

Scottish Mutual Assurance Ltd

Annual FSA Insurance Returns for the year ended

31 December 2007

Appendices 9.1, 9.3, 9.4, 9.4A and 9.6

Scottish Mutual Assurance Ltd

FSA Insurance Returns for the Financial Year ended 31 December 2007

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

Global business

Financial year ended **31 December 2007**

Solo solvency calculation

	Company registration number	GL/ UK/ CM	day month year			Units	
	R2	133846	GL	31	12	2007	£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	901284	773482
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12	146568	547271
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	1047853	1320753

Guarantee fund

Guarantee fund requirement	21	104069	123444
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	943784	1197309

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	312207	370331
Resilience capital requirement	32		
Base capital resources requirement	33	2231	2139
Individual minimum capital requirement	34	312207	370331
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	312207	370331
Excess (deficiency) of available capital resources to cover 50% of MCR	37	891749	1135587
Excess (deficiency) of available capital resources to cover 75% of MCR	38	813698	1043005

Enhanced capital requirement

With-profits insurance capital component	39	355795	328925
Enhanced capital requirement	40	668002	699256

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	668002	699256
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	379851	621497

Contingent liabilities

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

Form 2

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

G Singleton Managing Director

K Luscombe Director

S McGee Director

27 March 2008

**Form 3
(Sheet 1)**

Components of capital resources

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	133846	GL	31	12	2007	£000
		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
		1	2		3	4

Core tier one capital

Permanent share capital	11		1608500	1608500	1608500
Profit and loss account and other reserves	12		58893	58893	(60453)
Share premium account	13		9000	9000	9000
Positive valuation differences	14		595365	595365	577608
Fund for future appropriations	15		14500	14500	4303
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		2286257	2286257	2138958

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		2286257	2286257	2138958
Investments in own shares	32				
Intangible assets	33		124211	124211	132814
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37		124211	124211	132814
Total tier one capital after deductions (31-37)	39		2162046	2162046	2006143

**Form 3
(Sheet 2)**

Components of capital resources

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Company registration number	GL/ UK/ CM	day month year			Units	
R3	133846	GL	31	12	2007	£000
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

Tier two capital

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

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

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

**Form 3
(Sheet 3)**

Components of capital resources

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Company registration number	GL/ UK/ CM	day month year			Units	
R3	133846	GL	31	12	2007	£000
		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	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		2362046	2362046	2206143
Inadmissible assets other than intangibles and own shares	73		986	986	18652
Assets in excess of market risk and counterparty limits	74		1313207	1313207	866738
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		1047853	1047853	1320753

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		1047853	1047853	1320753
Available capital resources for 50% MCR requirement	82		1047853	1047853	1320753
Available capital resources for 75% MCR requirement	83		1047853	1047853	1320753

Financial engineering adjustments

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

Form 11

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 2007**

Long term insurance business

	Company registration number	GL/UK/CM	day month year			Units
	R11	GL	31	12	2007	£000
			This financial year 1			Previous year 2
Gross premiums written		11	202293			189794
Premiums taxes and levies (included in line 11)		12				
Premiums written net of taxes and levies (11-12)		13	202293			189794
Premiums for classes 11, 12 or 13 (included in line 13)		14				
Premiums for "actuarial health insurance" (included in line 13)		15	202293			189794
Sub-total A (13 + 1/2 14 - 2/3 15)		16	67431			63265
Gross premiums earned		21	189528			178964
Premium taxes and levies (included in line 21)		22				
Premiums earned net of taxes and levies (21-22)		23	189528			178964
Premiums for classes 11, 12 or 13 (included in line 23)		24				
Premiums for "actuarial health insurance" (included in line 23)		25	189528			178964
Sub-total H (23 + 1/2 24 - 2/3 25)		26	63176			59655
Sub-total I (higher of sub-total A and sub-total H)		30	67431			63265
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure		31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	12138			11388
	Excess (if any) over 53.1M EURO x 0.02	33	608			555
Sub-total J (32-33)		34	11529			10832
Claims paid in period of 3 financial years		41	211015			151317
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			103640
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			27907
Sub-total C (41+42+43-44-45)		46	287626			227050
Amounts recoverable from reinsurers in respect of claims included in Sub-total C		47	216792			100859
Sub-total D (46-47)		48	70834			126191
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.5 or, if less, 1.00)		49	0.50			0.56
Premiums amount (Sub-total J x reinsurance ratio)		50	5765			6020
Provision for claims outstanding (before discounting and net of reinsurance)		51	10311			10311
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero		52				
Brought forward amount (12.43.2 x 51.1 / 51.2 or, if less, 12.43.2)		53	10622			10622
Greater of lines 50 and 53		54	10622			10622

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

Global business

Financial year ended **31 December 2007**

Long term insurance business

		Company registration number	GL/ UK/ CM	day month year			Units
		R12	GL	31	12	2007	£000
				This financial year 1			Previous year 2
Reference period (No. of months) See INSPRU 1.1.63R			11	36			36
Claims paid in reference period			21	211015			151317
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			103640
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			27907
Claims incurred in reference period (21+22+23-24-25)			26	287626			227050
Claims incurred for classes 11, 12 or 13 (included in 26)			27				
Claims incurred for "actuarial health insurance" (included in 26)			28	287626			227050
Sub-total E (26 +1/2 27 - 2/3 28)			29	95875			75683
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)			31	31958			25228
Division of sub-total F (gross adjusted claims amount)	x 0.26		32	8309			6559
	Excess (if any) over 37.2M EURO x 0.03		33	181			11
Sub-total G (32-33)			39	8129			6548
Claims amount Sub-total G x reinsurance ratio (11.49)			41	4064			3640
Higher of premiums amount and brought forward amount (11.53)			42	10622			10622
General insurance capital requirement (higher of lines 41 and 42)			43	10622			10622

**Form 13
(Sheet 1)**

Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	133846	GL	31	12	2007	£000	1
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	12050	427341
Rights under derivative contracts	44	19941	20597
Fixed interest securities	Approved	45	
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53	76793	93840
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	133846	GL	31	12	2007	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	
	Intermediaries	72	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	
	due in more than 12 months	79	

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	70700	21150
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	14482	11757
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	193966	574685
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Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	133846	GL	31	12	2007	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	193966	574685
Admissible assets in excess of market and counterparty limits	92	1313207	866738
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(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)	102	1488853	1441423
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Form 13
(Sheet 1)**

Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

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

	Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	133846	GL	31	12	2007	£000	10
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41	4273	14489
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	6233113	7973031
Rights under derivative contracts	44	2096	(97766)
Fixed interest securities	Approved	45	
	Other	46	2973 12
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52	1988	3426
Other loans	53	37	6908
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	33887
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	4104 9778
	Property linked	59	2121261 2350236

**Form 13
(Sheet 2)**

Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

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

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	133846	GL	31	12	2007	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	3997	6249
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	62055	44364
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	52992	39896
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	27008	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	58500	8428
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	8609752	10359049
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Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	133846	GL	31	12	2007	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	8609752	10359049
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	986	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(54)	
Deferred acquisition costs excluded from line 89	99	124211	132814
Reinsurers' share of technical provisions excluded from line 89	100	995067	449730
Other asset adjustments (may be negative)	101	(38067)	64743
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)	102	9691895	11006337
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Form 13
(Sheet 1)**

Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

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	2007	£000	11
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41	4273	13880
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	5315313	6384202
Rights under derivative contracts	44	1685	(98732)
Fixed interest securities	Approved	45	
	Other	46	2948
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**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	2007	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71		
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	36079	37500
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81		
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	48685	3174
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	5408983	6340024
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Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**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	2007	£000	11
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	5408983	6340024
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101	(5582)	82081
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)	102	5403400	6422105
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

**Form 13
(Sheet 1)**

Analysis of admissible assets

Name of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**

Category of assets **Other Business Sub-Fund**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	133846	GL	31	12	2007	£000	12
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		610
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43	917801	1588829
Rights under derivative contracts	44	412	966
Fixed interest securities	Approved	45	
	Other	46	25 12
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52	1988	3426
Other loans	53	37	6908
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	33887
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	4104 9778
	Property linked	59	2121261 2350236

Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Other Business Sub-Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	133846	GL	31	12	2007	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

Reinsurers' share of technical provisions

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

Debtors and salvage

Direct insurance business	Policyholders	71	3997	6249
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	62055	44364
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	16913	2395
	due in more than 12 months	79		

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	27008	
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	9815	5254
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	3200769	4019025
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Analysis of admissible assetsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Other Business Sub-Fund**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	133846	GL	31	12	2007	£000	12
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3200769	4019025
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93	986	
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related insurance undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	(54)	
Deferred acquisition costs excluded from line 89	99	124211	132814
Reinsurers' share of technical provisions excluded from line 89	100	995067	449730
Other asset adjustments (may be negative)	101	(32484)	(17338)
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)	102	4288494	4584232
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and margins

Name of insurer **Scottish Mutual Assurance Ltd**
 Global business
 Financial year ended **31 December 2007**
 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		11	6970793	8675665
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	129274	175553
Long term insurance business fund carried forward (11 to 13)		14	7100067	8851218
Claims outstanding	Gross	15	58314	68713
	Reinsurers' share	16	9875	9801
	Net (15-16)	17	48439	58912
Provisions	Taxation	21	120567	84366
	Other risks and charges	22	3164	100
Deposits received from reinsurers		23	445448	458903
Creditors	Direct insurance business	31	17672	15695
	Reinsurance accepted	32		
	Reinsurance ceded	33	35994	14651
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	4665	55337
Creditors	Taxation	37	4812	102553
	Other	38	56914	119385
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	737674	909902
Excess of the value of net admissible assets		51	772010	597929
Total liabilities and margins		59	8609751	10359049

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61		10667
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	2096508	2339035

Total liabilities (11+12+49)		71	7708467	9585567
Increase to liabilities - DAC related		72	34217	39323
Reinsurers' share of technical provisions		73	995067	449730
Other adjustments to liabilities (may be negative)		74	523026	584376
Capital and reserves and fund for future appropriations		75	431117	347340
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)		76	9691894	11006337

Long term insurance business liabilities and margins

Name of insurer **Scottish Mutual Assurance Ltd**
 Global business
 Financial year ended **31 December 2007**
 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	11	4823444	5805594
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13		
Long term insurance business fund carried forward (11 to 13)	14	4823444	5805594
Claims outstanding	Gross	15	
	Reinsurers' share	16	
	Net (15-16)	17	
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	1516
	Reinsurance accepted	32	
	Reinsurance ceded	33	
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36	341	43244
Creditors	Taxation	37	
	Other	38	26671
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49	28528	51501
Excess of the value of net admissible assets	51	557010	482929
Total liabilities and margins	59	5408983	6340023

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		10667
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		

Total liabilities (11+12+49)	71	4851973	5857094
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74	536928	560708
Capital and reserves and fund for future appropriations	75	14500	4303
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)	76	5403400	6422105

Long term insurance business liabilities and margins

Name of insurer **Scottish Mutual Assurance Ltd**
 Global business
 Financial year ended **31 December 2007**
 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		11	2147348	2870071
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12		
Balance of surplus/(valuation deficit)		13	129274	175553
Long term insurance business fund carried forward (11 to 13)		14	2276622	3045624
Claims outstanding	Gross	15	58314	68713
	Reinsurers' share	16	9875	9801
	Net (15-16)	17	48439	58912
Provisions	Taxation	21	120567	84366
	Other risks and charges	22	3164	100
Deposits received from reinsurers		23	445448	458903
Creditors	Direct insurance business	31	16155	13784
	Reinsurance accepted	32		
	Reinsurance ceded	33	35994	14651
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions		36	4323	12093
Creditors	Taxation	37	4812	102553
	Other	38	30243	113039
Accruals and deferred income		39		
Provision for "reasonably foreseeable adverse variations"		41		
Total other insurance and non-insurance liabilities (17 to 41)		49	709146	858402
Excess of the value of net admissible assets		51	215000	115000
Total liabilities and margins		59	3200769	4019026

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61		
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	2096508	2339035

Total liabilities (11+12+49)		71	2856494	3728473
Increase to liabilities - DAC related		72	34217	39323
Reinsurers' share of technical provisions		73	995067	449730
Other adjustments to liabilities (may be negative)		74	(13902)	23669
Capital and reserves and fund for future appropriations		75	416617	343037
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)		76	4288494	4584232

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

Global business

Financial year ended **31 December 2007**

	Company registration number	GL/ UK/ CM	day month year			Units
R15	133846	GL	31	12	2007	£000
			As at end of this financial year 1			As at end of the previous year 2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers		31		
Creditors	Direct insurance business	41		
	Reinsurance accepted	42		
	Reinsurance ceded	43		
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions		46		
Creditors	Taxation	47		18320
	Foreseeable dividend	48		
	Other	49		
Accruals and deferred income		51	12077	10414
Total (19 to 51)		59	30397	10414
Provision for "reasonably foreseeable adverse variations"		61		
Cumulative preference share capital		62		
Subordinated loan capital		63	217000	217000
Total (59 to 63)		69	247397	227415

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(18320)	
Capital and reserves	84	1259776	1214009
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)	85	1488853	1441424

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

Global business

Financial year ended **31 December 2007**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	133846	GL	31	12	2007	£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			2211	282013	
Investment income	Income		14			88151	100779	
	Value re-adjustments on investments		15				(31964)	
	Gains on the realisation of investments		16				3424	
Investment charges	Investment management charges, including interest		17			25702	27515	
	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			(227)	29700	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			64433	356437	
Tax on profit or loss on ordinary activities			31			18667	13211	
Profit or loss on ordinary activities after tax (29-31)			39			45767	343226	
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			45767	343226	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			45767	343226	

Analysis of derivative contractsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total other than long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	133846	GL	31	12	2007	£000	1
Derivative contracts			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2		Assets 3	Liabilities 4		
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25		19941			20597		
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41							
Total (11 to 41)		49		19941			20597		

Analysis of derivative contractsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Total long term insurance business assets**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	133846	GL	31	12	2007	£000	10
Derivative contracts			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Futures contracts	Fixed-interest securities	11					4		
	Equity shares	12	28637		3881	90237			
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21	52475			158948			
	Equity shares	22	192205			148392			
	Land	23							
	Currencies	24							
	Other	25			18031	63528			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41	(271220)			(558875)			
Total (11 to 41)		49	2097		21912	(97766)			

Analysis of derivative contractsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **With Profits Sub-Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	133846	GL	31	12	2007	£000	11
Derivative contracts			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Futures contracts	Fixed-interest securities	11							
	Equity shares	12			3881	3604			
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21	52475			158948			
	Equity shares	22	192205			148392			
	Land	23							
	Currencies	24							
	Other	25			18031	63528			
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41	(242995)			(473203)			
Total (11 to 41)		49	1685		21912	(98732)			

Analysis of derivative contractsName of insurer **Scottish Mutual Assurance Ltd**

Global business

Financial year ended **31 December 2007**Category of assets **Other Business Sub-Fund**

		Company registration number	GL/ UK/ CM	day month year			Units	Category of assets	
		R17	133846	GL	31	12	2007	£000	12
			As at the end of this financial year			As at the end of the previous year			
			Assets 1	Liabilities 2	Assets 3	Liabilities 4			
Derivative contracts									
Futures contracts	Fixed-interest securities	11				4			
	Equity shares	12	28637			86634			
	Land	13							
	Currencies	14							
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22							
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32							
	Land	33							
	Currencies	34							
	Other	35							
Adjustment for variation margin		41	(28225)			(85672)			
Total (11 to 41)		49	412			966			

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 2007**
 Units **£000**

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

Regulatory value of assets	Long-term admissible assets of the fund	11	5408983	6340024
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13		
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14		
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	5408983	6340024
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4823444	5805594
	Regulatory current liabilities of the fund	22	28528	51501
	Total (21+22)	29	4851973	5857094
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	194429	233790
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	5046401	6090884
Regulatory excess capital (19-39)		49	362582	249140

Realistic excess capital

Realistic excess capital	51	(23072)	(139367)
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	385654	388506
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64	29859	59582
Present value of other future internal transfers not already taken into account	65		
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)	66	355795	328925

Realistic balance sheetName of insurer **Scottish Mutual Assurance Ltd**With-profits fund **21 With Profits Sub-Fund**Financial year end **31 December 2007**Units **£000**

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

Regulatory value of assets	11	5408983	6340024
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22		
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	5408983	6340024
Support arrangement assets	27		
Assets available to the fund (26+27)	29	5408983	6340024

Realistic value of liabilities of fund

With-profits benefit reserve	31	4717312	5593222	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	146927	62906
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	386063	479785
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43	129986	166773
	Future costs of smoothing (possibly negative)	44		
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	10200	2407
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	673177	711872	
Realistic current liabilities of the fund	51	18494	34930	
Realistic value of liabilities of fund (31+49+51)	59	5408983	6340024	

Realistic balance sheetName of insurer **Scottish Mutual Assurance Ltd**With-profits fund **21 With Profits Sub-Fund**Financial year ended **31 December 2007**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	62	5432055	6479391
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	5432055	6479391
Risk capital margin for fund (62-59)	65	23072	139367
Realistic excess capital for fund (26-(59+65))	66	(23072)	(139367)
Realistic excess available capital for fund (29-(59+65))	67	(23072)	(139367)
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

