) Impala Holdings Limited  
  
As at 31 December 2008, Impala Holdings Limited owned 100% of the shares of Pearl Life Holdings Limited, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 100% of the voting power at any general meeting.
  - (c) Pearl Group Limited  
  
As at 31 December 2008, Pearl Group Limited owned 75% of the shares of Impala Holdings Limited, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 75% of the voting power at any general meeting.
  - (d) Sun Capital Investments Limited  
  
As at 31 December 2008, Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.
  - (e) Hera Investments One Limited  
  
As at 31 December 2008, Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking, and was able to exercise 50% of the voting power at any general meeting.

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

### **Statement of additional information on controllers required by rule 9.30**

#### **Scottish Mutual Assurance Limited**

#### **Financial year ended 31 December 2008**

(f) Sun Capital Investments No. 2 Limited

As at 31 December 2008, Sun Capital Investments No.2 Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

(g) Hera Investments No.2 Limited

As at 31 December 2008, Hera Investments No.2 Limited owned 12.5% of the ordinary shares of Impala Holdings Limited, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking, and was able to exercise 12.5% of the voting power at any general meeting.

# Abstract of Valuation Report on Scottish Mutual Assurance Limited

## 1. Introduction

- 1.1 The date to which the investigation relates is 31 December 2008.
- 1.2 The date to which the previous investigation related was 31 December 2007.
- 1.3 No interim valuations for the purpose of rule 9.4 have been carried out since the previous valuation date.

## 2. Product range

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

On 29<sup>th</sup> December 2008, parts of the business within the Other Business Sub-Fund were transferred under Part VII of the Financial Services and Markets Act 2000 to Royal London Mutual Insurance Society Limited. The business transferred was

- Non-Linked Self Assurance
- Non-Linked Pegasus
- Unit Linked Pegasus

With Profits Sub Fund is closed to new business except by increment.

Other significant changes to With Profit products during 2008:

- The ownership of Scottish Mutual Assurance (SMA) changed during the year with SMA sold by Resolution to Pearl. Phoenix Life Assurance Limited (PLAL) was also bought by Pearl and then sold on to Royal London.
- At the request of Royal London, notice was given that the reassurance of the with-profits units from PLAL to SMA was to be terminated.
- The assets and liabilities for the WP units were duly recaptured from SMA by PLAL from the end of September.
- Late in the year the previous practice in SMA of not allowing final bonus and MVR scales to overlap was dropped, but overlap was not used during 2008 (but is available as a practice during 2009).
- All remaining Triple Bonus Bonds matured during 2008 and so the Bonus Fund is being wound up.

## 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
From 1 January 2008	Nil	Nil
From 24 January	Business written in 1992 to 1999	Business written in 1995 to 1999
From 6 May	Business written in 1992 to 1999	Business written in 1993 to 1999
From 1 July	Business written in 1990 to 2001	Business written in 1991 to 2000
From 21 July	Business written in 1990 to 2001	Business written in 1991 to 2001
From 9 October	Business written in 1990 to 2001 and from 2004 to 2008	Business written in 1991 to 2001 and from 2004 to 2008

This table applies for Single Premium business.

Date	UK Life With-Profits Funds	UK Pensions With-Profits Funds
From 1 Jan 2008	Business written in years 1999 to 2000	Business written in years 1993,1994 and from 1997 to 2001
From 1 July	Business written in years 1998 to 2000	Business written in years 1993, 1994 and from 1997 to 2001
From 9 October	Business written in years 1998 to 2000 and from 2007 to 2008	Business written in years 1993,1994 and from 1996 to 2002 and from 2005 to 2008

### 3.2

There have been no changes to premiums on reviewable protection policies during the year. All business with reviewable premiums was transferred to Royal London Mutual Insurance Society Limited on the 29<sup>th</sup> of December 2008.

### 3.3

N/A

### 3.4

Policy fees on unit-linked contracts were increased by between 0.00% and 4.72% during 2008. Policy fees for the majority of these contracts were increased by over 3.5%.

### 3.5

There have been no changes to benefit charges on linked policies during 2008.

### 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 pricing basis depends on whether the unit-linked fund is expanding or contracting.

The company reviews the pricing basis regularly. Most funds are priced on a contracting basis and in general each fund will be considered to be contracting unless there is evidence of material new money being paid into the fund and a likelihood that will continue over the medium term.

##### **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). 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**

Special bid and offer prices may be quoted for a material transaction or series of bid and offer prices may be quoted for a material transaction or series of transactions. "Material" means any one transaction or series of transactions which are of such a size that the company considers the basis of the pricing should change from creation to cancellation or vice versa to maintain equity between the transacting policyholders and remaining policyholders in the fund.

(b) Not applicable.

- (c) The internal linked funds managed by Ignis invest predominantly in unit trusts and OEICs. These collective investment schemes are priced daily at 12pm, using either the creation or cancellation price for the collective investment scheme as appropriate for the net expansion or contraction of the linked fund. The price calculated for the collective investment scheme 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

Each individual linked fund is treated as a separate entity for the purpose of tax. Income from fixed interest investments, other interest and overseas dividends are taxed at the policyholder tax rate and this is reflected in the unit price. If there are net overall realised and unrealised gains, the calculation of the unit price will include a charge for the tax expected to be payable on these gains. Gains are reduced for the benefit of indexation relief. If there are net overall realised and unrealised capital losses, the unit price may include a credit for the expected tax relief that the company can obtain on these losses. If it is not expected that the company can gain credit for these losses in the foreseeable future, according to a deterministic calculation, they are carried forward in a memorandum account to be offset against future gains.

At the end of each year the charge for the tax on accrued realised gains is cash settled with the non profit fund. The fund may be paid a cash credit for tax relief on accrued realised losses. Unrealised gains and losses are carried forward to the next accounting period.

The rate of tax charge on gains is the policyholder tax rate discounted to reflect timing until the tax is paid, including allowance for spreading of gains under the deemed disposal rules where the underlying holding is a collective investment vehicle. The rate of tax relief on losses is the policyholder tax rate discounted to reflect timing until it is expected that the loss can be used by the company to be offset against future gains.

Linked Life: Income tax deducted £2,599,068  
 Tax on realised investment gains £(397,748)  
 Tax credit on unrealised investment gains £4,485,026  
 Linked Pension : Income tax deducted £8,253,346

There were no realised losses this year.

The tax in the linked funds for realised gains and realised losses is calculated at 31 December each year. In 2007 this was settled by paying the liability to the non-linked fund in May.

These figures include all gains, including those on collective investment schemes.

The rates of tax charge and credit for realised and unrealised gains and losses applying at 31 December 2008 were as follows:

Taxable Income	Rates (Dec 2008)
CGT - Realised Gains	0%
CGT - Realised Losses	0%
CGT - Unrealised Gains	0%
CGT - Unrealised Losses	0%

\*All of the funds were carrying forward losses. No tax relief was being given for these losses since calculations showed that the company would be unable to gain a credit for these losses for the foreseeable future.

### 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:

	<b>01 Jan – 27 May 2008</b>	<b>27 May– 22 Aug 2008</b>	<b>22 Aug – 31 Dec 2008</b>
All realised gains	16.75%	19.50%	0%
All realised losses	9.75%	19.50%	0%
Unrealised gains	16.75%	19.50%	0%
Unrealised losses	9.75%	19.50%	0%

The rate applying to broker-managed funds for profits and losses during the reporting period up to 25 August was 20%, thereafter the rates were set at zero %.

