

**SCOTTISH AMICABLE LIFE PLC**

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

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

# SCOTTISH AMICABLE LIFE PLC

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**SCOTTISH AMICABLE LIFE PLC**

**DIRECTORS**

D J Belsham  
K Nunn

**SECRETARY**

Prudential Group Secretarial Services Limited

**AUDITOR**

KPMG Audit Plc, London

# SCOTTISH AMICABLE LIFE PLC

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

### Principal activity and business review

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

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

### Post balance sheet events

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

### Accounts

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

### Dividend

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

### Directors

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

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

### Directors' interests

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

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

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

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

# SCOTTISH AMICABLE LIFE PLC

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

### Directors' interests - continued

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

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

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

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

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

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

### Risks & Uncertainties

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

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

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

# SCOTTISH AMICABLE LIFE PLC

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

### Corporate Responsibility

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

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

### Disclosure of information to auditor

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

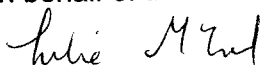
### Auditor

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

### Qualifying third party indemnities

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

On behalf of the Board of Directors



On behalf of Prudential Group Secretarial Services Ltd  
Company Secretary  
22<sup>nd</sup> March 2007

## SCOTTISH AMICABLE LIFE PLC

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

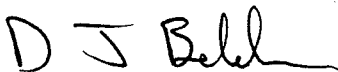
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Director

22<sup>nd</sup> March 2007

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

**FOR THE YEAR ENDED 31 DECEMBER 2006**

We have audited the financial statements of Scottish Amicable Life Plc for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

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

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

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

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

**Reconciliation of movements in shareholders' funds**

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

**SCOTTISH AMICABLE LIFE PLC**

**BALANCE SHEET  
AS AT 31 DECEMBER 2006**

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

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



Director

# SCOTTISH AMICABLE LIFE PLC

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### Change in Accounting Policies

##### FRS 25 "Financial instruments: disclosures and presentation"

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

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

##### FRS 26 "Financial instruments: measurement"

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

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

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

##### Long-term business

Scottish Amicable Life Plc has no long-term business.

##### Financial Investments

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

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

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

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

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

# SCOTTISH AMICABLE LIFE PLC

## NOTES TO THE ACCOUNTS (continued)

### **Basis of preparation of accounts**

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

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

### **Investment**

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

### **Taxation**

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

### **Cash flow statement**

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