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

Additional amount potentially available for inclusion in line 62	81	372339	467486
Additional amount potentially available for inclusion in line 63	82		

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 2007**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(116116)	484325
Investment income receivable before deduction of tax	12	406879	476726
Increase (decrease) in the value of non-linked assets brought into account	13	(204091)	(211965)
Increase (decrease) in the value of linked assets	14	60481	108296
Other income	15		
Total income	19	147154	857383

Expenditure

Claims incurred	21	1709495	2235885
Expenses payable	22	129012	227463
Interest payable before the deduction of tax	23	37843	53933
Taxation	24	19745	140491
Other expenditure	25		
Transfer to (from) non technical account	26	2211	282013
Total expenditure	29	1898305	2939784

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1751151)	(2082401)
Fund brought forward	49	8851218	10933619
Fund carried forward (39+49)	59	7100067	8851218

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 2007**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	25975	38812
Investment income receivable before deduction of tax	12	251852	307318
Increase (decrease) in the value of non-linked assets brought into account	13	(70680)	(198184)
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	207147	147947

Expenditure

Claims incurred	21	1137996	1542549
Expenses payable	22	32749	18053
Interest payable before the deduction of tax	23	17239	27589
Taxation	24	(898)	(5498)
Other expenditure	25		
Transfer to (from) non technical account	26	2211	2013
Total expenditure	29	1189296	1584705

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(982150)	(1436759)
Fund brought forward	49	5805594	7242352
Fund carried forward (39+49)	59	4823444	5805594

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 2007**
 Units **£000**

Financial year	Previous year
1	2

Income

Earned premiums	11	(142091)	445513
Investment income receivable before deduction of tax	12	155028	169408
Increase (decrease) in the value of non-linked assets brought into account	13	(133411)	(13781)
Increase (decrease) in the value of linked assets	14	60481	108296
Other income	15		
Total income	19	(59993)	709436

Expenditure

Claims incurred	21	571499	693335
Expenses payable	22	96262	209410
Interest payable before the deduction of tax	23	20604	26344
Taxation	24	20643	145990
Other expenditure	25		
Transfer to (from) non technical account	26		280000
Total expenditure	29	709009	1355079

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(769002)	(645643)
Fund brought forward	49	3045624	3691267
Fund carried forward (39+49)	59	2276623	3045624

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 2007**
 Units **£000**

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

Gross

Regular premiums	11	310002	100673		410675	443008
Single premiums	12	245	103574		103819	145311

Reinsurance - external

Regular premiums	13	104751	42		104793	103994
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		525817		525817	

Net of reinsurance

Regular premiums	17	205251	100631		305882	339014
Single premiums	18	245	(422243)		(421998)	145311

Total

Gross	19	310247	204247		514494	588319
Reinsurance	20	104751	525859		630610	103994
Net	21	205496	(321612)		(116116)	484325

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 2007**
 Units **£000**

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

Gross

Regular premiums	11	7603	18421		26023	38882
Single premiums	12					

Reinsurance - external

Regular premiums	13	48	1		48	69
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	7555	18420		25975	38812
Single premiums	18					

Total

Gross	19	7603	18421		26023	38882
Reinsurance	20	48	1		48	69
Net	21	7555	18420		25975	38812

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 2007**
 Units **£000**

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

Gross

Regular premiums	11	302400	82252		384652	404126
Single premiums	12	245	103574		103819	145311

Reinsurance - external

Regular premiums	13	104703	42		104745	103924
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16		525817		525817	

Net of reinsurance

Regular premiums	17	197696	82211		279907	300202
Single premiums	18	245	(422243)		(421998)	145311

Total

Gross	19	302645	185826		488471	549437
Reinsurance	20	104703	525859		630562	103924
Net	21	197941	(340032)		(142091)	445513

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 2007**
 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	138758	11838		150596	153457
Disability periodic payments	12	258			258	670
Surrender or partial surrender	13	870280	444800		1315080	1899693
Annuity payments	14		79288		79288	88956
Lump sums on maturity	15	132780	124883		257664	210686
Total	16	1142076	660809		1802886	2353462

Reinsurance - external

Death or disability lump sums	21	57831			57831	81090
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		35528		35528	36452
Lump sums on maturity	25	32			32	36
Total	26	57863	35528		93391	117578

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					
Total	36					

Net of reinsurance

Death or disability lump sums	41	80927	11838		92765	72368
Disability periodic payments	42	258			258	670
Surrender or partial surrender	43	870280	444800		1315080	1899693
Annuity payments	44		43759		43759	52505
Lump sums on maturity	45	132748	124883		257632	210649
Total	46	1084213	625281		1709495	2235885

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 2007**
 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	3708	2813		6521	5742
Disability periodic payments	12					
Surrender or partial surrender	13	814280	194276		1008557	1392223
Annuity payments	14		4374		4374	14123
Lump sums on maturity	15	60602	57942		118543	130461
Total	16	878590	259406		1137996	1542549

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					
Total	26					

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					
Total	36					

Net of reinsurance

Death or disability lump sums	41	3708	2813		6521	5742
Disability periodic payments	42					
Surrender or partial surrender	43	814280	194276		1008557	1392223
Annuity payments	44		4374		4374	14123
Lump sums on maturity	45	60602	57942		118543	130461
Total	46	878590	259406		1137996	1542549

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 2007**
 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	135050	9025		144075	147716
Disability periodic payments	12	258			258	670
Surrender or partial surrender	13	56000	250524		306523	507470
Annuity payments	14		74913		74913	74833
Lump sums on maturity	15	72179	66942		139120	80224
Total	16	263486	401404		664890	810913

Reinsurance - external

Death or disability lump sums	21	57831			57831	81090
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24		35528		35528	36452
Lump sums on maturity	25	32			32	36
Total	26	57863	35528		93391	117578

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					
Total	36					

Net of reinsurance

Death or disability lump sums	41	77219	9025		86244	66626
Disability periodic payments	42	258			258	670
Surrender or partial surrender	43	56000	250524		306523	507470
Annuity payments	44		39385		39385	38382
Lump sums on maturity	45	72147	66942		139088	80188
Total	46	205623	365876		571499	693335

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 2007**
 Units **£000**

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

Gross

Commission - acquisition	11	47706	75		47781	64623
Commission - other	12	9396	79		9475	12962
Management - acquisition	13	21121	(270)		20851	61920
Management - maintenance	14	12643	20285		32928	105354
Management - other	15	17758	218		17976	(17397)
Total	16	108624	20388		129012	227463

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41	47706	75		47781	64623
Commission - other	42	9396	79		9475	12962
Management - acquisition	43	21121	(270)		20851	61920
Management - maintenance	44	12643	20285		32928	105354
Management - other	45	17758	218		17976	(17397)
Total	46	108624	20388		129012	227463

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 2007**
 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	246	25		271	305
Management - acquisition	13	(2756)	(571)		(3327)	3757
Management - maintenance	14	13733	17756		31489	13987
Management - other	15	4317			4317	3
Total	16	15540	17210		32749	18053

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41					
Commission - other	42	246	25		271	305
Management - acquisition	43	(2756)	(571)		(3327)	3757
Management - maintenance	44	13733	17756		31489	13987
Management - other	45	4317			4317	3
Total	46	15540	17210		32749	18053

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 2007**
 Units **£000**

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

Gross

Commission - acquisition	11	47706	75		47781	64623
Commission - other	12	9150	55		9205	12657
Management - acquisition	13	23876	301		24178	58164
Management - maintenance	14	(1090)	2529		1439	91366
Management - other	15	13442	218		13660	(17400)
Total	16	93084	3178		96262	209410

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41	47706	75		47781	64623
Commission - other	42	9150	55		9205	12657
Management - acquisition	43	23876	301		24178	58164
Management - maintenance	44	(1090)	2529		1439	91366
Management - other	45	13442	218		13660	(17400)
Total	46	93084	3178		96262	209410

Long-term insurance business : Linked funds balance sheet

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	122778	389330
Directly held assets in collective investment schemes of connected companies	12	1438610	1549337
Directly held assets in other collective investment schemes	13	496659	339477
Total assets (excluding cross investment) (11+12+13)	14	2058047	2278144
Provision for tax on unrealised capital gains	15		4134
Secured and unsecured loans	16		
Other liabilities	17	20211	3141
Total net assets (14-15-16-17)	18	2037836	2270868

Directly held linked assets

Value of directly held linked assets	21	63214	72093
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Total

Value of directly held linked assets and units held (18+21)	31	2101050	2342961
Surplus units	32	4543	3926
Deficit units	33		
Net unit liability (31-32+33)	34	2096508	2339035

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

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 Units **£000**

Financial year	Previous year
1	2

Income

Value of total creation of units	11	183739	363661
Investment income attributable to the funds before deduction of tax	12	50653	73570
Increase (decrease) in the value of investments in the financial year	13	48825	115130
Other income	14		
Total income	19	283217	552362

Expenditure

Value of total cancellation of units	21	505531	866834
Charges for management	22	17265	18243
Charges in respect of tax on investment income	23	148	2016
Taxation on realised capital gains	24	852	132
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	(7787)	459
Other expenditure	26	240	
Total expenditure	29	516249	887683

Increase (decrease) in funds in financial year (19-29)	39	(233032)	(335321)
Internal linked fund brought forward	49	2270868	2606189
Internal linked funds carried forward (39+49)	59	2037836	2270868

Long-term insurance business : Summary of new business

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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	100740	2025		102765	100435
Single premium business	12	4	4305		4309	5585
Total	13	100744	6330		107074	106020

**Amount of new regular
premiums**

Direct insurance business	21	38852	7789		46641	57016
External reinsurance	22					
Intra-group reinsurance	23		340		340	332
Total	24	38852	8129		46981	57348

**Amount of new single
premiums**

Direct insurance business	25	245	103574		103819	145243
External reinsurance	26					
Intra-group reinsurance	27					54
Total	28	245	103574		103819	145297

Long-term insurance business : Analysis of new business

Name of insurer

Scottish Mutual Assurance Ltd

Total business

Financial year ended

31 December 2007

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	14306	4617		
330	Decreasing term assurance	7481	1906		
340	Accelerated critical illness (guaranteed premiums)	27882	15138		
345	Accelerated critical illness (reviewable premiums)	8656	4602		
350	Stand-alone critical illness (guaranteed premiums)	5136	2363		
355	Stand-alone critical illness (reviewable premiums)	631	232		
360	Income protection non-profit (guaranteed premiums)	32193	3658		
365	Income protection non-profit (reviewable premiums)	1517	245		
500	Life UWP single premium				
505	Life UWP whole life regular premium				
510	Life UWP endowment regular premium - savings		0		
700	Life property linked single premium			4	245
710	Life property linked whole life regular premium	2938	6089		
715	Life property linked endowment regular premium - savings		2		

Long-term insurance business : Analysis of new business

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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)		6		9
170	Conventional deferred annuity with-profits - increments (with guaranteed cash option)				12
180	Group conventional deferred annuity with-profits - increments (with guaranteed cash option)		371		148
190	Group conventional pensions endowment with-profits - increments (with guaranteed annuity option)		153		
325	Level term assurance		27		
330	Decreasing term assurance		99		
400	Annuity non-profit (CPA)			3512	73398
530	Individual pensions UWP - increments		198		213
540	Group money purchase pensions UWP - increments		1291		695
725	Individual pensions property linked	38	198	181	1497
730	Individual pensions property linked - increments		578		21724
735	Group money purchase pensions property linked	1987	1836	524	2317
740	Group money purchase pensions property linked - increments		3032		460
750	Income drawdown property linked (Income withdrawal plan)			86	3053
755	Trustee investment plan			2	48

Long-term insurance business : Analysis of new business

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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		340		

Long-term insurance business : Non-linked assets

Name of insurer **Scottish Mutual Assurance Ltd**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2007**
 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		699147	34779	4.54	
Other fixed interest securities	13	25	157450	9243	6.11	
Variable interest securities	14		136	7	5.72	
UK listed equity shares	15		610			
Non-UK listed equity shares	16					
Unlisted equity shares	17	1467	1467			
Other assets	18	1073911	216594	5170	2.39	
Total	19	1075403	1075403	49200	4.33	

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

Land and buildings	21					
Approved fixed interest securities	22		1221321	59497	4.58	
Other fixed interest securities	23	2948	1243732	71357	6.01	
Variable interest securities	24		975	54	5.72	
UK listed equity shares	25	4273	1478254	52999	5.87	
Non-UK listed equity shares	26		530160	14305	4.79	
Unlisted equity shares	27					
Other assets	28	5401762	934540	33749	3.61	
Total	29	5408983	5408983	231962	5.11	

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 : Non-linked assets

Name of insurer **Scottish Mutual Assurance Ltd**
 Category of assets **11 With Profits Sub-Fund**
 Financial year ended **31 December 2007**
 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					
Total	19					

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

Land and buildings	21					
Approved fixed interest securities	22		1221321	59497	4.58	5.17
Other fixed interest securities	23	2948	1243732	71357	6.01	1.85
Variable interest securities	24		975	54	5.72	
UK listed equity shares	25	4273	1478254	52999	5.87	6.97
Non-UK listed equity shares	26		530160	14305	4.79	6.92
Unlisted equity shares	27					
Other assets	28	5401762	934540	33749	3.61	5.71
Total	29	5408983	5408983	231962	5.11	5.31

Overall return on with-profits assets

Post investment costs but pre-tax	31					5.27
Return allocated to non taxable 'asset shares'	32					5.27
Return allocated to taxable 'asset shares'	33					4.57

Long-term insurance business : Non-linked assets

Name of insurer **Scottish Mutual Assurance Ltd**
 Category of assets **12 Other Business Sub-Fund**
 Financial year ended **31 December 2007**
 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		699147	34779	4.54	
Other fixed interest securities	13	25	157450	9243	6.11	
Variable interest securities	14		136	7	5.72	
UK listed equity shares	15		610			
Non-UK listed equity shares	16					
Unlisted equity shares	17	1467	1467			
Other assets	18	1073911	216594	5170	2.39	
Total	19	1075403	1075403	49200	4.33	

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					
Total	29					

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 2007**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	1445995	8.63	4.52	4.51
Other approved fixed interest securities	21	474473	7.21	4.73	4.72
Other fixed interest securities					
AAA/Aaa	31	308721	7.50	5.26	5.18
AA/Aa	32	311738	8.20	5.78	5.65
A/A	33	432094	8.54	6.17	5.92
BBB/Baa	34	283652	9.17	6.61	5.95
BB/Ba	35	14751	7.27	9.13	8.47
B/B	36	2307	10.55	6.93	6.27
CCC/Caa	37				
Other (including unrated)	38	47920	7.95	6.54	6.13
Total other fixed interest securities	39	1401182	8.33	6.02	5.74
Approved variable interest securities	41				
Other variable interest securities	51	1111	15.06	5.72	5.64
Total (11+21+39+41+51)	61	3322761	8.30	5.18	5.06

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 2007**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	791021	8.91	4.51	4.50
Other approved fixed interest securities	21	430301	7.16	4.71	4.71
Other fixed interest securities					
AAA/Aaa	31	276917	7.45	5.25	5.17
AA/Aa	32	275328	8.18	5.78	5.65
A/A	33	384033	8.51	6.16	5.90
BBB/Baa	34	250475	9.15	6.60	5.94
BB/Ba	35	12948	7.27	9.13	8.47
B/B	36	2041	10.51	6.91	6.25
CCC/Caa	37				
Other (including unrated)	38	41991	8.00	6.54	6.13
Total other fixed interest securities	39	1243732	8.30	6.01	5.73
Approved variable interest securities	41				
Other variable interest securities	51	975	15.06	5.72	5.64
Total (11+21+39+41+51)	61	2466029	8.30	5.30	5.16

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 2007**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	654974	8.30	4.52	4.52
Other approved fixed interest securities	21	44173	7.68	4.86	4.86
Other fixed interest securities					
AAA/Aaa	31	31804	7.93	5.36	5.28
AA/Aa	32	36410	8.31	5.82	5.69
A/A	33	48061	8.81	6.27	6.01
BBB/Baa	34	33177	9.34	6.65	5.99
BB/Ba	35	1803	7.27	9.13	8.47
B/B	36	267	10.86	7.02	6.36
CCC/Caa	37				
Other (including unrated)	38	5929	7.57	6.51	6.12
Total other fixed interest securities	39	157450	8.57	6.11	5.82
Approved variable interest securities	41				
Other variable interest securities	51	136	15.06	5.72	5.64
Total (11+21+39+41+51)	61	856733	8.32	4.83	4.77

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 2007**

Units

£000

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

Gross

Form 51 - with-profits	11	346107	1284613		1630720	1791078
Form 51 - non-profit	12	(122104)	1132355		1010251	929459
Form 52	13	1519690	974553	699172	3193414	4014849
Form 53 - linked	14	374542	1721965		2096508	2339035
Form 53 - non-linked	15	29159	1922		31080	41034
Form 54 - linked	16	4104			4104	9778
Form 54 - non-linked	17	15			15	47
Total	18	2151514	5115407	699172	7966093	9125282