### 3.10

Where internal linked funds invest in collective investment schemes (and other *permitted scheme interests* as defined in COBS 21.3.1R(g)), any discount or other allowance negotiated with the manager of the scheme is normally passed on in full to the appropriate policyholders. The exception is for the AN Multi Manager Funds, where the partial rebate of the AMC on the underlying investments will accrue to the shareholders via the non profit fund. This reflects the previous practice in place when the fund manager for those funds (Abbey National) was part of the same group as SMA.

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

##### **4.1 Methodology**

In general, non-linked non profit contracts have been valued using the gross premium method. Negative mathematical reserves are held on these contracts where the calculation yields a negative result. 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.

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.

## 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	3.60%	3.75%
Conventional with profit deferred annuities	4.85% in deferment 4.80% in possession for single  4.30% in deferment 4.25% in possession for regular	4.75% in deferment 4.70% in possession for single  4.40% in deferment 4.35% in possession for regular
Conventional with profit immediate annuities (group)	5.60%	5.15%
Conventional with profit immediate annuities (individual)	5.60%	5.15%
Conventional non-profit life assurances	2.85%	3.35%
Conventional non-profit immediate annuities (life and pensions) (not reinsured)	3.85%	4.75%
Conventional non-profit immediate annuities (life and pensions) (reinsured)	5.75%	4.75%
Conventional non-profit deferred annuities	3.40% in deferment 3.40% in possession for single  3.40% in deferment 3.40% in possession for regular	4.35% in deferment 4.30% in possession for single  4.15% in deferment 4.10% in possession for regular
Conventional non-profit PHI assurances	Regular 3.55% Single 3.55%	Regular 4.15% Single 4.15%
Unitised with profit life assurances	4.25%	4.10%
Unitised with profit pensions	4.30%	4.40%
Sterling reserves on unitised with profit and unit-linked business (Life)	2.85%	3.35%
Sterling reserves on unitised with profit and unit-linked business (Pension)	3.55%	4.15%
Unitised with profit life assurances (overseas)	4.85%	4.75%

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

## 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, yields on each asset were reduced by 2.5%
- 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 S&P and Moody's published default rates with a margin for prudence. The reduction for a bond of a lower credit rating

was applied wherever the observed spread on a bond was outside the range typical for its credit rating.

- there is currently no investment in property and so no risk adjustment is considered for this asset class.
- there is now also a cap in place that restricts the maximum equity yield to 25% and the maximum fixed interest yield to 50% for any given asset.

The valuation interest rate is set by Phoenix Pensions Limited for business reinsured with them. This includes the immediate annuities and the deferred annuities. It is due to the fact that assets backing the business are held by Phoenix Pensions Limited. The methodology used is given below.

- For corporate bonds, a deduction is applied to the yield on an individual stock by stock basis. The individual stock risk margins will be calculated as a long term average default rate plus an additional allowance for short-term factors and expected deviations from the historic average. The individual stock risk margins will be calculated by Axial / Ignis in conjunction with the Asset Liability Management team.

The long term average default rates (in basis points) are:

Rating	5yr	10yr	20yr
AAA	4.6	13.9	17.1
AA	19.7	35.5	49.4
A	31.2	44.8	59.4
BAA	88.0	109.1	121.0
BA	268.4	284.9	288.5
B	599.9	524.4	425.4
CAA	1,053.9	757.1	629.3

A number of different techniques are then employed to arrive at an additional haircut, namely.

- For bank subordinated debt, a higher risk is proposed to be recognised by imposing a nil recovery rates on the above default rates
- Axial / Ignis then 'notch' downwards stocks where they consider the credit rating to be inappropriate (after analysis of the current market spread and other factors).
- Finally, Axial / Ignis also applied an additional haircut to around 10% of stocks, which was based on a stock-by-stock analysis of abnormal default or coupon deferment risk. To avoid spurious precision, the addition applied was a doubling of the base haircut in most cases. In some cases, the adjustment was lower and in a few cases much higher, where a default had either effectively happened or was considered extremely likely.

For the Peak 1 basis, additional prudence will be applied to all but the "already defaulted" stocks by increasing the risk margin deduction by 25%.

#### 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	72% AF92 (non-smoker F) 61% AM92 (non-smoker M) 116% AF92 (smoker F) 105% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate	72% AF92 (non-smoker F) 61% AM92 (non-smoker M) 116% AF92 (smoker F) 105% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate

Conventional non-profit life assurances	77% AF92 (non-smoker F) 55% AM92 (non-smoker M) 72% AF92 (smoker F) 69% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate	72% AF92 (non-smoker F) 61% AM92 (non-smoker M) 72% AF92 (smoker F) 74% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Term assurance (pension)	105% TF92(female) 79% TM92 (male) plus allowance for AIDS of 33% of R6A projection for males Ultimate	89% TF92(female) 79% TM92 (male) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Term assurance (life)	112% TF92 (fem smoker) 78% TF92 (fem non smoker) 117% TM92 (male smoker) 59% TM92 (male non smoker) plus allowance for AIDS of 33% of R6A projection for males Ultimate	100% TF92 (fem smoker) 78% TF92 (fem non smoker) 123% TM92 (male smoker) 59% TM92 (male non smoker) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Conventional with profit pensions assurances (individual)	66% AF92(Female) 72% AM92(Male) Ultimate	66% AF92(Female) 72% AM92(Male) Ultimate
Conventional with profit pensions assurances (group)	66% AF92(Female) 72% AM92(Male) Ultimate	66% AF92(Female) 72% AM92(Male) Ultimate
Conventional non-profit pensions assurances (individual)	66% AF92(Female) 72% AM92(Male) Ultimate	66% AF92(Female) 72% AM92(Male) Ultimate
Conventional non-profit pensions assurances (group)	66% AF92(Female) 72% AM92(Male) Ultimate	66% AF92(Female) 72% AM92(Male) Ultimate
Unit-linked life business excluding excluding Pegasus and Homeowner	77% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate	77% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate
Homeowner (death only)	77% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate	77% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate
Unit-linked pensions business	77% AM80/AF80 Ultimate	77% AM80/AF80 Ultimate



## 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	66% AF92 in deferment, Fem 72% AM92 in deferment, Male Ultimate  102% IFA92mc , fem 94% IMA92mc, male in possession, Life  Age-dependant % of PMA00mc/ PFA00mc (with future improvement factors varying by age and calendar year) , Pension	At age 65: Life Mortality <ul style="list-style-type: none"> <li>• 24.1 (male currently age 45)</li> <li>• 23.7 (male currently age 55)</li> <li>• 25.8 (female currently age 45)</li> <li>• 25.5 (female currently age 55)</li> </ul> Pension Mortality <ul style="list-style-type: none"> <li>• 28.2 (male currently age 45)</li> <li>• 26.3 (male currently age 55)</li> <li>• 28.9 (female currently age 45)</li> <li>• 27.3 (female currently age 55)</li> </ul>	66% AF92 in deferment, Fem 72% AM92 in deferment, Male Ultimate  102% IFA92mc , fem 94% IMA92mc, male in possession, Life  Age-dependent % of PFA92mc,fem PMA92mc,male (with future improvement factors varying by age and calendar year) Pension
Deferred annuities (group) – life and pensions, with profit and non-profit	66% AF92 in deferment, Fem 72% AM92 in deferment, Male Ultimate  102% IFA92mc ,fem 94% IMA92mc,male in possession, Life  Age-dependant % of PMA00mc/ PFA00mc (with future improvement factors varying by age and calendar year) Pension		66% AF92 in deferment, Fem 72% AM92 in deferment, Male Ultimate  102% IFA92mc ,fem 94% IMA92mc,male in possession, Life  Age related % of PFA92mc,fem PMA92mc,male (with future improvement factors varying by age and calendar year)  Pension
Annuities in payment (life)	108% IFA92mc,fem 99% IMA92mc,male	22.7 (male age 65) 14.2 (male age 75) 24.7 (female age 65) 15.3 (female age 75)	108% IFA92mc,fem 99% IMA92mc,male
Annuities in payment (pensions)	Age-dependant % of PMA00mc/ PFA00mc (with future improvement factors varying by age and calendar year)	24.2 (male age 65) 14.3 (male age 75) 25.6 (female age 65) 15.6 (female age 75)	Age related % of PFA92mc/PMA92mc(with future improvement factors varying by age and calendar year)