Reinsurance - external

Form 51 - with-profits	21	863			863	1031
Form 51 - non-profit	22	29225	439516		468741	464078
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25	(24379)			(24379)	(14348)
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	5710	439516		445226	450761

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32		550705		550705	
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38		550705		550705	

Net of reinsurance

Form 51 - with-profits	41	345244	1284613		1629856	1790047
Form 51 - non-profit	42	(151329)	142134		(9195)	465381
Form 52	43	1519690	974553	699172	3193414	4014849
Form 53 - linked	44	374542	1721965		2096508	2339035
Form 53 - non-linked	45	53537	1922		55459	55382
Form 54 - linked	46	4104			4104	9778
Form 54 - non-linked	47	15			15	47
Total	48	2145804	4125186	699172	6970162	8674520

Long-term insurance business : Summary of mathematical reservesName of insurer **Scottish Mutual Assurance Ltd**Total business / subfund **21 With Profits Sub-Fund**Financial year ended **31 December 2007**

Units

£000

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

Gross

Form 51 - with-profits	11	346107	1284613		1630720	1791078
Form 51 - non-profit	12					
Form 52	13	1519241	974545	699172	3192958	4014402
Form 53 - linked	14					
Form 53 - non-linked	15					
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	1865348	2259158	699172	4823677	5805480

Reinsurance - external

Form 51 - with-profits	21	863			863	1031
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					
Total	28	863			863	1031

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					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	345244	1284613		1629856	1790047
Form 51 - non-profit	42					
Form 52	43	1519241	974545	699172	3192958	4014402
Form 53 - linked	44					
Form 53 - non-linked	45					
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	1864484	2259158	699172	4822814	5804449

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 2007**

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	(122104)	1132355	1010251	929459
Form 52	13	449	7	457	447
Form 53 - linked	14	374542	1721965	2096508	2339035
Form 53 - non-linked	15	29159	1922	31080	41034
Form 54 - linked	16	4104		4104	9778
Form 54 - non-linked	17	15		15	47
Total	18	286166	2856249	3142415	3319801

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	29225	439516	468741	464078
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25	(24379)		(24379)	(14348)
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	4846	439516	444363	449730

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32		550705	550705	
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38		550705	550705	

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	(151329)	142134	(9195)	465381
Form 52	43	449	7	457	447
Form 53 - linked	44	374542	1721965	2096508	2339035
Form 53 - non-linked	45	53537	1922	55459	55382
Form 54 - linked	46	4104		4104	9778
Form 54 - non-linked	47	15		15	47
Total	48	281320	1866029	2147348	2870071

Long-term insurance business : Summary of mathematical reservesName of insurer **Scottish Mutual Assurance Ltd**Total business / subfund **32 Bonus Sub-Fund**Financial year ended **31 December 2007**

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		26878	82095
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	26878		26878	82095

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				
Total	28				

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				
Total	38				

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	26878		26878	82095
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	26878		26878	82095

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 2007**
 Units **£000**
 UK Pension / 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
155	Conventional pensions endowment with-profits	2	13					21
165	Conventional deferred annuity with-profits(with guaranteed annuity option) per annum	12373	39218	4740				573510
165	Conventional deferred annuity with-profits(with guaranteed cash option) per annum	4011	19686	783				238505
175	Group conventional deferred annuity with-profits(with guaranteed cash option) per annum	4461	20498	4026				205955
175	Group conventional deferred annuity with-profits(full profit) per annum	971	10578					127188
175	Group conventional deferred annuity with-profits(reversionary bonus) per annum	10	3249					21531
185	Group conventional pensions endowment with-profits	287	9465	65				7732
200	Annuity with-profits (CPA)	1234	4473					40335
200	Annuity with-profits (CPA)(vested full profit)	1085	4472					63900
205	Miscellaneous conventional with-profits	161	1351					2133
210	Additional reserves with-profits OB							3804

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 2007**
 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
300	Regular premium non-profit WL/EA OB	3044	11196	129				8935
305	Single premium non-profit WL/EA OB		5796					5809
325	Level term assurance	95309	11769212	28208				(22970)
330	Decreasing term assurance	50367	4412080	12770				(16183)
330	Decreasing term assurance per annum		1350					
340	Accelerated critical illness (guaranteed premiums)	210226	21156065	111508				(91492)
345	Accelerated critical illness (reviewable premiums)	22985	2713300	14572				(10044)
350	Stand-alone critical illness (guaranteed premiums)	14899	3304716	17804				(10897)
355	Stand-alone critical illness (reviewable premiums)	985	186995	1061				(821)
360	Income protection non-profit (guaranteed premiums)	25939	704255	18667				(61539)
365	Income protection non-profit (reviewable premiums)	1820	48710	1264				(3278)
380	Miscellaneous protection rider		1872	5459				8346
380	Miscellaneous protection rider per annum		108974					
385	Income protection claims in payment per annum		2467					13072
390	Deferred annuity non-profit per annum	85	52	0				778

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 2007**
 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		22					19
325	Level term assurance		4163688	8356				8744
330	Decreasing term assurance		1166798	3008				(107)
330	Decreasing term assurance per annum		16					
336	Mortality risk premium reinsurance		8247096	7195				158
340	Accelerated critical illness (guaranteed premiums)		13615579	43971				21386
345	Accelerated critical illness (reviewable premiums)		1619087	4775				(525)
350	Stand-alone critical illness (guaranteed premiums)		1975064	6438				6829
355	Stand-alone critical illness (reviewable premiums)		101157	27				409
360	Income protection non-profit (guaranteed premiums)		547670	8316				(32821)
365	Income protection non-profit (reviewable premiums)		38221	438				(884)
380	Miscellaneous protection rider		929	33				143
380	Miscellaneous protection rider per annum		664					
385	Income protection claims in payment per annum		1620					8794
435	Miscellaneous non-profit		1249	4				222

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 2007**
 Units **£000**
 UK Pension / 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
325	Level term assurance	9280	299146	1026				10381
330	Decreasing term assurance	771	130380	292				(680)
390	Deferred annuity non-profit per annum	2488	8236	2				102810
400	Annuity non-profit (CPA) per annum	42366	90165					1003385
435	Miscellaneous non-profit per annum	29	1896	2				3420
440	Additional reserves non-profit OB							13039

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 2007**
 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		41500	41				267
330	Decreasing term assurance		117714	52				140
400	Annuity non-profit (CPA) per annum		45555					439101
435	Miscellaneous non-profit							8

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 2007**
 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
400	Annuity non-profit (CPA) per annum		44610					550705

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 2007**
 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
500	Life UWP single premium (SMA bonds)	31212	827680		827680	810746		810746
500	Life UWP single premium (PLAL bonds)		387634		387634	384638		384638
505	Life UWP whole life regular premium (SMA)		2284	392	2284	2284	21	2305
505	Life UWP whole life regular premium (PLAL)		3104	759	3104	3104		3104
510	Life UWP endowment regular premium - savings (SMA)		13431	1997	13431	13431	78	13509
510	Life UWP endowment regular premium - savings (PLAL)		258071	29319	258071	258161		258161
516	Life UWP endowment regular premium - (ISA) (PLAL)		46267	11299	46267	46206		46206
575	Miscellaneous UWP (PLAL)		572	190	572	572		572

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 2007**
 Units **£000**
 UK Pension / 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
525	Individual pensions UWP (SMA)		465436	13899	465436	482940	3481	486420
525	Individual pensions UWP (PLAL)		185398	7883	185398	185415		185415
535	Group money purchase pensions UWP (SMA)		249229	9555	249229	263316	2244	265561
535	Group money purchase pensions UWP (PLAL)		16	4	16	16		16
570	Income drawdown UWP (income withdrawal plan)		28103		28103	28073		28073
571	Trustee investment plan UWP		9108		9108	9061		9061

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 2007**
 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
700	Life property linked single premium	10928	270260		261905	261905	520	262425
710	Life property linked whole life regular premium	118620	16124383	79264	75183	75183	25947	101130
715	Life property linked endowment regular premium - savings	4267	151147	2451	32203	32203	672	32875
795	Miscellaneous property linked (waiver of premium)			37			167	167
795	Miscellaneous property linked (term assurance)	3249	307575	1639	5252	5252	1083	6335
800	Additional reserves property linked			770			770	770

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 2007**
 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
700	Life property linked single premium		2833					
710	Life property linked whole life regular premium		8699678	91			(24999)	(24999)
715	Life property linked endowment regular premium - savings		118	0				
795	Miscellaneous property linked (term assurance)		171010				261	261
800	Additional reserves property linked (extra premium - life and PHI)		360				360	360

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 2007**
 Units **£000**
 UK Pension / 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
725	Individual pensions property linked	95945	776415	23816	770609	768776	(8543)	760233
735	Group money purchase pensions property linked	140812	411470	26171	410008	410008	22827	432835
750	Income drawdown property linked	5206	369673		369670	369670	(14642)	355028
755	Trustee investment plan				173511	173511	(17)	173494
790	Miscellaneous protection rider		185				871	871
795	Miscellaneous property linked							
800	Additional reserves property linked						1426	1426

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 2007**
 Units **£000**
 UK Pension / Reinsurance ceded external

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
725	Individual pensions property linked		80	0				
735	Group money purchase pensions property linked							

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

(Sheet 1)

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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 - life - other managed fund	4240	Accumulation	1.00	115.2159	115.6000	0.33
Life Managed 100	04 - life - other managed fund	3642	Accumulation	1.00	124.0985	129.8000	4.59
Life Managed 95	04 - life - other managed fund	2158	Accumulation	1.00	118.1446	120.8000	2.25
Life Cash	04 - life - other managed fund	17023	Accumulation	1.00	258.2660	270.4000	4.70
Cash Plus Life Fund	04 - life - other managed fund	81	Accumulation		108.8665	108.8000	(0.06)
Unit Endowment	04 - life - other managed fund	(111)	Accumulation	0.38	3424.9451	3471.6000	1.36
Life European	06 - life - overseas equity	9986	Accumulation	1.00	931.9397	1032.5000	10.79
Life Far Eastern	06 - life - overseas equity	3362	Accumulation	1.00	486.4468	660.1000	35.70
Life Gilts & Fixed interest	04 - life - other managed fund	15231	Accumulation	1.00	400.7554	414.1000	3.33
Life Growth	02 - life - balanced managed fund	142148	Accumulation	1.00	443.0141	457.7000	3.31
Pegasus Aggressive Life	06 - life - overseas equity	8	Accumulation	0.25	222.1493	229.6000	3.35
Pegasus Balanced Life	02 - life - balanced managed fund	15	Accumulation	0.25	229.7309	238.7000	3.90
Pegasus Cautious Life	02 - life - balanced managed fund	2	Accumulation	0.25	256.5809	259.1000	0.98
Life International	06 - life - overseas equity	2676	Accumulation	1.00	496.0417	514.4000	3.70
Life Japanese	06 - life - overseas equity	737	Accumulation	1.00	126.0070	108.9000	(13.58)
Life North American	06 - life - overseas equity	2065	Accumulation	1.00	543.4178	608.4000	11.96
Life Opportunity	06 - life - overseas equity	24461	Accumulation	1.00	398.2621	412.1000	3.47
Life Safety	03 - life - defensive managed fund	78431	Accumulation	1.00	421.2980	426.3000	1.19

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

(Sheet 2)

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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 Technology	06 - life - overseas equity	8	Accumulation	1.50	70.1203	78.8000	12.38
Life UK Equity	05 - life - UK equity	8384	Accumulation	1.00	555.4300	572.7000	3.11
ABN AMRO Equity Income Life	05 - life - UK equity	1482	Accumulation	0.98	150.8298	154.8000	2.63
ABN AMRO Higher Income Life	04 - life - other managed fund	2501	Accumulation	0.96	138.2411	139.9000	1.20
ABN AMRO UK Growth Life	05 - life - UK equity	589	Accumulation	0.84	142.4556	139.9000	(1.79)
Artemis UK Smaller Cos Life	05 - life - UK equity	382	Accumulation	0.94	206.1278	211.0000	2.36
Artemis UK Special Sits Life	05 - life - UK equity	616	Accumulation	0.98	195.7452	205.2000	4.83
Attica Europe (Ex UK) Life	06 - life - overseas equity	13	Accumulation	0.90	176.5842	200.2000	13.37
Attica Far East (ex Japan) Life	06 - life - overseas equity	16	Accumulation	0.90	196.7345	255.7000	29.97
Attica Japan Life	06 - life - overseas equity	10	Accumulation	0.90	135.5554	126.3000	(6.83)
Attica UK Bond Life	04 - life - other managed fund	78	Accumulation	0.90	112.1480	111.2000	(0.85)
Attica UK Equity Life	05 - life - UK equity	16	Accumulation	0.90	150.7266	155.8000	3.37
Attica US Equity Life	06 - life - overseas equity	15	Accumulation	0.90	122.2010	124.1000	1.55
Baillie Gifford British 350 Life	05 - life - UK equity	220	Accumulation	0.93	132.4392	132.8000	0.27
Baillie Gifford Pacific Life	06 - life - overseas equity	216	Accumulation	0.89	155.8599	216.5000	38.91
Fidelity American Life	06 - life - overseas equity	485	Accumulation	0.97	104.5738	109.2000	4.42
Fidelity European Life	06 - life - overseas equity	1205	Accumulation	0.91	185.3108	206.0000	11.16
Fidelity Managed Life	02 - life - balanced managed fund	1485	Accumulation	0.91	130.9179	139.6000	6.63

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

(Sheet 3)

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2007**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
Fidelity Special Sits Life	05 - life - UK equity	3775	Accumulation	0.90	176.7833	188.1000	6.40
Fidelity Wealthbuilder Life	02 - life - balanced managed fund	922	Accumulation	0.93	149.6978	159.5000	6.55
Framlington Health Life	05 - life - UK equity	228	Accumulation	0.83	82.8948	88.6000	6.88
Framlington UK Growth Life	05 - life - UK equity	264	Accumulation	0.92	118.0326	126.1000	6.83
First State Global Emerging Markets Life	06 - life - overseas equity	241	Accumulation	0.89	207.5163	261.1000	25.82
First State Global Opportunities Life	06 - life - overseas equity	185	Accumulation	0.97	179.0449	203.6000	13.71
Gartmore Corporate Bond Life	04 - life - other managed fund	837	Accumulation	0.94	111.6349	109.8000	(1.64)
Gartmore European Selected Opp Life	06 - life - overseas equity	717	Accumulation	0.88	146.5305	169.2000	15.47
Gartmore UK Focus Life	05 - life - UK equity	242	Accumulation	0.91	180.7334	172.9000	(4.33)
Inscape Cautious Growth Life	03 - life - defensive managed fund	489	Accumulation	0.89	118.4274	116.3000	(1.80)
Inscape Higher Growth Life	01 - life - stock market managed fund	279	Accumulation	0.91	151.6600	153.3000	1.08
Inscape Steady Growth Life	02 - life - balanced managed fund	849	Accumulation	0.89	137.3852	137.5000	0.08
Lion Trust First Income Life	05 - life - UK equity	1183	Accumulation	0.98	180.1103	166.3000	(7.67)
Morley Commercial Property Fund	07 - life - property	4141	Accumulation	0.91	140.6352	121.5000	(13.61)
Merrill Lynch Managed Life	02 - life - balanced managed fund	309	Accumulation	0.88	121.6405	132.3000	8.76
Merrill Lynch UK Smaller Cos Life	05 - life - UK equity	256	Accumulation	0.86	196.4259	181.0000	(7.85)
Merrill Lynch UK Value Life	05 - life - UK equity	424	Accumulation	0.89	155.7654	157.2000	0.92
Multi Manager Balanced Fund	04 - life - other managed fund	4660	Accumulation		121.7295	124.7000	2.44

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

(Sheet 4)

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2007**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 Cautious Fund	04 - life - other managed fund	2303	Accumulation		107.6589	107.2000	(0.43)
Multi Manager Equity Fund	06 - life - overseas equity	1468	Accumulation		136.2305	141.8000	4.09
Multi Manager Bond Fund	04 - life - other managed fund	1007	Accumulation		103.1705	101.9000	(1.23)
Multi Manager Growth Fund	02 - life - balanced managed fund	1120	Accumulation		128.4146	132.1000	2.87
Newton Higher Income Life	04 - life - other managed fund	1515	Accumulation	0.94	180.6298	178.2000	(1.35)
Newton Income Life	05 - life - UK equity	1471	Accumulation	0.89	131.5369	153.4000	16.62
Newton Managed Life	02 - life - balanced managed fund	1899	Accumulation	0.91	128.3495	142.9000	11.34
Newton Oriental Life	06 - life - overseas equity	405	Accumulation	0.91	156.8161	204.9000	30.66
Invesco Perpetual Global Bond Life	04 - life - other managed fund	593	Accumulation	0.96	108.7493	111.8000	2.81
Invesco Perpetual Higher Income Life	04 - life - other managed fund	5844	Accumulation	0.94	187.2691	197.5000	5.46
Invesco Perpetual Managed Life	02 - life - balanced managed fund	1738	Accumulation	0.98	150.5619	154.5000	2.62
Schroders UK Mid 250 Life	05 - life - UK equity	1371	Accumulation	1.02	239.0372	220.6000	(7.71)
Schroders Medical Discovery Life	06 - life - overseas equity	4	Accumulation	0.92	109.0145	115.2000	5.67
3001	04 - life - other managed fund	302	Accumulation	1.00	204.9746	215.2000	4.99
3002	04 - life - other managed fund	2794	Accumulation	1.00	240.7577	249.9000	3.80
3003	04 - life - other managed fund	631	Accumulation	1.00	259.9891	272.4000	4.77
3012	04 - life - other managed fund	736	Accumulation	1.00	342.4346	340.9000	(0.45)
3051	04 - life - other managed fund	1140	Accumulation	1.00	211.7719	215.8000	1.90

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

(Sheet 5)

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2007**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
3066	04 - life - other managed fund	316	Accumulation	1.00	161.2554	171.3000	6.23
3072	04 - life - other managed fund	699	Accumulation	1.00	686.6151	730.9000	6.45
3085	04 - life - other managed fund	3092	Accumulation	1.00	1205.3103	1231.2000	2.15
3087	04 - life - other managed fund	507	Accumulation	1.00	633.9571	613.7000	(3.20)
3088	04 - life - other managed fund	293	Accumulation	1.00	367.3134	375.0000	2.09
Corporate Bond Pension Fund	14 - individualpension - other managed fund	201	Accumulation	1.00	112.0016	112.8000	0.71
Pension FTSE 100	14 - individualpension - other managed fund	4773	Accumulation	1.00	164.5748	168.1000	2.14
Pension FTSE 95	14 - individualpension - other managed fund	9237	Accumulation	1.00	148.6740	133.9000	(9.94)
Pension Managed 100	14 - individualpension - other managed fund	22152	Accumulation	1.00	171.3195	179.5000	4.77
Pension Managed 95	14 - individualpension - other managed fund	125818	Accumulation	1.00	189.3306	195.0000	2.99
Pension Cash	14 - individualpension - other managed fund	167576	Accumulation	1.00	364.9276	381.0000	4.40
Pension Trustee Cash Fund	14 - individualpension - other managed fund	21100	Accumulation	0.50	111.3714	117.7000	5.68
Pension Equity Tracker	15 - individualpension - UK equity	7907	Accumulation	1.00	113.1098	117.4000	3.79
Pension European	16 - individualpension - overseas equity	60070	Accumulation	1.00	943.7705	1047.1000	10.95
Pension Gilts and Fixed Interest	14 - individualpension - other managed fund	42825	Accumulation	1.00	563.7994	590.3000	4.70
Pension Growth	12 - individualpension - balanced managed fund	440592	Accumulation	1.00	542.1278	560.5000	3.39
Pension Halifax	14 - individualpension - other managed fund	69331	Accumulation	0.75	473.1932	504.6000	6.64
Pension International	16 - individualpension - overseas equity	24829	Accumulation	1.00	536.8412	556.7000	3.70

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

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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 Japanese	16 - individualpension - overseas equity	6444	Accumulation	1.00	118.6182	102.3000	(13.76)
Pension Far Eastern	16 - individualpension - overseas equity	27170	Accumulation	1.00	589.5093	823.3000	39.66
Pension Long Gilts	14 - individualpension - other managed fund	4394	Accumulation	1.00	154.6293	157.8000	2.05
Pension North American	16 - individualpension - overseas equity	20096	Accumulation	1.00	741.9703	835.3000	12.58
Pension Opportunity	16 - individualpension - overseas equity	112582	Accumulation	1.00	493.3163	510.0000	3.38
Pension Safety	13 - individualpension - defensive managed fund	103761	Accumulation	1.00	590.9782	599.9000	1.51
Pension Full Participation	14 - individualpension - other managed fund	2044	Accumulation		135.3600	143.9000	6.31
Pension Higher Protection	14 - individualpension - other managed fund	3438	Accumulation		120.8086	123.5000	2.23
Pension Select Income	14 - individualpension - other managed fund	235	Accumulation		120.2300	129.7000	7.88
TIA Pooled Cash	14 - individualpension - other managed fund		Accumulation		162.5232		(100.00)
TIA Pooled Corporate Bond	14 - individualpension - other managed fund		Accumulation		147.5788		(100.00)
TIA Pooled European	16 - individualpension - overseas equity		Accumulation		145.6539		(100.00)
TIA Pooled Far Eastern	16 - individualpension - overseas equity		Accumulation		189.7826		(100.00)
TIA Pooled UK Gilts and Fixed Interest	14 - individualpension - other managed fund	73	Accumulation		151.2730	158.6000	4.84
TIA Pooled Long Gilt	14 - individualpension - other managed fund		Accumulation		202.1410		(100.00)
TIA Pooled Index linked Gilt	14 - individualpension - other managed fund		Accumulation		172.1126		(100.00)
TIA Pooled Japanese	16 - individualpension - overseas equity		Accumulation		84.2162		(100.00)
TIA Pooled Managed	12 - individualpension - balanced managed fund	179	Accumulation		170.5915	177.2000	3.87

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

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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 Managed 100 Guarantee	14 - individualpension - other managed fund	0	Accumulation		154.9072	200.9000	29.69
TIA Pooled Managed 95 Guarantee	14 - individualpension - other managed fund	5	Accumulation		132.1079	137.2000	3.85
TIA Pooled North American	16 - individualpension - overseas equity		Accumulation		105.8631		(100.00)
TIA Pooled UK Equity	15 - individualpension - UK equity		Accumulation		181.1377		(100.00)
Pension UK Equity	15 - individualpension - UK equity	89469	Accumulation	1.00	592.9855	609.5000	2.78
ABN AMRO Equity Income Pension	15 - individualpension - UK equity	5358	Accumulation	0.98	189.2648	193.1000	2.03
ABN AMRO Higher Income Pension	14 - individualpension - other managed fund	6279	Accumulation	0.96	141.5295	142.1000	0.40
ABN AMRO UK Growth Pension	15 - individualpension - UK equity	1852	Accumulation	0.84	191.5422	187.6000	(2.06)
Artemis UK Smaller Cos Pension	15 - individualpension - UK equity	1972	Accumulation	0.94	229.6231	235.3000	2.47
Artemis UK Special Sits Pension	15 - individualpension - UK equity	4607	Accumulation	0.98	220.8304	227.3000	2.93
Attica Europe (Ex UK) Pension	16 - individualpension - overseas equity	2	Accumulation	0.90	196.9860	223.6000	13.51
Attica Far East (ex Japan) Pension	16 - individualpension - overseas equity	12	Accumulation	0.90	218.7089	302.4000	38.27
Attica Japan Pension	16 - individualpension - overseas equity	1	Accumulation	0.90	144.7074	144.0000	(0.49)
Attica UK Bond Pension	14 - individualpension - other managed fund	162	Accumulation	0.90	110.9186	110.1000	(0.74)
Attica UK Equity Pension	15 - individualpension - UK equity	364	Accumulation	0.90	160.4432	164.5000	2.53
Attica US Equity Pension	16 - individualpension - overseas equity	5	Accumulation	0.90	119.7687	123.0000	2.70
Baillie Gifford British 350 Pension	16 - individualpension - overseas equity	1077	Accumulation	0.93	162.1103	168.8000	4.13
Baillie Gifford Pacific Pension	16 - individualpension - overseas equity	1306	Accumulation	0.89	210.0405	297.7000	41.73

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

(Sheet 8)

Name of insurer **Scottish Mutual Assurance Ltd**

Total business

Financial year ended **31 December 2007**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
Fidelity American Pension	16 - individualpension - overseas equity	2410	Accumulation	0.97	119.3180	124.6000	4.43
Fidelity European Pension	16 - individualpension - overseas equity	5642	Accumulation	0.91	226.4887	253.9000	12.10
Fidelity Special Sits Pension	16 - individualpension - overseas equity	8610	Accumulation	0.90	208.8724	220.4000	5.52
Fidelity Wealthbuilder Pension	16 - individualpension - overseas equity	2709	Accumulation	0.93	157.0299	168.2000	7.11
SMA Fidelity Managed Pension	12 - individualpension - balanced managed fund	18658	Accumulation	0.91	129.8284	137.4000	5.83
Framlington Health Pension	16 - individualpension - overseas equity	385	Accumulation	0.83	123.7240	132.4000	7.01
Framlington UK Growth Pension	15 - individualpension - UK equity	1007	Accumulation	0.92	151.9087	163.5000	7.63
First State Global Emerging Markets Pension	16 - individualpension - overseas equity	1670	Accumulation	0.89	221.1812	284.8000	28.76
First State Global Opportunities Pension	16 - individualpension - overseas equity	1552	Accumulation	0.97	192.6084	220.4000	14.43
Gartmore Corporate Bond Pension	14 - individualpension - other managed fund	4748	Accumulation	0.94	113.2057	111.1000	(1.86)
Gartmore European Selected Opp Pension	16 - individualpension - overseas equity	3112	Accumulation	0.88	192.5750	224.2000	16.42
Gartmore UK Focus Pension	15 - individualpension - UK equity	1209	Accumulation	0.91	198.5120	187.6000	(5.50)
Inscape Cautious Growth Pension	13 - individualpension - defensive managed fund	141	Accumulation	0.89	120.8395	117.1000	(3.09)
Inscape Higher Growth Pension	11 - individualpension - stock market managed fund	54	Accumulation	0.91	155.0425	152.7000	(1.51)
Inscape Steady Growth Pension	12 - individualpension - balanced managed fund	1037	Accumulation	0.89	139.7333	139.5000	(0.17)
Liontrust First Income Pension	15 - individualpension - UK equity	919	Accumulation	0.98	134.4655	119.2000	(11.35)
Morley Commercial Property Pension	17 - individualpension - property	22564	Accumulation	0.91	145.9359	122.9000	(15.78)
SMA Merrill Lynch Managed Pension	12 - individualpension - balanced managed fund	6522	Accumulation	0.88	104.8995	113.7000	8.39

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 2007**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
Merrill Lynch UK Smaller Cos Pension	15 - individualpension - UK equity	1711	Accumulation	0.86	273.1783	255.0000	(6.65)
Merrill Lynch UK Value Pension	15 - individualpension - UK equity	1026	Accumulation	0.89	196.9798	201.1000	2.09
Multi Manager Balanced Pension	13 - individualpension - defensive managed fund	4104	Accumulation		126.2409	128.3000	1.63
Multi Manager Cautious Pension	14 - individualpension - other managed fund	2573	Accumulation		110.9515	110.3000	(0.59)
Multi Manager Equity Pension	16 - individualpension - overseas equity	574	Accumulation		141.7484	147.7000	4.20
Multi Manager Bond Pension	14 - individualpension - other managed fund	671	Accumulation		105.1550	103.7000	(1.38)
Multi Manager Growth Pension	16 - individualpension - overseas equity	1034	Accumulation		131.7453	135.4000	2.77
Newton Higher Income Pension	14 - individualpension - other managed fund	5623	Accumulation	0.94	187.5359	182.0000	(2.95)
Newton Income Pension	15 - individualpension - UK equity	3079	Accumulation	0.89	164.9435	192.3000	16.59
Newton Oriental Pension	16 - individualpension - overseas equity	4142	Accumulation	0.91	197.7051	263.9000	33.48
SMA Newton Managed Pension	11 - individualpension - stock market managed fund	45071	Accumulation	0.91	110.5183	124.0000	12.20
Invesco Perpetual Global Bond Pension	14 - individualpension - other managed fund	2193	Accumulation	0.96	112.2185	116.4000	3.73
Invesco Perpetual Higher Income Pension	14 - individualpension - other managed fund	18822	Accumulation	0.94	202.0607	211.0000	4.42
SMA Perpetual Managed Pension	12 - individualpension - balanced managed fund	26037	Accumulation	0.98	157.0972	161.9000	3.06
Schroders UK Mid 250 Pension	15 - individualpension - UK equity	8466	Accumulation	1.02	255.3462	235.6000	(7.73)
Schroders Medical Discovery Pension	16 - individualpension - overseas equity	37	Accumulation	0.92	107.5789	110.0000	2.25
3501	14 - individualpension - other managed fund	934	Accumulation	1.00	220.9455	214.4000	(2.96)
3502	14 - individualpension - other managed fund	7994	Accumulation	1.00	252.6714	263.2000	4.17

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

Name of insurer **Scottish Mutual Assurance Ltd**
 Total business
 Financial year ended **31 December 2007**
 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
3503	14 - individualpension - other managed fund	2315	Accumulation	1.00	240.8242	258.6000	7.38
3551	14 - individualpension - other managed fund	167	Accumulation	1.00	270.7708	276.4000	2.08
3563	14 - individualpension - other managed fund	1970	Accumulation	1.00	448.3294	479.8000	7.02
3575	14 - individualpension - other managed fund	3697	Accumulation	1.00	408.9616	352.9000	(13.71)
3576	14 - individualpension - other managed fund	2349	Accumulation	1.00	335.2786	288.1000	(14.07)
3580	14 - individualpension - other managed fund	462	Accumulation	1.00	159.1158	172.5000	8.41
3583	14 - individualpension - other managed fund	2196	Accumulation	1.00	712.5484	738.8000	3.68
3584	14 - individualpension - other managed fund	6035	Accumulation	1.00	609.4297	637.2000	4.56
3585	14 - individualpension - other managed fund	3421	Accumulation	1.00	702.8321	681.3000	(3.06)
3586	14 - individualpension - other managed fund	394	Accumulation	1.00	200.1640	216.3000	8.06
Stakeholder Cash	14 - individualpension - other managed fund	2476	Accumulation	1.00	363.1331	379.5005	4.51
Stakeholder Gilt & Fixed Interest	14 - individualpension - other managed fund	1611	Accumulation	1.00	563.8496	591.8389	4.96
Stakeholder Growth	12 -individualpension - balanced managed	17655	Accumulation	1.00	542.4238	564.7063	4.11
Stakeholder International	16 -individualpension - overseas equity	2662	Accumulation	1.00	536.5601	555.6464	3.56
Stakeholder Opportunity	12 -individualpension - balanced managed	1097	Accumulation	1.00	492.7930	512.7753	4.05
Stakeholder Safety	13 - individualpension - defensive managed fund	2308	Accumulation	1.00	590.3495	599.6619	1.58
Stakeholder UK Equity	15 - individualpension - UK equity	5550	Accumulation	1.00	591.2936	606.3015	2.54

Long-term insurance business: analysis of valuation interest rateName of insurer **Scottish Mutual Assurance Ltd**Subfund **21 With Profits Sub-Fund**Financial year ended **31 December 2007**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, 3.75	344383	3.75%	4.40%	5.30%
UK Life WPSF Form 51, Miscellaneous	861	n/a	n/a	5.30%
UK Pension WPSF Form 51, Annuities, 5.15	104865	5.15%	5.15%	5.30%
UK Pension WPSF Form 51, Deferred Annuity, 4.4	887973	4.40%	4.40%	5.30%
UK Pension WPSF Form 51, Deferred Annuity, 4.75	286468	4.75%	4.75%	5.30%
UK Pension WPSF Form 51, Additional Reserves	3804	0.00%	0.00%	5.30%
UK Pension WPSF Form 51, Miscellaneous	2133	n/a	n/a	5.30%
UK Life Form 52 UWP Assurances	1473035	4.10%	4.40%	5.30%
UK Life Form 52 UWP Pensions	974545	4.40%	4.40%	5.30%
UK Life Form 52 UWP , ANL ISA	46206	4.40%	4.40%	5.30%
Overseas Life Form 52 UWP Life, SMI	699172	4.75%	4.75%	5.30%
Total	4823444			

Long-term insurance business: analysis of valuation interest rateName of insurer **Scottish Mutual Assurance Ltd**Subfund **31 Other Business Sub-Fund**Financial year ended **31 December 2007**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 OBSF Form 51, Annuities, 4.75	5692	4.75%	4.75%	5.47%
UK Life OBSF Form 51, Assurances, 3.35	(183844)	3.35%	4.15%	4.77%
UK Life OBSF Form 51, Assurances, 4.15	(26873)	4.15%	4.15%	4.77%
UK Life OBSF Form 51, Miscellaneous	194	n/a	n/a	4.77%
UK Life OBSF Form 51, Income Protection, 0	8331	0.00%	0.00%	4.77%
UK Life OBSF Form 51, Critical Illness, 0	15	0.00%	0.00%	4.77%
UK Life OBSF Form 51, Additional Reserves, 0	18278	0.00%	0.00%	4.77%
UK Life BSF Form 51, Assurances, 0	26878	0.00%	0.00%	4.77%
UK Pension OBSF Form 51, Annuities, 4.75	13580	4.75%	4.75%	5.47%
UK Pension OBSF Form 51, Deferred Annuity, 4.15	88393	4.15%	4.15%	4.77%
UK Pension OBSF Form 51, Term Assurances, 4.15	9295	4.15%	4.15%	4.77%
UK Pension OBSF Form 51, Additional Reserves, 0	28326	0.00%	0.00%	4.77%
UK Pension OBSF Form 51, Miscellaneous	2541	n/a	n/a	4.77%
UK Life OBSF Form 52, 53 & 54 Sterling Reserves	53425	3.35%	4.15%	4.77%
UK Life OBSF Form 52, 53 & 54 Additional Reserves, 0	410	0.00%	0.00%	4.77%
UK Life OBSF Form 52, 53 & 54 Miscellaneous	167	n/a	n/a	4.77%
UK Pension OBSF Form 52, 53 & 54 Sterling Reserves	(368)	4.15%	4.15%	4.77%
UK Pension OBSF Form 52, 53 & 54 Additional Reserves, 0	1426	0.00%	0.00%	4.77%
UK Pension OBSF Form 52, 53 & 54 Miscellaneous	871	n/a	n/a	4.77%
Total	46736			