#### 4.5 Morbidity Assumptions

Product group	Morbidity basis at end of this financial year	Morbidity basis at end of previous financial year
Conventional PHI	CMI 12 – 160% inception, 70% recovery rates	CMI 12 – 160% inception, 70% recovery rates

For Homeowner, critical illness rates are again 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	0.517	0.923	0.491	0.875
35	0.747	1.430	1.263	2.337
45	2.070	3.780	3.119	5.756
55	6.793	12.292	6.519	11.779

#### Residual mortality rates

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.313	0.313	0.054	0.085
35	0.182	0.182	0.006	0.008
45	0.245	0.245	0.006	0.008
55	0.037	0.037	0.006	0.008

#### 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
CWP savings endowment (product code 120 , 125)	39.63	27.73	37.21	26.05
CWP pensions (155/165)	51.12	35.79	48.00	33.60
Annuity (400)	26.66	-	25.02	-

Unit Linked				
UWP bond (500)	30.28	-	28.43	-
UWP savings endowment(510)	40.32	28.22	37.86	26.51
UWP regular premium pension(525/545)	47.77	33.43	44.85	31.39
UWP group regular premium pension(535)	46.99	32.89	44.12	30.88

UWP single premium pension(525/545)	33.43	-	31.39	-
UWP group single premium pension (535)	32.89	-	30.88	-
UL bond (700)	30.28	-	28.43	-
UL savings endowment(715)	40.32	28.22	37.86	26.51
UL regular premium pension(725)	47.77	33.43	44.85	31.39
UL single premium pension(725)	33.43		31.39	
UL group regular premium pension (735)	46.99	32.89	44.12	30.88
UL group single premium pension (735)	32.89		30.88	

The Life expenses receive tax relief at the rate of 20%.

#### 4.7

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

3.60% (gross) p.a.

2.88% (net) p.a.

Inflation rates assumed in calculation of non-unit reserves:

4.54% for future expenses

3.54% for future increases in policy charges

#### 4.8

In accordance with INSPRU 1.2.9R, 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.

#### 4.9

Annual assumptions for calculation of the valuation reserves:

Product		Average lapse /surrender rate for the policy years			
		1 - 5	6 - 10	11 - 15	16 - 20
UWP bond	surrender	10.0%	10.0%	10.0%	10.0%
UWP bond	Automatic withdrawals	5.0%	5.0%	5.0%	5.0%
UL bond	Automatic withdrawals	2.5%	2.5%	2.5%	2.5%

4.10  
N/A

4.11  
N/A

4.12  
N/A

## 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>	£346.0m
<b>Out-standing durations</b>	372 mths to 1 month
<b>Guarantee reserve</b>	£179.5m
<b>GAR for male age 65</b>	11.0%
<b>Open for increments</b>	Yes
<b>Form of annuity</b>	Rate shown corresponds to annually in arrears. 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>	The following distribution of retirements has been assumed  If <= age 64 then 100% * age 64 benefits  If > age 64 then 100% * age 75 benefits The above are assumptions used for the valuation basis. Policyholders can retire from age 50 to 75. Specific professions e.g. 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>	£3.81m
<b>Out-standing durations</b>	455 mths to 1 month
<b>Guarantee reserve</b>	£7.1m
<b>Guaranteed amount</b>	£17.8m
<b>MVA-free conditions</b>	n/a
<b>In-force premiums</b>	£393k
<b>Open for increments</b>	No

## 5.3 Guaranteed insurability options

N/A

## 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 as 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	£9.7m	£10.33m	£0.60m
Individual Pension Arrangements	£209.4m	£213.64m	£4.2m
Masterpolicy plans	£152.9m	£163.3m	£10.4m

## 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 £15.84 million. This is composed of:

- £1.462m from explicit allowances for investment expenses
- £14.377m from explicit allowances for other maintenance expenses

### 6.2

N/A

### 6.3

The maintenance expenses shown at line 14 of Form 43 is £39.9m. This includes one-off main sale provision costs of £5.0m, which were not included in the valuation expense assumptions. Also included is an expense of £19.4m for business now transferred out of SMA. Removing this amount leaves £15.5m, which is comparable to the amount in Section 6.1.

### 6.4

The company is no longer writing new business and so there is no requirement for a new business expense overrun reserve

### 6.5

The company has already closed to new business and the expense assumptions set out in paragraph 4.6 take account of this fact. There is thus no requirement for an additional expense overrun reserve allowing for future closure to new business.

### 6.6

N/A

## 7. Mismatching reserves

### 7.1

<b>Currency in which benefits are payable</b>	<b>Mathematical reserves from Form 14 (excluding liabilities for property linked benefits) (£000)</b>	<b>Currencies in which assets are denominated</b>	<b>Matching assets (£000)</b>
Sterling	2,895,306	Sterling	2,895,306
		TOTAL	2,895,306
<hr/>			
Euro	288,131	Euro	251,078
		Sterling	37,053
		Total	288,131
<hr/>			
US Dollar	8,049	US Dollar	8,049

### 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

N/A

7.5

N/A

7.6

N/A

7.7

No further reserve arises from the test on assets in INSPRU 1.1.34 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**

A special reserve of £15m is held in respect of the future project expenses. The reserve is calculated by multiplying the estimated yearly amount of expenditure by a prudent annuity factor, allowing for run off of project expenditure over time.

**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:

<b>Reinsurer</b>	<b>Nature and extent of cover under treaty</b>	<b>Premiums paid under treaty during period</b>	<b>Amount deposited under deposit back arrangements</b>	<b>Open / closed to new business</b>	<b>Amount of undis-charged obligation of insurer</b>	<b>Mathematical reserves ceded under treaty</b>	<b>Retention level for new policies being reinsured</b>
Phoenix Pensions Limited	Non-profit pensions annuities in payment and deferment, subject to fulfilling terms of treaty.	£ 171,961,950	No such arrangement exists	Open	£0	£692.233m	0%
Munich Re	Non-profit pensions annuities in payment, subject to fulfilling terms of treaty.	£35,971,100	£378.740m	Closed	£0	£378.740m	Not applicable



**Notes:**

- (l) All of the reinsurers listed above are authorised to carry on insurance business in the UK.
- (m) Phoenix Pensions Limited is connected with Scottish Mutual Assurance Ltd, both being subsidiaries of Pearl.  
None of the other 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	£268m	0%	0%	0%
Conventional pension business	£1,149m	0%	0%	0%
Unitised Life Series III	£634m	0%	0%	0%
Unitised Pensions Series I & II	£215m	4.00%	4.00%	4.00%
Other unitised Pensions Series	£472m	0%	0%	0%
Unitised International Series I – £	£3m	0%	0%	0%
Unitised International Series I – \$ or Euro	£296m	0%	0%	0%
With Profit Annuity	£38m	6.00%	1999-2000 starts 4.5% 2003 starts 7.5%	6.00%

## **Appendix 9.4A**

### **Scottish Mutual Assurance Ltd**

#### **Abstract of Valuation Report for Realistic Valuation**

**31 Dec 2008**

#### **1. INTRODUCTION**

##### **(1) Valuation Date**

The valuation date is 31 December 2008.