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 2007**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	7100067	8851219
Bonus payments in anticipation of a surplus	12	59347	59795
Transfer to non-technical account	13	2211	282013
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	7161625	9193028
Mathematical reserves	21	6970162	8674520
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	191462	518507

Composition of surplus

Balance brought forward	31	175553	165706
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	15909	352801
Total	39	191462	518507

Distribution of surplus

Bonus paid in anticipation of a surplus	41	59347	59795
Cash bonuses	42		
Reversionary bonuses	43	630	1145
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	59977	60940
Net transfer out of fund / part of fund	47	2211	282013
Total distributed surplus (46+47)	48	62188	342953
Surplus carried forward	49	129274	175554
Total (48+49)	59	191463	518507

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 2007**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	4823444	5805595
Bonus payments in anticipation of a surplus	12	59347	59795
Transfer to non-technical account	13	2211	2013
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	4885002	5867403
Mathematical reserves	21	4822814	5804449
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	62188	62954

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	62188	62954
Total	39	62188	62954

Distribution of surplus

Bonus paid in anticipation of a surplus	41	59347	59795
Cash bonuses	42		
Reversionary bonuses	43	630	1145
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	59977	60940
Net transfer out of fund / part of fund	47	2211	2013
Total distributed surplus (46+47)	48	62188	62953
Surplus carried forward	49		
Total (48+49)	59	62188	62953

Percentage of distributed surplus allocated to policyholders

Current year	61	96.44	96.80
Current year - 1	62	96.80	96.93
Current year - 2	63	96.93	97.43
Current year - 3	64	97.43	97.92

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 2007**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	2276622	3045624
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		280000
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	2276622	3325624
Mathematical reserves	21	2147348	2870071
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	129274	455553

Composition of surplus

Balance brought forward	31	175553	165706
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	(46279)	289847
Total	39	129274	455553

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		280000
Total distributed surplus (46+47)	48		280000
Surplus carried forward	49	129274	175554
Total (48+49)	59	129274	455554

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 2007**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	26878	82095
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	82095
Mathematical reserves	21	26878	82095
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 2008**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	N/A	N/A	N/A	N/A	N/A	N/A
Endowment assurance	15	10980	1220	N/A	CWP	N	10980
Endowment assurance	20	21076	4114	N/A	CWP	N	21076
Endowment assurance	25	35175	8424	N/A	CWP	N	35175
Regular premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Regular premium pension	10	27517	3484	0	UWP	N	27517
Regular premium pension	15	52254	8343	0	UWP	N	52254
Regular premium pension	20	97378	8673	0	UWP	N	97378
Single premium pension	5	N/A	N/A	N/A	N/A	N/A	N/A
Single premium pension	10	15450	1897	0	UWP	N	15450
Single premium pension	15	27658	6383	0	UWP	N	27658
Single premium pension	20	54630	11151	0	UWP	N	54630

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 2008**

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	9689	1077	N/A	CWP	N/A	18457
Endowment assurance	20	18811	3677	N/A	CWP	N/A	25118
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	13649	1127	0	UWP	N	13785
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	15453	1898	0	UWP	Y	16188

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

Global business

Financial year ended **31 December 2007**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%	100682	103931		50	50
Classes I (other), II and IX	13	0.15%			0.50		
Classes I (other), II and IX	14	0.3%	42409036	12933519		63614	65078
Classes III, VII and VIII	15	0.3%	16331578	9601893	0.59	28806	30132
Total	16		58841296	22639342		92470	95260

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					10622	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%	5873946	4865755	0.85	49929	63116
Classes III, VII and VIII (investment risk)	33	1%	170741	170741	1.00	1707	2302
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	33390	33390	1.00	334	318
Classes III, VII and VIII (other)	35	25%				2238	2457
Class IV (other)	36	1%	(14976)	(2715)	0.85		
Class V	37	1%					
Class VI	38	1%					
Total	39					54208	68194

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	5873946	4865755	0.85	149786	189349
Classes III, VII and VIII (investment risk)	43	3%	170741	170741	1.00	5122	6906
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	33390	33390			
Classes III, VII and VIII (other)	45	0%	1903622	1903622			
Class IV (other)	46	3%	(14976)	(2715)	0.85		
Class V	47	0%					
Class VI	48	3%					
Total	49		7966723	6970793		154908	196255

Long term insurance capital requirement	51					312207	370331
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Abstract of Valuation Report on Scottish Mutual Assurance Limited

1. Introduction

- 1.1 The date to which the investigation relates is 31 December 2007.
- 1.2 The date to which the previous investigation related was 31 December 2006.
- 1.3 Not applicable.

2. Product range

On April 28 2007, the Critical Illness Definitions on Pegasus Ultimate Accelerated and Stand Alone Critical Illness were updated to be in line with the recent ABI statement of Best Practice.

On April 29 2007, the Critical Illness Definitions on Self Assurance Accelerated and Stand Alone Critical Illness were updated to be in line with the recent ABI statement of Best Practice. At the same time the option to have Death and TPD only on the product was removed.

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

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

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 2007	Nil	Nil

This table applies for Single Premium business.

Date	UK Life With-Profits Funds	UK Pensions With-Profits Funds
From 1 Jan 2007	Business written in years 1998 to 2000	Business written in years 1997 to 2001
14 May to 29 Oct 2007	Business written in years 1999 to 2000	Business written in years 1997 to 2001
From 30 Oct 2007	Business written in years 1999 to 2000	Business written in years 1993,1994 and 1997 to 2001

3.2

There have been no changes to premiums on reviewable protection policies during the year. Changes were permitted but did not take place on gross sums assured of £3,601m of business.

3.3

N/A

3.4

Policy fees on unit-linked contracts were increased by between 0.00% and 4.88% during 2007. 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 2007.

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. Generally, funds are considered to be expanding unless they have been in decline for three consecutive months prior to the review. Special bid and offer prices may be used for large transactions, or series of transactions, in order to maintain fairness between policyholders.

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.

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

- (b) Not applicable.
- (c) The internal linked funds managed by RAM 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. Fixed Interest Income, interest and overseas dividends are taxed at the standard rate and this is reflected in unit the price. The calculation of the unit price includes a charge for realised and unrealised capital gains net of indexation relief or a credit for realised or unrealised losses. At the end of each year the linked fund is charged for the accrued realised gains in the fund and paid a cash credit for 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 credit on losses is the policyholder tax rate discounted to reflect timing until it is expected that the loss can be used to offset a future gain in the fund.

Linked Life: Income tax deducted £136,952
Tax on realised investment gains £851,675
Tax credit on unrealised investment gains £7,787,468
Linked Pension : Income tax deducted £29,548

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 2007 were as follows:

Taxable Income	Rates (Dec 2007)
CGT - Realised Gains	16.75%
CGT - Realised Losses	9.75%
CGT - Unrealised Gains	16.75%
CGT - Unrealised Losses	9.75%

3.9

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

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

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

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

	01 Jan – 20 Aug 2007	21 Aug – 31 Dec 2007
All realised gains	17.25%	16.75%
All realised losses	7.50%	9.75%
Unrealised gains	16.75%	16.75%
Unrealised losses	9.75%	9.75%

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

3.10

Where internal linked funds invest in units of the type referred to in COBS 21, any discount or other allowance negotiated with the manager of the units is fully passed on to the appropriate policyholders.

4. Valuation basis (other than for special reserves)

4.1 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.

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

4.2 Valuation interest rates

Product group	Valuation interest rate at end of this financial year	Valuation interest rate at end of last financial year
Conventional with profit life assurances	3.75%	3.35%
Conventional with profit deferred annuities	4.75% in deferment 4.70% in possession for single 4.40% in deferment 4.35% in possession for regular	4.15% in deferment 4.15% in possession for single 3.90% in deferment 3.90% in possession for regular
Conventional with profit immediate annuities (group)	5.15%	4.45%
Conventional with profit immediate annuities (individual)	5.15%	4.45%
Conventional non-profit life assurances	3.35%	3.35%
Conventional non-profit immediate annuities (life and pensions)	4.75%	4.65%
Conventional non-profit deferred annuities	4.35% in deferment 4.30% in possession for single 4.15% in deferment 4.10% in possession for regular	4.40% in deferment 4.40% in possession for single 4.15% in deferment 4.15% in possession for regular
Conventional non-profit PHI assurances	Regular 4.15% Single 4.15%	Regular 4.15% Single 4.15%
Unitised with profit life assurances	4.10%	3.60%
Unitised with profit life assurances (ISAs)	4.40%	3.90%
Unitised with profit pensions	4.40%	3.90%
Sterling reserves on unitised with profit and unit-linked business (Life)	3.35%	3.40%
Sterling reserves on unitised with profit and unit-linked business (Pension)	4.15%	4.20%
Unitised with profit life assurances (overseas)	4.75%	4.15%

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.

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	75% AF92 (non-smoker F) 63% AM92 (non-smoker M) 121% AF92 (smoker F) 109% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Conventional non-profit life assurances excluding Pegasus and Self Assurance (individual)	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	75% AF92 (non-smoker F) 63% AM92 (non-smoker M) 121% AF92 (smoker F) 109% AM92 (smoker M) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Term assurance (pension)	89% TF92(female) 79%TM92 (male) plus allowance for AIDS of 33% of R6A projection for males Ultimate	93% TF92(female) 83%TM92 (male) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Term assurance (life)	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	105%TF92 (fem smoker) 82% TF92 (fem non smoker) 129% TM92 (male smoker) 62% TM92 (male non smoker) plus allowance for AIDS of 33% of R6A projection for males Ultimate
Self Assurance	Modified TM92/TF92 plus allowance for AIDS of 33% of R6A projection – see below Select	Modified TM92/TF92 plus allowance for AIDS of 33% of R6A projection – see below Ultimate
Conventional with profit pensions assurances (individual)	66% AF92(Female) 72% AM92(Male) Ultimate	69% AF92(Female) 75% AM92(Male) Ultimate
Conventional with profit pensions assurances (group)	66% AF92(Female) 72% AM92(Male) Ultimate	69% AF92(Female) 75% AM92(Male) Ultimate
Conventional non-profit pensions assurances (individual)	66% AF92(Female) 72% AM92(Male) Ultimate	69% AF92(Female) 75% AM92(Male) Ultimate
Conventional non-profit pensions assurances (group)	66% AF92(Female) 72% AM92(Male) Ultimate	69% AF92(Female) 75% AM92(Male) Ultimate
Unit-linked life business excluding Pegasus and Homeowner	77% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate	81% 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	81% AM80/AF80 plus allowance for AIDS of 33% of R6A projection for males Ultimate
Pegasus	115.50% AF92(Phase 3, FS) 60.50% AF92(Phase 3, FN) 88% AM92(Phase 3, MS) 55% AM92(Phase 3, MN) Select	120.75% AF92(Phase 3, FS) 63.25% AF92(Phase 3, FN) 92% AM92(Phase 3, MS) 57.50% AM92(Phase 3, MN) 121% AF92(Series 10, FS) 63% AF92(Series 10, FN) 92% AM92(Series 10, MS) 58% AM92(Series 10, MN) Select
Unit-linked pensions business	77% AM80/AF80 Ultimate	81% AM80/AF80 Ultimate

For Self Assurance with mortality benefits only (i.e. no critical illness benefits), rates are age-related percentages of TM92/TF92 Select. Sample mortality rates per £1,000 of benefit are:

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.382	0.652	0.174	0.259
35	0.411	0.644	0.271	0.451
45	0.953	1.571	0.674	1.246
55	2.405	5.826	1.766	3.585

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

Annuities

Product group	Mortality basis at end of this financial year	Expectations of life (years)	Mortality basis at end of previous financial year
Deferred annuities (individual) – life and pensions, with profit and non-profit	66% AF92 in deferment, Fem 72% AM92 in deferment, Male Ultimate 102% IFA92mc , fem 94% IMA92mc, male in possession, Life Age-dependant % of PMA92mc/ PFA92mc (with future improvement factors varying by age and calendar year) , Pension	At age 65: Life Mortality <ul style="list-style-type: none"> • 24.1 (male currently age 45) • 23.6 (male currently age 55) • 25.8 (female currently age 45) • 25.5 (female currently age 55) Pension Mortality <ul style="list-style-type: none"> • 28.3 (male currently age 45) • 26.4 (male currently age 55) • 30.0 (female currently age 45) • 28.3 (female currently age 55) 	69% AF92 in deferment, Fem 75% AM92 in deferment, Male Ultimate 102% IFA92mc , fem 94% IMA92mc, male in possession, Life Age related % of PFA92mc,fem PMA92mc,male with 1% p.a. underpin on mortality improvements in possession, 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 PMA92mc/ PFA92mc (with future improvement factors varying by age and calendar year) Pension		69% AF92 in deferment, Fem 75% AM92 in deferment, Male Ultimate 102% IFA92mc ,fem 94% IMA92mc,male in possession, Life Age related % of PFA92mc,fem PMA92mc,male with 1% p.a. underpin on mortality improvements in possession, Pension
Annuities in payment (life)	108% IFA92mc,fem 99% IMA92mc,male	22.6 (male age 65) 14.6 (male age 75) 24.6 (female age 65) 15.7 (female age 75)	108% IFA92mc,fem 99% IMA92mc,male
Annuities in payment (pensions)	Age-dependant % of PMA92mc/ PFA92mc (with future improvement factors varying by age and calendar year)	24.1 (male age 65) 14.4 (male age 75) 26.4 (female age 65) 16.2 (female age 75)	Age related % of PFA92mc,fem PMA92mc ,male with 1% p.a. underpin on mortality improvements

4.5 Morbidity Assumptions

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

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

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

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.978	1.090	0.863	0.968
35	1.024	1.569	1.316	2.029
45	2.331	4.827	2.726	5.872
55	7.461	13.467	7.645	13.980

Critical Illness (with Work Tasks Total Permanent Disability)

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.656	0.737	0.602	0.534
35	0.887	1.367	1.301	1.588
45	2.129	4.422	2.740	4.671
55	7.390	13.425	7.443	10.773

An allowance for a future deterioration of 0.375% per annum was also made for Accelerated Critical Illness Cover morbidity for AIA critical illness and AIA TPD.

An allowance for a future deterioration of 0.75% per annum was also made for Stand Alone Critical Illness Cover morbidity for AIA critical illness and AIA TPD.

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

Critical Illness rates

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.336	0.434	0.467	0.505
35	0.528	0.714	0.992	1.147
45	2.166	3.051	2.580	3.013
55	7.208	10.221	6.777	7.856

Residual mortality rates

Age	Male non-smoker	Male smoker	Female non-smoker	Female smoker
25	0.175	0.390	0.083	0.111
35	0.155	0.358	0.131	0.175
45	0.362	0.910	0.100	0.221
55	0.879	2.441	0.211	0.221

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)	37.21	26.05	36.47	25.53
CWP pensions (155/165)	48.00	33.60	47.04	32.93
Term assurance (325/330)	15.45	-	15.14	-
Income protection (360/365)	15.45	-	15.14	-
Critical illness (340/345/350/355)	15.45	-	15.14	-
Annuity (400)	25.02	-	24.52	-

Unit Linked				
UWP bond (500)	28.43	-	27.87	-
UWP savings endowment(510)	37.86	26.51	37.11	25.98
UWP regular premium pension(525/545)	44.85	31.39	43.95	30.77
UWP group regular premium pension(535)	44.12	30.88	43.24	30.27
UWP single premium pension(525/545)	31.39	-	30.76	-
UWP group single premium pension (535)	30.88	-	30.26	-

UL bond (700)	28.43	-	27.87	-
UL savings endowment(715)	37.86	26.51	37.11	25.98
UL regular premium pension(725)	44.85	31.39	43.95	30.77
UL single premium pension(725)	31.39		30.76	
UL group regular premium pension (735)	44.12	30.88	43.24	30.27
UL group single premium pension (735)	30.88		30.26	

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:

5.55% (gross) p.a.

4.44% (net) p.a.

Inflation rates assumed in calculation of non-unit reserves:

5.50% for future expenses

4.50% for future increases in policy charges

The reduction in valuation interest rate to allow for investment expenses is 0.043% p.a.

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
Level term	lapse	14.1%	6.6%	6.0%	6.0%
Decreasing term	lapse	14.6%	8.8%	8.0%	8.0%
Accelerated critical illness	lapse	14.4%	7.8%	7.1%	7.1%
Income protection	lapse	6.5%	5.0%	5.0%	5.0%
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%

Reserves for protection business are calculated using the lapse rates shown in the table and with lapse rates both increased and decreased by 40%. The highest reserve for each policy is taken, i.e. aggregate reserves may use a mixture of the 3 lapse scenarios.

4.10
N/A

4.11

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

4.12

The valuation methodology was changed at 31 December 2006, allowing for negative reserves and the introduction of prudent lapse rates on protection business, effective from that date. Only the changes applying to protection business were adopted. The effects of those changes on the net reserves for the affected business are shown in the following table :

£m	Net reserves	Change in reserves
Methodology as at 31 December 2005	188.4	
Allowing for negative reserves	-382.2	-516.6
Allowing for lapses	-229.7	98.5

The modelling process used does not allow the effect of lapses to be calculated before the effect of negative reserves.

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:

Product name	Self Employed (S226)
Basic reserve	£380.4m
Out-standing durations	386mths to 1 month
Guarantee reserve	£194.7m
GAR for male age 65	11.0%
Open for increments	Yes

Form of annuity	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
Retirement ages	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.

Product name	Flexible Endowment
Basic reserve	£4.0m
Out-standing durations	467mths to 1 month
Guarantee reserve	£7.5m
Guaranteed amount	£19.8m
MVA-free conditions	n/a
In-force premiums	£439k
Open for increments	No

5.3 Guaranteed insurability options

Self Assurance contracts may contain guaranteed insurability options:

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

Product name	Self Assurance
In-force premium	£29.9m
Sum assured	£3.33bn
Description of option	Renewal – policyholder may renew policies at end of initial term.
Guarantee reserve	£122,000

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:

Deferred annuity contract	Total Mathematical reserves	Mathematical reserves if no option	Reduction to Mathematical reserve in respect of option
Self Employed (S226) Personal Pensions	£11.9m	£12.7m	£0.73m
Individual Pension Arrangements	£238.6m	£243.3m	£4.8m
Masterpolicy plans	£153.5m	£163.6m	£10.1m

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 £27.038 million. This is composed of:

- £0.901m from explicit allowances for investment expenses
- £25.053m from explicit allowances for other maintenance expenses
- £1.083m for implicit allowances

6.2

Implicit allowances for investment expenses for section 6.1 are calculated as a reduction in the valuation interest rate of 0.043%.

6.3

The maintenance expenses shown at line 14 of Form 43 is £32.928m. This includes one-off main sale provision costs of £5.4m, which were not included in the valuation expense assumptions. Removing this amount leaves £27.53m, which is comparable to the amount in Section 6.1.

6.4

A model office projection using actual new business volumes for 2007 was used to determine the need, if any, for additional reserves to cover the costs of writing new business in 2008. The total actual new business written over 2007 increased the shareholder surplus in 2007. This is also expected to be the case in 2008 and so no additional reserve is needed to cover the cost of writing new business.

6.5

The projected statutory profit released in 2009 is more than sufficient to cover the costs of closure, and ongoing expenses. This projected statutory profit under a range of sensitivities is also more than sufficient to cover the costs of closure, and ongoing expenses. This is also more conservative than a best estimate basis as no new business in 2008 is allowed for. The costs of closure include redundancy costs and terminating management agreements.

6.6

N/A

7. Mismatching reserves

7.1

Currency in which benefits are payable	Mathematical reserves from Form 14 (excluding liabilities for property linked benefits) (£000)	Currencies in which assets are denominated	Matching assets (£000)
Sterling	4,187,314	Sterling	4,187,314
		TOTAL	4,187,314
Euro	661,006	Euro	503,570
		Sterling	157,436
		Total	661,006
US Dollar	25,965	US Dollar	25,965

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 estimating the yearly amount of expenditure to be initially £3m. This amount should reduce in line with reductions in number of policies and also in recognition of the fact that we expect the completion of the "Strachan Review" project in August 2009 to highlight all inherent flaws in systems and processes. This would signify that a high level multiplicative factor of x5 would be a prudent assumption for the calculation of this provision.

9. Reinsurance

9.1

£6.37m is payable to SCOR Germany which is not authorised to do business in the UK.

9.2

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

Reinsurer	Nature and extent of cover under treaty	Premiums paid under treaty during period	Amount deposited under deposit back arrangements	Open / closed to new business	Amount of undis-charged obligation of insurer	Mathematical reserves ceded under treaty	Retention level for new policies being reinsured
Phoenix Pensions Limited	Non-profit pensions annuities in payment, subject to fulfilling terms of treaty.	£ 525,817,487	No such arrangement exists	Open	£0	£550.704m	0%
Munich Re	Non-profit pensions annuities in payment, subject to fulfilling terms of treaty.	£35,987,670	£439.229m	Closed	£0	£439.229m	Not applicable
Swiss RE Life & Health; RGA	Pegasus policies – Various treaties covering : mortality only, mortality with attaching critical illness,waiver of premium benefit, other benefits (income replacement, medical expenses, hospital cash) for older policies. All reinsured on risk premium basis.	£25,293,528	No such arrangement exists	RGA open for Pegasus policies	£0	(£24.738m)	For policies containing Critical Illness benefits, 50% of the sum at risk or £125,000 if less. For policies containing life cover only or life cover with terminal illness, first £400,000 of sum at risk.

Swiss Re Life & Health, SCOR UK, SCOR Germany, Hannover Re, Scottish Re, XL Re	Self Assurance contracts – Various treaties covering : Mortality, accelerated critical illness and stand alone critical illness. Accelerated and stand alone disability benefit. Premium payment benefit for sickness, accident and disability. SCOR/Hannover/Scot RE reinsured All reinsured on risk premium basis. Some closed treaties are original terms.	£81,401,641	No such arrangement exists	<p>Swiss Re open for disability income benefit</p> <p>Hannover/Scot Re /SCOR closed for death benefit</p> <p>SCOR UK and Germany, XL Re, closed for Stand Alone CIC</p> <p>Swiss Re and SCOR UK and Germany, XL Re closed for Accelerated CIC</p> <p>Swiss Re and SCOR UK/SCOR Ireland open for Accelerated CIC</p> <p>SCOR UK/SCOR Ireland open for stand alone CIC</p> <p>Munich Re open for mortality benefit</p>	£0	£5.348m	<p>25% or £45,000 p.a. if less</p> <p>10% or £125,000 if less</p> <p>50% or £125,000 if less</p> <p>43.75% or £125,000 if less</p> <p>43.75% or £125,000 if less</p> <p>50% or £125,000 if less</p> <p>10% or £125,000 if less</p>
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Notes:

- (l) SCOR Germany is not authorised to carry on insurance business in the UK. All of the other 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 Resolution plc. 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	£346m	0%	0%	0%
Conventional pension business	£1,239m	0%	0%	0%
Unitised Life Series III	£1,469m	0%	0%	0%
Unitised Pensions Series I & II	£239m	4.00%	4.00%	4.00%
Other unitised Pensions Series	£729m	0%	0%	0%
Unitised ISA Series	£46m	0%	0%	0%
Unitised International Series I – £	£12m	0%	0%	0%
Unitised International Series I – \$ or Euro	£687m	0%	0%	0%
Triple Bonus Bond (all tranches)	£27m	0%	0%	0%
With Profit Annuity	£40m	1999-2000 starts 4.5% 2003 starts 7.5%	Pre 2002 2% 2002 starts 6% 2003 starts 14%	1999-2000 starts 4.5% 2003 starts 7.5%

SCOTTISH MUTUAL ASSURANCE (SMA)

Abstract of Valuation Report for Realistic Valuation

31 December 2007

1. Introduction

The current valuation date is 31 December 2007.

The previous valuation date was 31 December 2006.

An interim valuation was carried out at 30 June 2007.

2. Assets

(1) – (5) Not applicable.

3. With-Profits Benefit Reserve Liabilities

(1) Breakdown of methods used to calculate With-profits benefits reserve –

Product	Method	With-profits Benefits Reserve (£'000)	Future Policy Related Liabilities (£'000)	Total Policy Liabilities (£'000)
CWP Life	Retrospective	443,722	36,938	480,660
CWP Life	Prospective	23,615	1,423	25,038
UWP Life	Retrospective	2,238,150	153,621	2,391,770
Life Total		2,705,487	191,981	2,897,468
CWP Pensions with GAO	Retrospective	406,111	183,473	589,584
CWP Pensions with GAO	Prospective	21,738	10,686	32,424
CWP Pensions with GCO	Retrospective	294,528	194,951	489,480
Group Full Profit	Prospective	116,139	5,271	121,411
Other DA	Prospective	107,944	21,854	129,798
UWP Pensions, 0%	Retrospective	580,180	20,934	601,114
UWP Pensions, 4%	Retrospective	485,184	44,026	529,211
Pensions Total		2,011,825	481,196	2,493,021
Total		4,717,312	673,177	5,390,489

(2) Not applicable

(3) See (1) above.

(4) See (1) above.

4. With-profits benefits reserve – Retrospective method

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

	Proportion valued on an individual basis	Proportion valued on a grouped basis
<u>Life</u>		
Conventional with profits	100%	0%
Unitised with profits	100%	0%
<u>Pensions</u>		
Conventional with profits	100%	0%
Unitised with profits	100%	0%

(2) There have been no significant changes in the valuation method.

(3)

(a) Since December 2006 there is a management services agreement with Resolution Management Services (RMS) which effectively means that RMS will provide the majority of administration services for SMA for a fixed policy fee. These expenses have been incorporated into the Dec 2007 basis.

(b) The service agreement will be reviewed on an annual basis.

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

	(£000)
Initial expenses	25
Maintenance expenses	3,210
Initial commission	159
Renewal commission	391
Investment expenses	319
Total	4,104

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

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

As the fund is closed to new business except for a very small number of incremental policies on existing pensions business, the Initial expense and commission charges are negligible.

All ongoing expenses have been charged to the with profit benefit reserve. One off and project costs are charged to the fund.

(4) Regular adjustments to asset shares may take place going forward due to the need to rebalance the hedge asset purchased to cover a substantial part of the guarantees within the With-profit fund as well as distributing profits and losses emerging. During June 2007 the existing Hedge was sold and a new Hedge purchased. The costs incurred in purchasing the new Hedge were charged to the asset shares. This led to the following cuts to asset shares in 2007:

Asset Share Groups	% negative augmentation
CWP Life	0.12%
CWP Pens	2.25%
UWP Life	0.07%
UWP Pens	0.18%

In 2006, there were no adjustments to the asset shares.

(5) Annual management charges deducted from the WPSF in respect of unitised with-profit business amounted to £28.28m over the period.

(6) The ratios of total claims paid to with-profits benefit reserve for those claims (plus any miscellaneous surplus or deficit)

2005	97.70%
2006	98.30%
2007	98.20%

(7) Investment returns for year to date (i.e. 31 December 2006 to 31 December 2007).

Fixed Interest	1.59%
UK Equities	2.40%
Equities	0.50%
Property	0.00%
Cash	0.76%
Derivatives	-0.01%
Other	0.00%
Total	5.24%

5. With-profits benefits reserve – Prospective method

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

(a) Risk Discount Rate	6.03%
(b) Investment Returns	6.03%
(c) Expense Inflation	4.50%
(d) Reversionary Bonus Rate	0%

Terminal Bonus Rates

Term	UK
5	0%
10	0%
15	12.50%
20	25%
25	32.50%
30	60%
35	120%
40+	150%

(e) <u>Expenses</u>	
In-force Expenses	£36.48
Paid-up Expenses	£25.54

(f) <u>Decrements</u>	
Mortality	77% AM92
Persistency	0% lapses

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

	(a) Risk Discount Rate	(b) Investment Return	(c) Expense Inflation	(d) Reversionary Bonus	(e) In Force Expenses	(f) Paid Up Expenses
Group Full Profit	4.75%	4.75%	5.50%	0.00%	48	0
Other Deferred Annuity	4.75%	4.75%	5.50%	0.00%	48	33.6
With Profit Annuity	5.15%	5.15%	5.50%	2.15%	24.31	0
Other Annuity	5.15%	5.15%	5.50%	0.00%	25.02	0

No terminal bonus is assumed.

6. Costs of guarantees, options and smoothing

(1) Not applicable.

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

Products	Type of guarantees & valuation method	No of individual contracts	No of model points used
<u>Conventional WP Life Business</u>			
CWP Life	See Note 1	35,112	522
Conventional WP Life Business Total		35,112	522
<u>Conventional WP Pensions Business</u>			
SE Pensions	See Note 1&2	24,861	489
IP Pensions	See Note 1&3	10,371	1402
MP Pensions	See Note 1	28,026	484
Conventional WP Pensions Business Total		63,258	2,375
<u>Unitised Life Business</u>			
ANL Low Cost Mortgage Endowment	See Note 1	83,447	15
ANL Low Start Mortgage Endowment	See Note 1	1,072	2
ANL WP Bond	See Note 1	17,790	6
SMA Select WP Bond	See Note 1	2,128	4
SMA WP Bond	See Note 1	1,934	1
SMA WP Investment Bond	See Note 1	32,690	44
SMI WP Investment Bond	See Note 1	3,544	51
Unitised Life Business Total		142,605	123
<u>Unitised Pension Business</u>			
ANL Contracted Out Pension Plan	See Note 1	12,705	13
ANL Personal Pension Regular Premium	See Note 1	43,851	15
ANL Personal Pension Single Premium	See Note 1	4,002	2
EPP (Single and Regular Premium)	See Note 1	3,752	18
EPP Independence 96 Regular Premium	See Note 1	1,814	4
EPS Independence 95 Regular Premium	See Note 1	266	2
Group Pension Scheme Regular Premium	See Note 1	76,037	14
Group Pension Scheme Singles	See Note 1	4,131	8
Personal Pension Scheme	See Note 1	157,805	413
Personal Pension Scheme Ind 95 regular	See Note 1	3,810	4
Personal Pensions Protected Rights Rebate	See Note 1	11,696	75
PPR Independence 96 Regular	See Note 1	9,357	12
Unitised Pension Business Total		329,226	580
Total		570,201	3,600

Note on valuation method:

Note 1 - Valuation of cash guarantees

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

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

This calculation is done for each scenario and the value of cash guarantees is derived by the average of the individual scenario values.

Note 2 - Valuation of GAOs

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

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

This calculation is done for each scenario and then the value of GAOs is derived by the average of the individual scenario values.

Note 3 - Valuation of GCOs

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

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

This calculation is done for each scenario and then the average is derived to give the value of GCOs. The value of the GCO will also depend on the difference between the mortality assumed in the guaranteed conversion rate and the mortality assumed in the market annuity price.

(b) Details of grouping process

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

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

(iii) The number of individual contracts and the number of model points used to represent them are shown in the table above. The individual policy data is grouped by product code, annuity factor, terminal bonus series, reversionary bonus series, early retirement option indicator, pencode, money-ness bands, outstanding policy term bands, and product class. The values of guarantees, using closed form approximations, are compared before and after grouping to ensure the model points are a good representation of the individual policy data.

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

(3) Significant changes to valuation methods

At December 2006 there was a discrepancy between the basis used to value the cost of guarantees and the market value of the Hedge asset that was used to cover these guarantees. A calibration adjustment was applied to the modelled cost of guarantees to scale them up and bring them into line with the market value of the Hedge. At December 2007, following a restructuring of the Hedge, the discrepancy is now negligible and so no calibration adjustment is required.

At December 2006 the hedged liabilities were valued on a bid basis and the un-hedged liabilities on an offer basis. At December 2007, as a result of the Hedge restructuring and the removal of the calibration adjustment, all liabilities are now valued on a mid basis.

(4) Details of valuation methods

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

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

(ii) Asset Model

The stochastic Monte Carlo simulation – risk neutral approach of valuation is based on stochastic economic output generated by the Economic Scenario Generator (ESG). The ESG creates a 3000 scenarios file of each asset model. The parameters for each asset are based on the standard calibrations supplied by Barrie & Hibbert.

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

Nominal interest rates are modelled using a Monthly Libor Market Model (LMM). The model is calibrated to price at the money swaption implied volatilities with greatest attention paid to options on 20-year swaps. The calibration of nominal interest rates to fit the market price of swaptions has assumed a gilts curve +10bp to derive the risk free rate. The gilt yield curves & swaption implied volatility data are tabulated below.

Government gilt yield+10 bps (%)

Term	GBP	EUR
2	4.46	4.20
3	4.60	4.32
4	4.66	4.44
5	4.69	4.54
6	4.69	4.62
7	4.68	4.69
8	4.66	4.74
9	4.63	4.78
10	4.59	4.81
20	4.12	4.85

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

Term	GBP		EUR	
	Market	Model	Market	Model
1	12.40	11.58	11.80	11.49
2	11.70	11.49	11.50	11.40
3	11.30	11.39	11.40	11.31
4	11.10	11.30	11.20	11.21
5	10.90	11.22	11.10	11.11
7	10.90	11.08	10.90	10.92
10	10.80	10.93	10.50	10.64
15	10.90	10.83	10.20	10.22
20	10.90	10.83	9.90	9.88
25	11.00	10.87	9.60	9.62
30	10.80	10.91	9.50	9.43

Expense inflation is modelled deterministically and currently set at 4.50% per annum.