##### **(2) Previous Valuation**

The previous valuation date was 31 December 2007.

##### **(3) Interim Valuations**

An interim valuation was carried out on 30 June 2008

#### **2. ASSETS**

##### **(1) Economic Assumptions For Valuing Non-Profit Business**

Not applicable as there is no non-profit business valued in the Scottish Mutual With-Profits Fund.

##### **(2) Amount Determined Under INSPRU 1.3.33(2)(R)**

Not applicable

##### **(3) Valuation Of Contracts Written Outside The Fund**

Not applicable

##### **(4) Different Sets Of Assumptions**

Not applicable

##### **(5) De Minimis Limit**

Not applicable.

#### **3. WITH-PROFITS BENEFITS RESERVE LIABILITIES**

##### **(1) Calculation Of With-Profits Benefits Reserve**

Product Type	Method	With-profits benefits reserve	Future policy related liabilities
		£m	£m
CWP- Life	Retrospective	295	57
CWP- Life	Prospective	28	5
UWP- Life	Retrospective	846	186
<b>Life Total</b>		<b>1,169</b>	<b>248</b>
CWP Pensions with GAO	Retrospective	320	200
CWP Pensions with GAO	Prospective	22	15
CWP Pensions with GCO	Retrospective	237	273
Group Full Profit	Prospective	114	15
Other DA	Prospective	104	30
UWP Pensions, 0%	Retrospective	271	35
UWP Pensions, 4%	Retrospective	387	101
<b>Pensions Total</b>		<b>1,455</b>	<b>670</b>
<b>Total</b>		<b>2,624</b>	<b>917</b>

**(2) Correspondence With Form 19**

The above reconciles to lines 31 and 49 of Form 19.

**(3) With-Profits Benefits Reserves Below De Minimis Limit**

Not applicable as all products have been disclosed.

**(4) Types Of Products**

The level of disclosure in the table above corresponds to material groupings of contracts offering significant variances in policyholder benefits. For example, contracts with and without guaranteed cash options and guaranteed annuity options are identified separately and unitised with-profits business is separated from conventional with-profits business. Unitised with-profits pensions business is split between that with a guaranteed minimum bonus and that without.

**4. WITH-PROFITS BENEFITS RESERVE – RETROSPECTIVE METHOD**

**(1) Retrospective Methods**

- (a) All contracts have been calculated on an individual policy basis.
- (b) No contracts have been valued on a grouped basis.
- (c) Not applicable as no contracts have been valued on a grouped basis.

**(2) Significant Changes To Valuation Method**

- (a) There have been no significant changes in the method of calculating the with-profits benefits reserve.
- (b) No policies were valued using approaches more approximate than used for the previous valuation.

**(3) Expense Allocation**

- (a) Expenses are equal to the fixed policy fee charged by Pearl Group Management Services for the provision of administration services, as set out in the management services agreement.
- (b) Expense investigations (reviews of the management services agreement) are carried out annually.
- (c)

	<b>Item</b>	<b>£m</b>
(i)	Initial Expenses <sup>1</sup>	0.125
(ii)	Maintenance Expenses	3.566
	Investment Expenses	0.229
(iii)	Method	Average expense charge deducted
(iv)	Expenses charged other than to with-profits benefits reserve <sup>2</sup>	3.160

<sup>1</sup> Since the company is closed to new business (apart from contractual increments etc.), the initial expenses are negligible.

<sup>2</sup> Amounts charged to the fund are in relation to one-off and project costs.

Investment expenses were deducted from the with-profits benefits reserve at a rate of 0.043% p.a.

#### (4) Significant Charges

There is a hedge asset in place to cover a substantial part of the guarantees within the fund. The costs of rebalancing this hedge are charged to the with-profits benefits reserve. The resulting percentage reduction in the with-profits benefits reserve is shown in the following tables.

Asset Share Group	Current valuation	Previous Valuation
CWP Life	(0.30)%	(0.12)%
CWP Pensions	(0.30)%	(2.25)%
UWP Life	(0.16)%	(0.07)%
UWP Pensions	(0.16)%	(0.18)%

Asset Share Group	Current valuation
UWP GBP SMI Bond	(0.16)%
UWP USD SMI Bond	0.00%
UWP EUR SMI Bond	(0.07)%

Note that the old hedge assets were sold and a new hedge put in place during the previous year, hence the higher costs.

#### (5) Charges For Non-Insurance Risk

Annual management charges deducted from the fund in respect of unitised with-profits business amounted to £21.06m over the period.

#### (6) Ratio Of Claims To Reserve

Average ratio of total claims to asset shares:

Year	Ratio of claims to asset shares
Previous year -1	98.3%
Previous year	98.2%
Current year	98.1%

#### (7) Allocated Return

The same gross investment return is allocated to the with-profits benefits reserve for all UK contracts in the fund. Similarly, the same gross investment return is allocated to all EU contracts in the fund. Investment returns for the full year (gross of tax) are:

Product Type	Investment Return
UK business	-8.84%
EU business	-14.82%

## 5. WITH-PROFITS BENEFITS RESERVE – PROSPECTIVE METHOD

### (1) Key Assumptions

Prospective methods have been used for with-profits whole life business and for some conventional pensions, as shown in paragraph 3 (1).

#### With-Profits Whole Life Business

The with-profits benefits reserve is determined using a bonus reserve valuation with the following assumptions:

<b>Economic Assumptions</b>	
Discount Rate p.a. (net of investment expense)	3.26%
Investment Return p.a. (net of investment expense)	3.26%
<b>Expense Assumptions</b>	
Investment Expense p.a.	0.00%
Per Policy Expenses p.a. (premium-paying)	£39.01
Per Policy Expenses p.a. (paid-up)	£27.30
Expense Inflation p.a.	3.54%
<b>Bonus Assumptions</b>	
Reversionary Bonus Rate	0%
Terminal Bonus Rate	See below
<b>Decrement</b>	
Mortality	77% AM92
Persistency	Nil

Future terminal bonus rates vary by duration in force at time of payment. Sample terminal bonus rates are as follows:

<b>Term</b>	<b>Rate</b>
5	0%
10	0%
15	2.5%
20	12.5%
25	17.5%
30	37.5%
35	87.5%
40+	122.5%

### Conventional Pensions Business

The with-profits benefits reserve is determined using a gross premium valuation with the following assumptions:

	<b>Group Full Profit</b>	<b>Other Deferred Annuity</b>	<b>With-Profit Annuity</b>	<b>Other Annuity</b>
<b>Economic Assumptions</b>				
Discount Rate p.a. (net)	4.85%	4.85%	5.60%	5.60%
Investment Return p.a. (net)	4.85%	4.85%	5.60%	5.60%
<b>Expense Assumptions</b>				
Investment Expense p.a.	0.04%	0.04%	0.04%	0.04%
Per policy - premium-paying	51.12	51.12	25.91	51.12
Per policy - paid up	0	35.79	0	0
Expense Inflation p.a.	4.54%	4.54%	4.54%	4.54%
<b>Bonus Assumptions</b>				
Reversionary Bonus	0%	0%	0.61%	0%

No terminal bonus is assumed and there is no allowance for lapses or mortality.