A multi-factor model models equity and property returns. The fund holds no property and therefore property volatilities and yields are not relevant. The equity volatilities are calibrated to implied volatilities of traded option prices. The Monthly Time-step Local Volatility model is used for the UK and the Constant Volatility model is used for the EU. The approach is consistent with the rest of the Resolution group.

The fit of the asset model to the market data is as follows:

Local Volatility Equity Model – Only for GBP

Strike/Share	0.8		1		1.2	
Term (yrs)	Market	Model	Market	Model	Market	Model
3	26.16	25.04	22.5	22.34	19.73	20.17
5	25.95	25.09	23.56	23.3	21.2	21.95
10	27.14	26.12	25.48	25.19	24.01	24.41

Constant Volatility Equities Models – For EUR

Term (Yrs)	EUR Equities	
	Market	Model
2	21.70	27.50
5	24.80	27.40
10	27.30	27.30

The equity dividend yields are shown below:

Market	GBP	EUR
Dividend Yield	3.69%	3.28%

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

Spread (bps) of A-rated bond

Term (yrs)	GBP		EUR	
	Market	Model	Market	Model
1	115.05	60.05	69.40	39.93
2	107.41	76.34	67.77	50.59
3	102.61	88.70	69.77	59.63
4	100.78	97.88	73.38	67.17
5	104.71	104.48	81.25	73.29
10	109.64	116.51	84.17	89.52
15	109.90	116.03	89.87	94.58
20	117.93	113.07	90.61	96.01
25	122.53	109.77	109.10	96.02
30	129.91	106.63	116.85	95.36

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) UK FSA Asset Table

	K	0.75				1				1.5			
N	Duration (n)	5	15	25	35	5	15	25	35	5	15	25	35
R	Annualised compound equivalent of the risk free rate assumed for the period (r)	4.62%	4.65%	4.48%	4.30%	x	x	x	x	x	x	x	x
1	Risk-Free Zero Coupon Bond	£797,716	£505,912	£334,616	£228,980	x	x	x	x	x	x	x	x
2	FTSE All Share Index (p=1)	£98,863	£242,872	£332,188	£402,639	£211,494	£393,672	£506,850	£588,701	£564,884	£756,306	£898,103	£993,370
3	FTSE All Share Index (p=0.8)	£87,175	£192,416	£240,813	£272,598	£188,978	£315,337	£369,924	£401,453	£510,841	£612,241	£665,495	£684,360
4	Property (p=1)	£30,203	£102,550	£158,696	£220,732	£131,253	£234,612	£307,997	£384,426	£523,279	£603,623	£687,152	£771,759
5	Property (p=0.8)	£23,185	£65,994	£91,411	£119,146	£107,627	£162,704	£189,250	£219,740	£464,287	£452,234	£456,493	£473,328
6	15yr Risk-Free ZCBs (p=1)	£3,432	£6,991	£6,960	£10,940	£56,217	£60,777	£67,199	£106,740	£499,641	£500,046	£499,158	£520,169
7	15yr Risk-Free ZCBs (p=0.8)	£2,096	£2,674	£1,667	£1,368	£38,357	£22,231	£11,826	£10,713	£434,511	£312,526	£222,121	£191,454
8	15yr Corporate Bonds (p=1)	£6,401	£14,551	£22,889	£35,107	£68,918	£85,832	£101,245	£133,710	£498,692	£501,842	£500,164	£525,308
9	15yr Corporate Bonds (p=0.8)	£4,343	£6,068	£6,677	£8,243	£49,829	£38,919	£33,716	£34,725	£433,632	£317,810	£238,702	£211,574
10	Portfolio of 65% FTSE All Share and 35% property (p=1)	£51,455	£152,234	£222,456	£289,130	£153,249	£289,989	£378,700	£458,843	£526,608	£650,660	£752,329	£844,893
11	Portfolio of 65% FTSE All Share and 35% property (p=0.8)	£42,803	£110,059	£146,090	£176,882	£131,107	£216,559	£255,228	£288,079	£468,949	£504,758	£527,664	£548,518
12	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=1)	£46,967	£139,699	£202,920	£264,106	£144,293	£271,696	£352,781	£424,326	£519,441	£626,999	£721,891	£799,960
13	Portfolio of 65% equity and 35% 15 risk free zero coupon bonds (p=0.8)	£38,699	£99,376	£130,088	£158,175	£122,885	£201,520	£234,361	£263,105	£460,842	£480,172	£498,080	£510,220
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)	£18,478	£69,519	£111,495	£159,633	£100,776	£184,518	£241,674	£303,868	£503,989	£553,622	£608,213	£672,129
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)	£13,439	£41,484	£58,273	£77,485	£80,098	£120,136	£136,989	£158,795	£441,328	£397,603	£381,243	£385,618
16	Sterling Receiver Swaptions	L = 15				L = 20				L = 25			
		6.72%	7.31%	6.32%	4.90%	8.56%	9.13%	7.78%	6.00%	10.24%	10.68%	9.00%	6.92%

Notes to Table

The above table was based on 3000 scenarios and was produced using a similar model to that used for valuing the liabilities.

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

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

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

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

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

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

Tax has been ignored in all calculations.

All options have been assumed to be European-style.

(iv) The initial dividend yield assumed for the United Kingdom is 3.69%. The EU territories have initial dividend yields of 3.28%. Property rental yield is not applicable, as the With Profit Fund did not hold any property as at 31 December 2007.

(v) The following tables show entries (K=1 only) for the risk free rate, line 1 and 2 for economies where the With Profit Fund has significant asset exposure. They are denominated in the appropriate respective currency and based on 3000 scenarios.

EU FSA Asset Table (denominated in Euros)

Asset type (EU assets)		K= 1			
n	Duration	5	15	25	35
	Strike price per €1m	1,235,868	1,995,906	3,251,889	5,286,668
r	Annualised compound equivalent of the risk free rate	4.33%	4.72%	4.83%	4.87%
1	Risk-Free Zero Coupon Bond	236,119	404,292	505,290	590,848
2	ESTOXX (p=1)	211,251	317,472	355,389	378,164

(vi) SMA 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 (Yrs)	Options (£)		Swaptions (£)	
	Market	Model	Market	Model
0.5	4,552,855	5,882,664	107,090	46,213
1.5	15,221,959	18,167,197	575,245	350,247
2.5	14,316,958	16,491,868	782,689	566,079
3.5	4,808,857	5,402,372	820,461	646,237
4.5	5,960,978	6,616,718	1,316,852	1,081,750
5.5	7,918,986	8,697,862	1,305,290	1,118,723
6.5	9,337,089	10,179,361	1,057,509	928,729
7.5	10,570,237	11,282,231	1,538,389	1,343,260
8.5	12,000,296	12,696,216	3,695,286	3,250,530
9.5	12,083,424	12,652,698	4,052,683	3,633,543
10.5	11,536,292	12,098,440	3,452,333	3,098,697
11.5	12,267,111	12,842,759	4,061,965	3,720,048
12.5	10,620,646	11,023,523	3,429,494	3,202,616
13.5	11,718,801	12,064,830	3,748,612	3,518,939
14.5	9,811,893	10,044,588	3,101,259	2,907,675
15.5	5,440,638	5,533,698	2,006,123	1,912,969
16.5	4,809,476	4,878,893	2,471,369	2,396,070
17.5	7,363,108	7,424,169	2,930,464	2,846,504
18.5	10,140,214	10,174,027	3,338,128	3,269,968
19.5	22,035,289	22,083,385	13,001,580	12,865,672
Total	202,515,106	216,237,501	56,792,822	52,704,467

Note that the modelled results in the above table are produced using a gilts+10 based calibration. This is what has been used to value the liabilities. If a swaps based calibration is used (this is in line with how the market will actually price these contracts) the discrepancy between the market and modelled values is significantly smaller (0.01%).

(vii) The asset models of each main asset class have been validated by comparing the net present value of a forty 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 3000 scenarios, 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 is a martingale and risk neutral.

(viii) The projections of assets and liabilities are carried out on 3,000 scenarios. At 1,000 scenarios, the cost of options and guarantees converges to \pm £5.7M at a 95% confidence interval. When the number of scenarios is increased to 3,000, the cost of options and guarantees converges to \pm £3.2M.

(b) Market cost of hedging
Not applicable

(c) Deterministic approach
Not applicable

(5) It has been assumed that no management actions will be taken, except as discussed in Section 10 for the purpose of the RCM calculation.

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

Policy Year	1	2	3	4	5	6	7	8	9	10	11+
<u>Conventional WP Life Business</u>											
All	4	4	4	4	4	4	4	4	4	4	4
<u>Conventional WP Pensions Business</u>											
SE, IP, and MP Pensions	2	2	2	2	2	2	2	2	2	2	2
Group Full Profit Single Premium	10	10	10	10	10	10	10	10	10	10	10
<u>Unitised Life Business</u>											
ANL Low Cost Mortgage Endowment	11.5	11.5	10	10	10	10	10	10	10	10	10
ANL Low Start Mortgage Endowment	15	15	15	15	15	15	15	15	15	15	15
ANL WP Bond (MVA Free)	15	15	15	15	15	20	20	20	20	20	15
ANL WP Bond (No MVA Free)	35	35	35	35	35	35	35	35	35	35	15
SMA Select WP Bond	40	40	40	40	40	40	40	40	40	40	10
SMA WP Bond	35	35	35	35	35	35	35	35	35	35	15
SMA WP Investment Bond	25	25	25	25	25	30	25	25	25	25	15
SMI WP Investment Bond	10	10	10	10	10	10	10	10	10	10	10
<u>Unitised Pension Business</u>											
ANL Contracted Out Pension Plan	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
ANL Personal Pension Regular Premium	10	3	2	2	2	2	2	2	2	2	2
ANL Personal Pension Single Premium	4	4	4	4	4	4	4	4	4	4	4
EPP Single Premium	7.5	7.5	13	13	13	13	13	13	13	13	13
EPP Regular Premium	5	8	12	12	12	12	12	12	12	12	12
Group Pension Scheme Single Premium	10	10	12	12	12	12	12	12	12	12	12
Group Pension Scheme Regular Premium	5	5	10	10	10	10	10	10	10	10	10
Personal Pension Schemes	4	4	6	6	6	6	6	6	6	6	6
Personal Pension Single Premium	10	10	12	12	12	12	12	12	12	12	12
Personal Pensions Protected Rights Rebate	1	1	4	4	4	4	4	4	4	4	4

The rates of annuitant mortality assumed are age-dependant percentages of PMA92mc/ PFA92mc (with future improvement factors varying by age and calendar year).

The assumed take-up rates of guaranteed annuity options are discussed in section 6.7.

6.7. Other policyholder actions

SMA – GAO

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

Money-ness Upper limit (%)	Take-up Rate(%)
100	0
140	67
160	85
9999	95

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

SMA – GCO

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

Money-ness Upper limit (%)	Take-up Rate (%) IP Pensions	Take-up Rate (%) MP Pensions
60	5	5
90	10	30
100	25	30
9999	100	100

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

SMA – MVA-free options

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

Money-ness Upper limit (%)	Take-up Rate(%)
75	100
90	75
100	25
9999	0

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

7. Financing costs

Not Applicable

8. Other long-term insurance liabilities

The Discounted Value of Future Transfers to Shareholders is £10.2m

9. Realistic current liabilities

The realistic current liabilities (F19.51) can be analysed as follows:

Regulatory current liabilities of fund	28.53
Recoverable deferred tax asset	-5.97
Recoverable Tax on Excess E	-4.06
Total	18.49

10. Risk capital margin

(a) The risk capital margin is £23.07m.

This was based on the following assumptions.

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

UK and "Non-significant" Overseas Holdings	19.54%
Europe	19.65%
USA	18.28%

A fall in equity values was more onerous.

(Note that the With Profit Fund has not held any real estate since 31 December 2005.)

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

	Nominal Change in Yields	% Change in long term gilt yield
UK and "Non-significant" Overseas Holdings	0.7964%	17.50%
Europe	0.7916%	17.50%
USA	0.7802%	17.50%

A decrease in yields was the most onerous.

(iii) Credit Risk Scenario

The average change in spread for bonds is 0.42%.

The percentage change in the asset values is –

(a) Change in value of bonds	-3.31%
(b) Change in value of debts	immaterial
(c) Change in values of reinsurance	immaterial
(d) Change in value of finance agreements	nil
(e) Change in value of other assets	immaterial

(iv) Persistency Risk Scenario

Lapse rates are assumed to drop by 32.5%. This leads to a 1.44% (£77.8m) rise in the realistic value of liabilities.

(v) Correlation between values of Assets and Liabilities

Not Applicable

(b) Management Actions

(i) Management actions taken:

Due to the collateral promise on the UWP business (where the cost of CWP guarantees must not be borne by UWP policyholders), the management actions for UWP and CWP business needs to be set separately.

For the UWP business the deficit is zero before any management actions are taken.

The first action taken to mitigate the CWP deficit is to release the capital set aside for future asset share augmentations to CWP business, by setting the CWP “Planned enhancements to with-profits benefits reserve” (F19L34) to zero.

For the CWP business the additional action of applying a 5% cut to the asset shares is required to reduce the deficit further.

In accordance with an agreement with the FSA, the remaining deficit must be shared between shareholders and policyholders in the proportions 65% to shareholders and 35% to policyholders.

A further 35% reduction in the CWP deficit is achieved by an additional 2.1% cut to CWP asset shares.

No assumption changes have been made.

(ii) The impact of the management actions taken is to reduce the RCM by £84.47m.

For CWP business the deficit before management actions is £107.54m.

Setting the CWP “Planned enhancements to with-profits benefits reserve” (F19L34) to zero reduces the CWP deficit to £65.21m.

Applying a 5% cut to CWP asset shares reduces the CWP deficit to £35.50m.

Further management actions in the form of asset share cuts are allowed to reduce the deficit by £12.43m. This is achieved by an additional 2.1% cut to CWP asset shares.

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

(iv) The requirements of INSPRU 1.3.188R would be met if this management action had been integrated into the projection of assets and liabilities.

(c) Assets covering risk capital margin

(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

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

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

(iii) An amount of £5.97m in respect of deferred tax on anticipated recoverable investment losses has been used to reduce current liabilities.

12. Derivatives

The following structured derivative contracts are held within the With Profits fund at the valuation date to enable the fund to withstand the impact of adverse conditions, including in part Risk Capital Margin market stresses.

They are constructed from at-the-money vanilla OTC derivatives – equity put options, equity futures, interest rate swaps and interest rate swaptions – with outstanding terms ranging from 1 to 20 years

As at 31 December 2007 the total market price of these derivatives, on a bid basis, is £227 million. This is split as follows:

Type	GBP (£m)	EUR (£m)	Total (£m)
Swaps	-18	0	-18
Swaptions	51	2	52
Options	167	26	192
Futures	0	0	0
Total	199	27	227

13. Analysis of working capital

	Working capital arising (£m)
Opening Working Capital position (Including planned future enhancements)	62.9
(a) Investment return on the opening working capital	3.3
(b) Mismatched profits and losses	-24.5
(c) Assumption changes	
<i>Non-economic</i>	-71.3
<i>Economic</i>	-5.7
<i>Policyholder Actions</i>	0.0
(d) Other Variances	
<i>Non-economic</i>	54.0
<i>Economic</i>	-3.4
(e) Impact of new business	0.0
(f) Changes in other liabilities	-8.6
(g) Modelling changes and opening adjustments	140.3
Closing Working Capital position (Including planned future enhancements)	146.9

14. Optional disclosure

Not applicable

Returns under the Accounts and Statements Rules

Scottish Mutual Assurance Ltd

Financial year ended 31 December 2007

Notes to the Return

0301 Reconciliation of net admissible assets to total capital resources

	2007	2006
	£000	£000
Net admissible assets per FSA return		
Form 13 line 89 (Long term business)	8,609,752	10,359,049
Form 13 line 89 (Other than long term business)	193,966	574,685
Form 14 sum of lines 11,12,49	(7,708,468)	(9,585,566)
Form 15 line 69	(247,397)	(227,415)
Net admissible assets	<u>847,853</u>	<u>1,120,753</u>
Subordinated debt (Form 3 line 46)	200,000	200,000
Form 3 line 79	<u>1,047,853</u>	<u>1,320,753</u>

Form 15 line 63 recognises the amortised cost of the subordinated debt of £217,000k. For Upper Tier 2 Capital purposes the subordinated debt is recognised in Form 3 at its par value of £200,000k.

0310 Positive valuation differences

Net positive valuation differences are analysed below:

		2007	2006
		£000	£000
Positive valuation differences:			
Sterling reserves	(a)	28,288	43,158
Deferred income reserve	(b)	11,962	15,822
Adjustment to realistic liabilities in respect of FRS 27	(b)	542,511	479,305
Deferred tax liability on IFRS deferred acquisition cost asset	(b)	34,217	39,323
Deferred tax liability on project reserve	(b)	4,200	
Write down in value of subsidiary from net asset value to cost	(a)	54	
Negative valuation differences:			
Deferred tax asset on IFRS deferred income reserve liability	(c)/(e)	(3,182)	
Deferred tax asset on sterling reserves	(c)/(e)	(7,685)	
Project reserve	(d)	(15,000)	
		<u>595,365</u>	<u>577,608</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.

(e) Within 2006 comparatives the deferred tax asset on IFRS deferred income reserve liability of £5m and deferred tax asset on sterling reserves of £12m have been reported in Form 3 Line 73.

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

		£000
F3L12	Profit & loss account and other reserves as at 31/12/06	(60,453)
F16L59	Profit & loss retained for the financial year	45,767
	2007 movement in non profit reserves	<u>73,579</u>
F3L12	Profit & loss account and other reserves as at 31/12/07	<u>58,893</u>

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

The aggregate value of unlisted investments included in lines 41, 46 and 48 is £25,000 in the Other Business Sub Fund and nil in the With Profits Sub Fund.

Units or other beneficial interests in collective investment schemes which are not UCITS nor authorised under FSA 1996 are 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**

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

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

At 31 December 2007 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.

	Total £'000	LTBF £'000	SHF £'000
Resolution plc *			
Unsecured debt	1,398,744	8,744	1,390,000
	<u>1,398,744</u>	<u>8,744</u>	<u>1,390,000</u>

- Resolution plc is the Company's ultimate parent undertaking.

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

Form 13 line 44 includes a hedge asset of £226,649,000 held with Goldman Sachs, which is secured by a collateral loan of £242,995,000 (see note 1701 for details of how this variation margin has been invested).

***1318* Other Asset Adjustments**

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

	WPSF £000	OBSF £000	LTF £000	SHF £000
Form 13				
Line 101				
Net derivative asset offset with collateral loan	16,850	-	16,850	-
Product asset offset with product loan	-	1,560	1,560	-
Linked asset adjustments	-	(3,695)	(3,695)	-
Reclassification of tax creditor	-	(6,132)	(6,132)	(18,320)
Reconciliation of derivatives to Form 17	(21,912)	(5,899)	(27,811)	-
Reclassification of other debtors	(521)	(18,318)	(18,839)	-
	<u>(5,583)</u>	<u>(32,484)</u>	<u>(38,067)</u>	<u>(18,320)</u>

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

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

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

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

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 The Company is registered with HM Revenue and Customs as a member of a group for VAT purposes and as a result is jointly and severally liable on a continuing basis for

amounts owing by any other member of that group in respect of unpaid VAT. £3m was outstanding at 31 December 2007 in respect of VAT (2006: £3m).

- 2 The Company is required under the Financial Services Compensation Scheme to contribute towards levies raised by that scheme on long term insurance business companies for the purpose of assisting policyholders of UK long-term business insurers that may become insolvent. The amount collected may vary, but cannot exceed 0.8% of relevant net premium income, gross of reinsurance, in any one financial year of the scheme. The amount levied in the year was £0.3m (2006: £0.7m).
- 3 The Company provides a guarantee in respect of certain mortgage advances made by a related Company to employees of the Company.

***1405* Other Adjustments to Liabilities**

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

	WPSF £000	OBSF £000	LTF £000
Form 14			
Line 74			
Net derivative asset offset with collateral loan	16,850	-	16,850
Product asset offset with product loan	-	1,560	1,560
Negative sterling reserves	-	28,288	28,288
FRS 27 realistic liabilities	542,511	-	542,511
Deferred income reserve	-	11,962	11,962
Deferred tax	-	(6,668)	(6,668)
Linked asset adjustments	-	(3,695)	(3,695)
Reclassification of tax creditor	-	(6,132)	(6,132)
Reconciliation of derivatives to Form 17	(21,912)	(5,899)	(27,811)
Project reserve	-	(15,000)	(15,000)
Reclassification of other debtors	(521)	(18,318)	(18,839)
	536,928	(13,902)	523,026

***1507* Other Liability Adjustments**

Other liability adjustments on Form 15 line 83 comprise reclassification of tax debtor of £18,320k.

***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 £0.2m (2006: income of £29.7m). This figure relates to £0.1m of bank charges and a £0.1m provision in respect of an impaired asset.

In 2006 this figure related to the release of a general contingency provision set up in respect of potential legal costs.

***1701* Variation Margin**

The variation margin received has been invested as follows:

WPF	2007	2006
	£000	£000
Holdings in collective investment schemes (included in Form 13, Line 43)	242,995	473,203
	<hr/>	
OBF	2007	2006
	£000	£000
Holdings in collective investment schemes (included in Form 13, Line 43)	28,225	85,672
	<hr/>	

***1901* Capital support**

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

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

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

***4005* Foreign Currency Translation**

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

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

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

***4008* Management Services**

During the year, Management Services were provided to Scottish Mutual Assurance Ltd by Resolution Management Services Limited and Resolution Investment Services Limited.

Business administration services of £50 million (2006: £168 million) were recharged in the year from Resolution Management Services Limited. The 2007 recharge included a £17m credit as detailed below.

In 2006, Abbey National plc retained various pension schemes on acquisition of the Group by Resolution plc. Under the terms of the Sale and Purchase Agreement between Resolution plc and Abbey National plc, Resolution Group was required to make certain payments to those

pensions schemes. These costs were paid by Resolution Management Services Limited and £93m of these were recharged to the Company in 2006 along with other staff related costs. The 2007 recharge included a £17m credit in this regard following finalisation of these figures. As at 31 December 2007 £4 million (2006: £102 million) was outstanding.

Management charges from Resolution Investment Services Limited included in the operating results amounted to £7.4 million (2006: £1.3 million).

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

- a. Earned premiums include £525m outward reinsurance premiums to Phoenix Pensions Limited as a result of a new reinsurance treaty set up in 2007.
- b. Claim expense includes the following amounts in respect of net claims reassured from connected companies:

	2007	2006
	£m	£m
Phoenix Life Assurance Ltd (formerly Abbey National Life plc)	177	279
Scottish Mutual International Ltd	170	109

- c. Management Services were provided to Scottish Mutual Assurance Ltd throughout the year by Resolution Management Services Ltd and 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 2007, the company had entered into other connected party transactions with Resolution plc group companies – refer to note 1306. Resolution plc is the Company’s ultimate parent.
- e. At 31 December 2007 £1,139 million (2006: £2,428 million) was invested in unit trusts or Open-ended Investment Companies managed by subsidiaries of Abbey National plc.
- f. At 31 December 2007 £6,634 million (2006: £7,534 million) was invested in unit trusts or Open-ended Investment Companies managed by subsidiaries of Resolution plc.
- g. At 31 December 2007, the Company had entered into OTC derivative contracts with nominal values totalling £6.9bn with Goldman Sachs and Barclays Capital (2006: £3.3bn with Abbey National Treasury Services plc), to provide financial protection against a range of embedded policy guarantees. The contracts take the form of a number of derivatives, specified to capture the material elements of the economic exposure of the with profit fund to costs of guarantees attributable to equity returns, interest rate movements and foreign exchange rate movements. The terms of the derivatives have been determined to match as closely as possible central expectations regarding asset management, management actions and customer choices.

The derivative types, and range of maturity dates and strike levels are set out below.

Option guarantee type	Derivative type	Maturity date range
Maturity guarantees on conventional with profit (CWP) policies and Market Value Adjustment (MVA) free guarantees on unitised with profit (UWP) policies	European equity put	June 2008 – June 2027
	Interest rate swaps	June 2008 – June 2047
	Interest rate swaptions	June 2008 – June 2047
	Equity futures	Rolled every 3 months
CWP pensions maturity guarantees with guaranteed annuity options	European equity put	June 2008 – June 2027
	Interest rate swaps	June 2008 – June 2047
	Interest rate swaptions	June 2008 – June 2047
	Equity futures	Rolled every 3 months

CWP deferred annuity contracts without guaranteed commutation options	European equity put	June 2008 – June 2027
	Interest rate swaps	June 2008 – June 2047
	Interest rate swaptions	June 2008 – June 2047
	Equity futures	Rolled every 3 months

The premium payable by the Group for the purchase of these derivatives was £223m. As at 31 December 2007, there was an unrealised loss of £4m on the derivatives held (2006: unrealised loss of £244m).

- h. As security for the maturity proceeds of these derivatives, Goldman Sachs lent the Group sums amounting to £243m (2006: Abbey National Treasury Services plc lent the Group sums amounting to £473m). Such liabilities are included in rights under derivative contracts, which is included at Form 13 line 44.
- i. The Company has issued index-linked contracts, the benefits of which are backed by derivative contracts issued by Abbey National Treasury Services. The value of such contracts at 31 December 2007 was £4.3 million (2006: £4.4 million), against which margin monies of £4.3 million (2006: £5.1 million) had been received from Abbey National Treasury Services.

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.

2007		WPSF £000	OBSF £000	Total £000
Form 42				
Line 13	With Profit Unit Transfers	778,759	(778,759)	-
		778,759	(778,759)	-
<hr/>				
2006		WPSF £000	OBSF £000	Total £000
Form 42				
Line 13	With Profit Expenses	34,696	(34,696)	-
	With Profit Unit Transfers	1,082,138	(1,082,138)	-
		1,116,834	(1,116,834)	

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.

4404 Surplus units

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

4502 Other expenditure

Included at Form 45 line 26 is other expenditure of £240k (2006: nil) which relates to bank charges.

***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 & Poors and Moodys.

***5201* Number of Group Schemes**

There are 121 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 1020 group schemes with no record of details at member level. These all have product code 755 and description 'Trustee Investment Plan'.

***5701* Consistency of liabilities with Form 50**

Negative mathematical reserves from products in the following 3 product groupings:

UK Life OBSF Form 51, Assurances, 3.35
UK Life OBSF Form 51, Assurances, 4.15
UK Pension OBSF Form 52, 53 & 54 Sterling Reserves

have been used to offset positive liabilities of products in all other product groupings:

UK Pension OBSF Form 51, Deferred Annuity, 4.15
UK Life OBSF Form 52, 53 & 54 Sterling Reserves
UK Life OBSF Form 51, Additional Reserves, 0
UK Life BSF Form 51, Assurances, 0
UK Pension OBSF Form 51, Additional Reserves, 0

The total negative liability is £202m.

Returns under the Accounts and Statements Rules

Statement required by Rule 9.29

Scottish Mutual Assurance Ltd

Financial Year ended 31 December 2007

Additional information on derivative contracts

- a The investment guidelines operated by the Company during the period up to 31 December 2007 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 Life Division North Delegated Authorities.

The use of derivatives was further restricted by the variety of regulations laid down for the use of derivatives in life assurance companies – in particular the rules and guidance set out in 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 Life Division North 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 2007 that was not expected, at the time when the contract was entered into, to be reasonably likely to be exercised.
- d The extent to which any of the amounts recorded on Form 13 would be changed if assets which the Company had a right or obligation to acquire or dispose of under derivative contracts outstanding at the end of the financial year (being, in the case of options, only those options which it would have been prudent to assume would be exercised) had been so acquired or disposed of (including collateral):

With Profits Sub-fund		£000
Form 13 line 81	Cash at bank	228,264
Form 13 line 44	Rights under derivative contracts	16,353
Form 13 line 43	Collective investment schemes	(244,617)

Other Business Sub-fund		£000
Form 13 line 81	Cash at bank	28,637
Form 13 line 44	Rights under derivative contracts	(412)
Form 13 line 43	Collective investment schemes	(28,225)

- e If such options as were outstanding at 31 December 2007 had been exercised to change the amounts shown in Form 13 to the maximum extent there would be an additional net effect of (£1,177,000).
- f There was no material difference between the positions at the year end and that during the financial year.
- g No loss would have been incurred by the Company in the event of failure by any one other person to fulfil its obligations under derivative contracts outstanding at the year-end. At other times during the relevant period there may have been a loss but at any time the possible losses are included within the overall monitoring of counterparty exposure and subject to strict internal guidelines. Collateralisation also limits overall exposure.
- h Transactions which would require significant provision under INSPRU 3.2.17R or which do not fall within the definition of a permitted derivative contract under the permitted links rules are not undertaken.
- i The Company did not grant any rights under derivative contracts during the year.

Returns under the Accounts and Statements Rules

Statement of additional information on controllers required by rule 9.30

Scottish Mutual Assurance Limited

Financial year ended 31 December 2007

(1) The persons who, to the knowledge of the Company, were controllers at any time during the financial year were:

- (a) Resolution Life Limited;
- (b) Resolution Life Group Limited (ceased to be controller on 17 May 2007);
- (c) Resolution Plc;
- (d) Pearl Assurance plc;
- (e) Pearl Group Limited;
- (f) Sun Capital Investments Limited;
- (g) Hera Investments One Limited;
- (h) Xercise Limited;
- (i) Jambright Limited;
- (j) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas;
- (k) TDR Capital Nominees Limited; and
- (l) TDR Capital LLP.

(2) The persons who, to the knowledge of the Company, were controllers at the end of the financial year were:

(a) Resolution Life Limited

Resolution Life Limited owned 100% of the ordinary share capital of Scottish Mutual Assurance Limited, and was able to exercise 100% of the voting power at any general meeting.

(b) Resolution plc

Resolution plc owned 100% of the ordinary shares of Resolution Life 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 Assurance plc

Pearl Assurance plc owned 20.13% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking, and was able to exercise 20.13% of the voting power at any general meeting.

(d) Pearl Group Limited

Pearl Group Limited owned 100% of the ordinary share capital of Pearl Assurance plc and 5.79% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking, and was able to exercise 25.92% of the voting power at any general meeting.

(e) Sun Capital Investments Limited

Sun Capital Investments Limited owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% 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 2007

(Controllers at the end of the financial year - continued)

(f) Hera Investments One Limited

Hera Investments One Limited owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(g) Xercise Limited

Sun Capital Investments Limited, which is an associate of Xercise Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(h) Jambright Limited

Hera Investments One Limited which is an associate of Jambright Limited within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, owned 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(i) Hugh Osmond, Alan McIntosh, Matthew Allen, Edward Spencer-Churchill, Marc Jonas

Hugh Osmond, Alan McIntosh and Matthew Allen, together with Edward Spencer-Churchill and Marc Jonas, who were associates of Hugh Osmond and Alan McIntosh within the meaning of section 422 of the Financial Services and Markets Act 2000 by virtue of being partners, jointly owned 79.2% of the ordinary shares of Xercise Limited and were able to exercise 79.2% of the voting power at any general meeting. Sun Capital Investments Limited is a subsidiary undertaking of Xercise Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(j) TDR Capital Nominees Limited

TDR Capital Nominees Limited acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary

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 2007

(Controllers at the end of the financial year – continued)

share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

(k) TDR Capital LLP

TDR Capital Nominees Limited, which is an associate of TDR Capital LLP within the meaning of the Financial Services and Markets Act 2000 by virtue of being a subsidiary undertaking, acted as nominee for the TDR funds, which own 89.4% of the ordinary shares of Jambright Limited and were able to exercise 89.4% of the voting power at any general meeting. Hera Investments One Limited is a subsidiary undertaking of Jambright Limited and owns 50% of the ordinary shares of Pearl Group Limited, (who with Pearl Assurance plc, its 100% owned subsidiary), owned 25.92% of the ordinary share capital of Resolution plc, a company of which Scottish Mutual Assurance Limited is a subsidiary undertaking and was able to exercise 12.96% of the voting power at any general meeting.

Returns under the Accounts and Statement Rules

Statement required by Rule 9.36

Scottish Mutual Assurance Limited

Financial year ended 31 December 2007

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 2007:

- a Mr G Ross held 3,000 shares in Resolution plc as at 31 December 2007:
Mr G Ross's spouse held 30,981 shares in Resolution plc as at 31 December 2007.

- b Aggregate fees and remuneration received by Mr G Ross from Resolution Management Services Limited were £259,534.

- c Other pecuniary benefits:

Mr G Ross is in receipt of a pension from a 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 2007

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, save as disclosed on the attached note to the certificate, 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), GENPRU and INSPRU; 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.

Graham Singleton
Managing Director

Stephen McGee
Director

Kerr Luscombe
Director

March 2008

Note to the certificate required by Rule 9.34(1)

Transfer of asset management

In Q1 2007, there was a transfer of certain assets together with accompanying investment accounting processes from Santander Asset Management to Resolution Asset Management (RAM). Following these transfers, there were issues with the transfer of the accounting records which gave rise to reconciliation differences for a period in 2007.

These reconciliation differences have now been fully investigated and resolved and there is no continuing issue. Detailed investigations confirm there are no assets missing and the reconciliation differences have not given rise to any TCF concerns or issues with unit pricing.

RAM has conducted a very detailed project to identify and investigate the material issues giving rise to the accounting take-on reconciliation differences. The investigation and resolution process was wide-ranging and for some funds included recreation of the accounting records for the entire period in validating and reconciling the final take-on position.

Principles and Practices of Financial Management

We have omitted part of standard wording of the certificate as we are unable to certify that the with profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3 due to:

a small number of mostly technical breaches, which are not material. 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 2007

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, 56, 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 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 rule 9.35 of IPRU(INS). 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. 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 27 March 2008. 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

Registered Auditor

Glasgow

27 March 2008