#### **(2) Different Sets Of Assumptions**

Not applicable.

### **6. COST OF GUARANTEES, OPTIONS AND SMOOTHING**

#### **(1) De Minimis Limit**

Not applicable.

#### **(2) Valuation Methods For Guarantees etc.**

	<b>Cost of Guarantees &amp; Options</b>	<b>Extent of Grouping</b>	<b>No of Individual policies</b>	<b>No of model points</b>
All business	Stochastic model	All business	386,342	3,629

#### a) Cost of Guarantees & Options

The costs of guarantees are determined using a stochastic model, with the asset returns being generated by a proprietary model. The following items were calculated stochastically:

- (i) Guaranteed annuity option reserves
- (ii) Guaranteed cash option reserves
- (iii) The reserves required in addition to asset share to meet guaranteed benefits

Guaranteed annuity options allow policyholders to convert a funded cash sum into an annuity on guaranteed terms. Guaranteed cash options allow policyholders to convert a funded annuity benefit into a lump sum on guaranteed terms.

The calculations were carried out using a risk neutral approach.

The fund targets 100% of asset share on maturity and so the cost of smoothing is nil.

- (b) (i) In the stochastic model, no projections are carried out on individual policy data.
- (ii) All of the contracts are valued on a grouped basis. However, the values for the with-profits benefits reserve are calculated on an individual basis and added to the data file before the data is grouped.
- (iii) Policies are grouped according to product code, annuity factor, terminal bonus series, reversionary bonus series, early retirement option indicator, pension code and product class. They are also split into bands by policy term and according to the degree by which the guarantees are in or out of the money.

The values of guarantees are estimated using closed form approximations before and after grouping. These are compared to ensure that the model points are a good representation of the individual policy data

- (c) The cost of options and guarantees for a small number of residual policies is approximated using a proxy contract which has been modelled accurately. The model points for the proxy contract are scaled such that in aggregate the policy count, asset share and guaranteed benefits are equal to the total values for the approximately modelled contract.

### **(3) Significant Changes**

At December 2007 the cost of guarantees was modelled using a deterministic inflation assumption. At December 2008, the cost of guarantees is valued using stochastic inflation assumptions taken from the Economic Scenario Generator (ESG).

At December 2007 it was assumed that 100% of asset share was paid on surrender. This has been reduced to 97.5% and the present value of these future profits taken through as an additional surplus in the realistic balance sheet.

### **(4) Further Information on Stochastic Approach**

- (a) (i) The stochastic model is used to value the following guarantees and options:
- No negative terminal bonus guarantees at maturity and death within conventional with-profits contracts.
  - Market value reduction-free spot maturity guarantees within unitised with-profits contracts.
  - Guaranteed annuity options on conventional with-profits contracts.
  - Guaranteed cash options on conventional with-profits contracts.

Of these, the guaranteed annuity options and market value reduction-free guarantees are “in the money” at the valuation date. For the other guarantees, the extent to which they are “in the money” depends on duration and policy size.

- (ii) The asset returns in the stochastic model were generated by a proprietary model licensed from Barrie & Hibbert. The asset classes modelled are UK equities, UK property, UK corporate bonds, UK gilts, EU equities, EU corporate bonds and EU gilts.

#### Interest Rate

UK gilt returns are modelled using a gilts + 10bps calibration in a monthly LIBOR Market Model. The Government Nominal Bond yield curve is a direct input into the model. Euro gilt returns are modelled in a similar fashion based on the closest equivalent to the Government Nominal bond yield curve.



The calibration at the valuation date was as follows:

Term	GBP			EUR		
	Govt. + 10bp	Model	Difference (bps)	Govt. + 10bp (equivalent)	Model	Difference (bps)
1	2.04%	2.03%	1	2.05%	2.05%	0
2	2.85%	2.84%	1	2.24%	2.24%	0
3	3.36%	3.35%	1	2.78%	2.79%	-0
4	3.67%	3.67%	0	3.47%	3.47%	-0
5	3.86%	3.84%	2	3.80%	3.79%	1
7	4.13%	4.11%	2	3.98%	3.97%	1
10	4.61%	4.61%	0	4.69%	4.69%	-0
15	5.39%	5.38%	1	4.82%	4.76%	6
20	3.91%	3.88%	3	4.16%	4.20%	-4
25	2.69%	2.65%	4	3.60%	3.57%	3

The volatility within the model is calibrated to the market implied volatility for at the money swaptions (for 20 year swaps). The calibration at the valuation date is as follows:

#### Swaption Implied Volatility

Term	GBP			EUR		
	Market (%)	Model (%)	Difference (bps)	Market (%)	Model (%)	Difference (bps)
1	27.20	17.23	-997	36.40	25.93	-1047
2	21.00	17.43	-357	31.10	26.12	-498
3	18.50	18.17	-33	28.50	27.02	-148
4	17.20	17.87	67	26.60	27.06	46
5	16.00	17.71	171	25.30	27.35	205
7	15.00	17.34	234	24.30	27.68	338
10	14.60	16.95	235	24.00	27.50	350
15	16.40	16.00	-40	26.80	26.71	-9
20	16.10	14.53	-157	28.50	26.06	-244
25	14.30	14.14	-16	26.30	24.93	-137
30	12.40	14.12	172	25.00	25.20	20

Inflation is modelled as the difference between the nominal and real yield curves. Real interest rates are modelled using a two-factor Vasicek model, which is calibrated to be consistent with GBP and EUR index linked government bond prices as at 31 December 2008.

#### Equities and Property

Excess returns over risk free on UK equities, overseas equities and property are modelled using separate (but correlated) lognormal models. Separate equity models are used for UK and Euro equities and each model uses a local volatility surface calibrated to market implied volatilities for a range of strikes and maturities. Volatilities are assumed to be constant beyond quoted strikes and maturities.

The UK asset model was calibrated by reference to the implied volatility of FTSE100 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Market

Term	Strike		
	0.8	1	1.2
1	46.95	40.45	36.05
2	41.02	36.81	33.47
3	37.48	34.01	31.21
5	35.11	32.43	30.26
10	32.64	30.77	29.36

Model

	<b>Strike</b>		
<b>Term</b>	<b>0.8</b>	<b>1</b>	<b>1.2</b>
1	40.18	35.98	33.45
2	37.68	34.98	32.89
3	35.70	33.47	31.79
5	34.27	32.68	31.51
10	33.05	32.11	31.36

Difference (Model – Market) bps

	<b>Strike</b>		
<b>Term</b>	<b>0.8</b>	<b>1</b>	<b>1.2</b>
1	-677	-447	-260
2	-335	-182	-59
3	-177	-55	58
5	-84	24	125
10	41	134	200

The Euro asset model was calibrated by reference to the implied volatility of Eurostoxx 50 options for a range of strikes (from 0.8 to 1.2) and maturities of up to 10 years. All strikes are expressed as a proportion of at-the-money.

Implied volatility data (%) at the valuation date is shown below:

Market

	<b>Strike</b>		
<b>Term</b>	<b>0.8</b>	<b>1</b>	<b>1.2</b>
1	41.55	34.88	30.14
2	38.31	33.81	30.34
3	37.29	33.66	30.82
5	34.71	32.05	29.83
10	30.62	28.93	27.42

Model

	<b>Strike</b>		
<b>Term</b>	<b>0.8</b>	<b>1</b>	<b>1.2</b>
1	37.90	33.48	30.57
2	36.30	33.34	31.08
3	36.27	33.93	32.10
5	34.42	32.91	31.73
10	31.14	30.40	29.91

Difference (Model – Market) bps

	<b>Strike</b>		
<b>Term</b>	<b>0.8</b>	<b>1</b>	<b>1.2</b>
1	-365	-140	43
2	-201	-46	74
3	-102	27	129
5	-29	86	190
10	52	147	248

There is no investment in property within the fund and so property volatilities are not relevant.

Corporate bond

Corporate bond returns are modelled using the extended Jarrow-Lando-Turnbull model. This describes bond prices in terms of a real-world transition matrix, which gives the probability of a transition to each credit rating over one year. Risk neutral transition probabilities are assumed to vary stochastically. The transition matrix is consistent with best estimates based on historic data of long term transition probabilities and spread volatilities and corporate bond prices. The model was fitted to a sample of predominantly investment grade sterling corporate bonds.

The asset model uses a credit transition matrix. The fit of the model is targeted to the market spread on a 7 year A rated bond only. Credit derivatives are not used to derive market implied transition probabilities.

The following are examples of observed correlations of year 10 returns from the scenarios used (ZCB = zero coupon bond):

<i>Output Correlations @ Year 10</i>							
	Cash	Equities	Overseas Equities	5yr Govt ZCB	15yr Govt ZCB	5yr Corp ZCB	15yr Corp ZCB
Cash	1	0.02	-0.11	-0.05	-0.40	-0.01	-0.28
Equities		1	0.16	0.06	0.05	0.31	0.24
Overseas equities			1	0.05	0.09	0.03	0.06
5yr Govt ZCB				1	0.83	0.72	0.71
15yr Govt ZCB					1	0.59	0.82
5yr Corp ZCB						1	0.87
15yr Corp ZCB							1

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

(iii) The table below is based on 3000 scenarios:

Asset type (all UK assets)		K=0.75				K=1				K=1.5			
n	r	5	15	25	35	5	15	25	35	5	15	25	35
	Annualised compound equivalent of the risk free rate assumed for the period. (to two decimal places)	2.87%	4.13%	4.07%	3.82%	X	X	X	X	X	X	X	X
1	Risk-free zero coupon bond	868,153	545,250	369,073	269,383	X	X	X	X	X	X	X	X
2	FTSE All Share Index (p=1)	155,806	286,769	373,699	447,618	285,004	448,486	555,772	645,163	635,723	825,763	956,959	1,067,543
3	FTSE All Share Index (p=0.8)	146,561	237,534	284,130	320,237	269,086	372,975	424,238	464,702	603,195	691,813	737,671	775,786
4	Property (p=1)	32,496	113,094	187,067	250,678	134,340	251,190	345,559	422,867	522,588	628,650	729,808	821,368
5	Property (p=0.8)	27,643	78,442	116,832	150,047	119,299	182,829	229,596	264,988	485,326	491,121	515,677	542,330
6	15 year risk free zero coupon bond (p=1)	21,533	28,588	19,396	28,143	94,352	94,747	84,908	128,061	499,212	498,178	501,357	535,553
7	15 year risk free zero coupon bond (p=0.8)	18,477	17,964	9,241	10,995	82,171	57,154	28,656	32,653	458,045	331,746	251,535	239,915
8	15 year risk free bonds (p=1)	28,003	39,493	39,047	56,238	109,768	123,986	126,579	161,646	498,419	494,673	500,829	539,256
9	15 year risk free bonds (p=0.8)	24,320	25,050	17,445	21,401	96,733	77,722	57,260	62,775	458,746	344,300	272,354	261,468
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	86,294	184,928	258,948	326,372	201,262	328,108	422,742	506,238	559,666	693,864	808,199	909,543
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	78,876	143,476	182,689	215,588	186,236	260,060	303,128	341,644	525,192	560,699	594,686	629,014
12	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=1)	83,019	169,431	234,798	292,522	196,205	307,502	388,758	463,553	556,839	664,110	760,895	853,680
13	Portfolio of 65% equity and 35% 15 year risk free zero coupon bonds (p=0.8)	75,708	129,952	163,614	190,409	181,285	241,777	276,270	306,844	521,970	532,973	553,775	580,763
14	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=1)	39,364	90,431	135,373	182,418	138,331	210,944	271,290	332,738	517,741	568,663	636,625	713,537
15	Portfolio of 40% equity, 15% property, 22.5% 15 year risk free zero coupon bonds and 22.5% 15 year corporate bonds (p=0.8)	34,174	60,808	81,117	101,809	124,157	151,160	170,325	194,405	480,326	432,985	428,824	443,599
		L=15				L=20				L=25			
16	Receiver swaptions	8.82%	11.17%	10.02%	7.56%	12.33%	13.95%	12.24%	9.03%	15.43%	16.43%	13.98%	10.10%

- (iv) UK initial equity yield 5.95 %  
EU initial equity yield: 6.58%

(v) The following table shows entries (K=1 only) for the risk free rate and lines 1 and 2 for the Eurozone, the only economy outside the UK to which the fund has significant asset exposure. They are denominated in euros and based on 3000 scenarios.

Asset Type (EU Assets)		K=1			
n	Duration	5	15	25	35
	Strike price per €1m	1,144,378	1,800,695	2,726,933	3,788,587
r	Annualised compound equivalent of the risk free rate	2.73%	4.00%	4.09%	3.88%
1	Risk-Free Coupon Bond	873,837	555,341	366,712	263,951
2	ESTOXX ( $\rho=1$ )	157,855	277,809	370,136	459,957

(vi) The fund has significant hedge instruments that form a close match, in aggregate, to the liabilities of the fund. The hedge instruments include equity put options and swaptions. The following table compares the market prices (on a mid basis) for these instruments to the values obtained using the asset model.

Outstanding Term (Years)	Options (£)		Swaptions (£)	
	Market	Model	Market	Model
1-5	76,104,738	84,350,945	1,288,815	3,132,620
6-10	42,170,404	46,784,687	5,792,326	16,280,025
11-15	36,602,796	37,375,056	8,266,203	20,370,025
16-20	31,706,612	28,596,957	12,675,332	19,423,074
<b>Total</b>	<b>186,584,549</b>	<b>197,107,646</b>	<b>28,022,676</b>	<b>59,205,745</b>

Note that the modelled results in the above table are produced using a gilts+10 based calibration for consistency with the approach to valuing the liabilities. For the swaptions, if a swaps-based calibration is used (which would be more consistent with how the market would price these contracts) the discrepancy between the market and modelled values is significantly smaller.

(vii) The asset models of each main asset class have been validated by comparing the net present value of a 40-year projection of the future cashflows under the asset, including capital gains and losses, with the current value of the asset.

This was done for each of the dominant economies in which the fund has assets invested, namely the UK and the EU. At 3,000 scenarios and significant durations (short to medium terms), the difference between the average net present value of each asset class of each economy and the current asset value was close (i.e. not statistically significant). This confirms that the total return for relevant assets is a martingale and risk neutral.

(viii) The assets and liabilities have been computed using 3,000 (1,500 antithetic pairs of) simulated scenarios. At 1,000 scenarios, the cost of options and guarantees converges to  $\pm$ £5.1m at a 95% confidence interval. When the number of scenarios is increased to 3,000, the cost of options and guarantees converges to  $\pm$ £2.9m.

(b) Not applicable

(c) Not applicable

**(5) Management Actions**

(a) No management actions were assumed in calculating the working capital.

(b) Not applicable

**(6) Persistency Assumptions**

The surrender and paid-up rates are:

Product		Average Surrender/Paid-up rate for the policy years			
		1-5	6-10	11-15	16-20
CWP Savings Endowment	Surrender	4.00%	4.00%	4.00%	4.00%
CWP Target Cash Endowment	Surrender	4.00%	4.00%	4.00%	4.00%
UWP Bond	Surrender	26.00%	30.80%	15.00%	15.00%
CWP Pension Regular Premium	Surrender	5.00%	5.00%	5.00%	5.00%
CWP Pension Single Premium	Surrender	2.00%	2.00%	2.00%	2.00%
UWP Indiv Pension Regular Premium	Surrender	5.20%	7.80%	9.00%	9.00%
UWP Indiv Pension Single Premium	Surrender	14.00%	20.00%	16.00%	16.00%

Take-up Rates of Guaranteed Annuity Options

The assumed take-up rate varies with the degree of “money-ness” of the option, where this is defined as (market annuity rate / guaranteed annuity rate) at the retirement date.

Moneyiness Upper Limit (%)	Take-up Rate (%)
100	0
140	67
160	85
9999	95

### Take-up Rates of Guaranteed Cash Options

The assumed take-up rate varies with the degree of “money-ness” of the option, where this is defined as (GCO factor / market annuity factor) at the retirement date.

<b>Moneyiness Upper Limit (%)</b>	<b>Take-up Rate (%) IP Pensions</b>	<b>Take-up Rate (%) MP Pensions</b>
<b>60</b>	5	5
<b>90</b>	10	30
<b>100</b>	25	30
<b>9999</b>	100	100

### Annuitant Mortality

Deferred pension contracts (post vesting) include guaranteed annuity options.

The mortality assumption for annuities in possession arising from the exercising of guaranteed annuity options is 15% higher than that described in Appendix 9.4, paragraph 4 (4).

## **(7) Policyholders' Actions**

### Exercise of MVR-free options

The rate at which these options are exercised varies with the degree of “money-ness” of the option, where this is defined as (asset share / face value of units) on the MVR-free date. For SMA business excluding the SMI Euro Bond the rates are:

<b>Moneyiness Upper Limit (%)</b>	<b>Take-up Rate (%)</b>
<b>75</b>	100
<b>90</b>	75
<b>100</b>	25
<b>9999</b>	0

For the SMI Euro bond the rates are:

<b>Moneyiness Upper Limit (%)</b>	<b>Take-up Rate (%)</b>
<b>75</b>	100
<b>90</b>	85
<b>100</b>	25
<b>9999</b>	0

## **7. FINANCING COSTS**

The fund has no financing costs as at the valuation date.

## **8. OTHER LONG-TERM INSURANCE LIABILITIES**

No amounts have been included in Line 46 of Form 19. The amount shown in Line 47 of Form 19 is composed only of the present value of future transfers to shareholders.

## **9. REALISTIC CURRENT LIABILITIES**

The realistic current liabilities are obtained from the regulatory value by adjusting to allow for recoverable deferred tax assets. The reconciliation of the realistic current liabilities to the regulatory current liabilities is:



	<b>£m</b>
Regulatory current liabilities	141.1
- Recoverable deferred tax asset	0.0
- Recoverable tax on excess E	-2.2
Realistic current liabilities	138.9

## 10. RISK CAPITAL MARGIN

(a) The risk capital margin is nil.

- (i) The market risk scenario assumes that equities fall by an amount which depends on the territory in question:

<b>% Change in Equity Markets</b>	<b>%</b>
UK and "Non-significant" Overseas Holdings	20.00%
Europe	18.44%
USA	19.84%

The equity rise is the more onerous scenario. Note that the fund holds no real estate and so this stress was not applicable.

- (ii) The nominal change in yields for fixed interest securities for the purpose of the market risk scenario again depends on the territory in question:

<b>Nominal change in yields on fixed interest securities</b>	<b>Nominal Change in Yields</b>	<b>% change in long term gilt yield</b>
UK and "Non-significant" Overseas Holdings	0.66%	17.50%
Europe	0.84%	17.50%
USA	0.30%	17.50%

A rise in yields is the more onerous scenario.

- (iii) The average change in spread is 0.73%. Changes in market values are:
- (a) (3.62)% for bonds
  - (b) Not applicable
  - (c) Not applicable
  - (d) Not applicable
  - (e) Not applicable
- (iv) The average change in persistency experience is a 32.5% reduction in future lapse and paid-up rates. The overall percentage change in the realistic value of liabilities from applying the persistency stress is 1.81%.
- (v) The change in asset value in (iii) is materially independent of the change in liability values in (iv).

(b) There is a collateral promise on the unitised with-profits business under which the cost of conventional with-profits guarantees must not be borne by unitised with-profits policyholders. However, planned enhancements arising on either unitised with-profits or conventional with-profits business may be used to reduce any deficit arising in the other category having first covered their own deficit. Management actions are therefore applied to the fund as a whole.

(i) In the stress scenarios the following additional assumptions are made:

The working capital takes into account planned enhancements which reflect the intention to distribute to policyholders excess assets within the fund. These enhancements are assumed to be removed in the risk capital margin conditions to the extent that they would not be payable due to reductions in the excess assets. This action has a value of £145.62m in the fund.

No additional management actions are required.

(ii) The effect of the management actions is to reduce the RCM by £145.62m. The components of this reduction are shown in the following table:

<b>Management action</b>	<b>£m</b>
Setting planned enhancements to zero	-145.6
Applying 5% cut to asset shares	n/a
Applying further cut to asset shares to reduce deficit by maximum permissible amount (35%)	n/a
<b>Total impact</b>	<b>-145.6</b>

(iii) No changes would be made to equity backing ratios or bonus rates if the management actions were taken.

(iv) The requirements of INSPRU 1.3.188(R) would be met if the actions described in paragraph 10 (b) (i) were integrated into the projection of assets and liabilities.

(c)

(i) A support arrangement of £220m is in existence. The funds (which are all cash type assets) are held within the Other Business Sub-fund.

(ii) The assets held under the support arrangement are available for transfer into the WPSF should the need arise.

## 11. TAX

Tax on assets backing the with-profits benefits reserve for BLAGAB business is charged to those asset shares approximately and allowance is made for relief on expenses.

Tax on any future policy related liabilities for BLAGAB business is allowed for in determining those liabilities.

An amount in respect of deferred tax on anticipated recoverable investment losses has been used to reduce current liabilities.

## 12. DERIVATIVES

A number of structured derivative contracts are held within the fund at the valuation date to enable the fund to withstand the impact of adverse conditions. They are constructed from at-the-money vanilla over-the-counter derivatives – equity put options, equity futures, interest rate swaps and interest rate swaptions – with outstanding terms ranging from 1 to 20 years

As at the valuation date the total market price of these derivatives, on a bid basis, is £421m. This is split as follows:

Type	GBP (£m)	EUR (£m)	Total (£m)
Swaps	237.51	-8.89	228.62
Swaptions	21.65	0.48	22.13
Options	146.29	28.65	174.94
Futures	-4.36	-0.59	-4.95
<b>Total</b>	<b>401.09</b>	<b>19.65</b>	<b>420.74</b>

### 13. ANALYSIS OF WORKING CAPITAL

The movement in working capital over the twelve months to the valuation date is shown in the following table.

	£m
<b>Opening working capital</b>	<b>0.0</b>
Write back planned benefit enhancements to zeroise working capital	146.9
<b>Revised opening working capital</b>	<b>146.9</b>
Opening adjustments	(31.0)
<b>Restated opening working capital</b>	<b>116.0</b>
Investment return on working capital	(5.7)
Mismatch profits and losses	163.8
Assumption changes	
- Non-economic	72.3
- Economic	0.3
- Policyholder actions	0.0
Impact of new business	0.0
Other variances	
- Non-economic	14.1
- Economic	51.3
- Changes in provisions	(119.1)
- Unexplained	0.0
<b>Closing working capital before zeroisation</b>	<b>293.0</b>
Planned benefit enhancements to zeroise working capital	(293.0)
<b>Closing working capital</b>	<b>0.0</b>

The amount at line 47 of Form 19 is composed only of the present value of future shareholder transfers. It changes as shown in the table above.

The following table shows a breakdown of the liabilities shown on line 51 of Form 19 at the start and end of the year:

£m	Current Valuation	Previous Valuation
Regulatory current liabilities	141.1	28.5
- Recoverable deferred tax asset	0.0	(6.0)
- Recoverable tax on excess E	(2.2)	(4.1)
<b>Realistic current liabilities</b>	<b>138.91</b>	<b>18.49</b>

### 14. OPTIONAL DISCLOSURE

None made.

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

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

#### **Scottish Mutual Assurance Limited**

#### **Financial year ended 31 December 2008**

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

Mr G Ross was the with-profits actuary throughout the period.

The following information relates to the year ended 31 December 2008:

- a At 1 January 2008, Mr G Ross held 3,000 ordinary shares in Resolution plc, the ultimate holding company. At 1 January 2008, Mr G Ross's spouse held 30,981 shares in Resolution plc, the ultimate holding company.

On 24 April 2008, Mr G Ross's spouse transferred 900 ordinary shares in Resolution plc to Mr G Ross.

On 1 May 2008, all ordinary shares held by Mr G Ross and Mr G Ross's spouse were sold.

At 31 December 2008, neither Mr G Ross nor Mr G Ross's spouse held any interests in the Company or in Pearl Group Limited, the ultimate holding company.

- b Aggregate fees and remuneration received by Mr G Ross from Pearl Group Management Services Limited (formerly Resolution Management Services Limited) were £267,673, including VAT and disbursements.

- c Other pecuniary benefits:

Mr G Ross is in receipt of a pension from a Pearl (formerly Resolution) group staff pension scheme.

The above particulars were furnished by Mr G Ross 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(1)**


**Scottish Mutual Assurance Limited**

**Financial year ended 31 December 2008**

We certify that:

- a. the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU and INSPRU;
- b. we are satisfied that:
  - i. throughout the financial year, the Company has complied in all material respects with the requirements in SYSC and PRIN as well as the provisions of IPRU(INS) and GENPRU; 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 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. we have, in preparing the return, taken and paid due regard to:
  - i. advice 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 4.3.16AR.

  
J S Moss  
Chief Executive

  
K Luscombe  
Director

  
M J Merrick  
Director

30/3/09

Notes to the certificate required by Rule 9.34(1)

#### **Compliance with the provisions of INSPRU**

Reference to INSPRU has been omitted at point b of the certificate as the FSA was informed in November 2008 that the Company was in technical breach of its Group Capital Adequacy (GCA) obligations.

To rectify the situation, Impala Holdings Limited (IHL), a fellow subsidiary, carried out a capital restructuring in which £2,598m was repaid to Sun Capital Investments 2 Limited and Hera Investments 2 Limited in settlement of existing subordinated debt obligations, together with accrued interest. This was settled by IHL through the issue of 2 new ordinary C shares for consideration of £1,600m and £998m of new subordinated debt. In addition to this, the Company applied for a waiver, which was granted by the FSA and which provides relief in respect of one of the capital restrictions within the GCA calculation and enables the Company to meet its GCA requirements. The Company has continued to meet its GCA requirements since that date.

The waiver expires on 30 April 2009. Regular dialogue is continuing with the FSA regarding the capital position of the Pearl Group Limited Group (PGL Group) and it is intended that a waiver extension will be requested. In the event that the waiver is not extended the PGL Group is able to restructure the term of the C shares referred to above such that there is no requirement for the waiver.

Apart from this matter, the directors are satisfied that throughout the year the Company has complied in all material respects with the requirements of INSPRU and that it is reasonable to believe that the Company has continued so to comply subsequently, and will continue so to comply in future.

#### **Principles and Practices of Financial Management**

Reference to COBS 20.3 has been omitted from the certificate as the with profits fund has not been managed in full accordance with the Principles and Practices of Financial Management, as established, maintained and recorded under COBS 20.3 due to a non material, technical breach.

There have been no adverse consequences for any policyholder.

**Independent auditors' report to the directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers**

**Scottish Mutual Assurance Limited**

**Global business**

**Financial year ended 31 December 2008**

We have examined the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in Chapter 9 of IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers ("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, 40 to 45, 48, 49, 58 and 60 (including the supplementary notes) ("the Forms");
- the statement required by IPRU(INS) rule 9.29 ("the statement"); and
- the reports required by IPRU(INS) rule 9.31 ("the valuation reports").

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

- Forms 46, 47, 50 to 53, 55, 57, 59A and 59B (including the supplementary notes);
- the statements required by IPRU(INS) rules 9.30 and 9.36; and
- the certificate signed in accordance with IPRU(INS) rule 9.34(1).

This report is made solely to the insurer's directors, in accordance with IPRU(INS) rule 9.35. Our examination has been undertaken so that we might state to the insurer's directors those matters we are required by the Rules to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the insurer for our examination, for this report, or for the opinions we have formed.

**Respective responsibilities of the insurer and its auditors**

The insurer is responsible for the preparation of an annual return (including the Forms, the statement and the valuation reports) under the provisions of the Rules. The requirements of the Rules have been modified by the directions issued under section 148 of the Act referred to in supplementary note 0201. Under IPRU(INS) rule 9.11 the Forms, the statement and the valuation reports are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules. The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

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



## Basis of opinion

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms, the statement and the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the insurer for the financial year on which we reported on 31 March 2009. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms, the statement and the valuation reports.

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

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

## Opinion

In our opinion:

- (a) the Forms, the statement and the valuation reports 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 insurer and used to perform the actuarial investigation as set out in the valuation reports prepared in accordance with IPRU(INS) rule 9.31 appropriately reflect the requirements of INSPRU 1.2 and 1.3.

*Ernst & Young LLP.*

Ernst & Young LLP

Registered Auditor

Glasgow

30 March 2009