

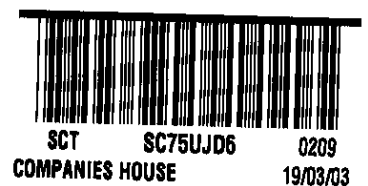
SA 59

Scottish Widows' Fund and Life Assurance Society

**Annual FSA Insurance Returns for the year ended
31st December 2002**



(Appendices 1 , 3 , 4 , 6)



Statement of solvency

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2002**

R9	Z2	GL	Period ended			Units
			day	month	year	
			31	12	2002	£000
		As at the end of this financial year	As at the end of the previous year		Source	
		1	2		Form	Line
						Column

GENERAL INSURANCE BUSINESS**Available assets**

Other than long term insurance business assets allocated towards general insurance business required minimum margin	11			See instructions 1 and 2
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Required minimum margin

Required minimum margin for general insurance business	12			12	49
Excess (deficiency) of available assets over the required minimum margin (11-12)	13				

LONG TERM INSURANCE BUSINESS**Available assets**

Long term insurance business admissible assets	21	487	491	10	11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22			See instructions 1 and 3	
Total mathematical reserves (after distribution of surplus)	23			See instruction 4	
Other insurance and non-insurance liabilities	24			See instruction 5	
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	487	491		

Implicit Items admitted under Rule 2.10(5) as modified

Future profits	31				
Zillmerising	32				
Hidden reserves	33				

Total of available assets and implicit items (25+31+32+33)	34	487	491		
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Required minimum margin

Required minimum margin for long term insurance business	41			60	69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	380	373		
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	107	118		
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	487	491		

CONTINGENT LIABILITIES

Quantifiable contingent liabilities in respect of other than long term insurance business as shown in a supplementary note to Form 15	51			See instruction 6	
Quantifiable contingent liabilities in respect of long term insurance business as shown in a supplementary note to Form 14	52			See instruction 6	

Name of company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Covering sheet to Form 9

.....
M D Ross
Director

.....
W H Main
Director

.....
C M Herd
Secretary

Statement of net assetsName of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2002**

	R10	Z2	GL	Period ended			Units
				day	month	year	
				31	12	2002	£000
		As at the end of this financial year 1	As at the end of the previous year 2	Source			
				Form	Line	Column	
Long term insurance business - admissible assets	11	487	491	13	89	1	
Long term insurance business - liabilities and margins	12	487	491	14	59	1	

Other than Long term insurance business - admissible assets	21			13	89	1	
Other than Long term insurance business - liabilities	22			15	69	1	
Net admissible assets (21-22)	23						
Other assets allowed to be taken into account in covering the required minimum margin	Unpaid amounts (including share premium) on partly paid shares	24					
	Supplementary contributions for a mutual carrying on general insurance business	25					
Liabilities allowed to be left out of account in covering the required minimum margin	Subordinated loan capital	26					
	Cumulative preference share capital	27					
Available assets (23 to 27)	29						

Represented by:

Paid up share capital (other than cumulative preference share capital)	51						
Amounts included in lines 24 to 27 above	52						
Amounts representing the balance of net assets	56						
Total (51 to 56) and equal to line 29 above	59						

Movement of balance of net assets for solvency purposes - as per line 56

Balance brought forward at the beginning of the financial year	61			10	56	2	
Retained profit/(loss) for the financial year	62			16	59	1	
Movement in asset valuation differences	63			See instruction 2			
Decrease/(increase) in the provision for adverse changes	64			See instruction 3			
Other movements (particulars to be specified by way of supplementary note)	65						
Balance carried forward at the end of the financial year (61 to 65)	69						

Analysis of admissible assets

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	Z2	GL	31	12	2002	£000	10
						day	month	year		
Investments							As at the end of this financial year 1		As at the end of the previous year 2	
Land and buildings							11			
Investments in group undertakings and participating interests	UK insurance business dependants	Shares				21				
		Debt securities issued by, and loans to, dependants				22				
	Other insurance dependants	Shares				23				
		Debt securities issued by, and loans to, dependants				24				
	Non-insurance dependants	Shares				25				
		Debt securities issued by, and loans to, dependants				26				
	Other group undertakings and participating interests	Shares				27				
		Debt securities issued by, and loans to, group undertakings				28				
		Participating interests				29				
		Debt securities issued by, and loans to, undertakings in which the insurer has a participating interest				30				
Total sheet 1 (11 to 30)							39			

Analysis of admissible assetsName of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	Z2	GL	31	12	2002	£000	10
Investments (continued)					As at the end of this financial year 1		As at the end of the previous year 2		
Deposits with ceding undertakings									
Assets held to cover linked liabilities									
Other financial investments	Equity shares			41					
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43					
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	487		491		
			Other	46					
		Variable interest	Approved securities	47					
			Other	48					
	Participation in investment pools			49					
	Loans secured by mortgages			50					
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		51					
		Loans secured by policies of insurance issued by the company		52					
		Other		53					
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54					
		Withdrawal subject to a time restriction of more than one month		55					
	Other			56					
Deposits with ceding undertakings			57						
Assets held to match linked liabilities	Index linked		58						
	Property linked		59						
Reinsurers' share of technical provisions	Provision for unearned premiums		60						
	Claims outstanding		61						
	Provision for unexpired risks		62						
	Other		63						
Total sheet 2 (41 to 63)			69	487		491			

Analysis of admissible assetsName of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	Z2	GL	31 day	12 month	2002 year	£000	10
Debtors					As at the end of this financial year 1		As at the end of the previous year 2		
Other assets									
Debtors arising out of direct insurance operations	Policyholders			71					
	Intermediaries			72					
Salvage and subrogation recoveries				73					
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business accepted			74					
	Due from reinsurers and intermediaries under reinsurance contracts ceded			75					
Other debtors	Due from dependants	Due in 12 months or less after the end of the financial year		76					
		Due more than 12 months after the end of the financial year		77					
	Other	Due in 12 months or less after the end of the financial year		78					
		Due more than 12 months after the end of the financial year		79					
Tangible assets				80					
Cash at bank and in hand	Deposits not subject to time restriction on withdrawal, with approved credit institutions and approved financial institutions and local authorities			81					
	Cash in hand			82					
Other assets (particulars to be specified by way of supplementary note)				83					
Prepayments and accrued income	Accrued interest and rent			84					
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86					
Deductions (under rules 4.14(2)(b) and 4.14(3)) from the aggregate value of assets				87					
Total sheet 3 (71 to 86 less 87)				88					
Grand total of admissible assets (39+69+88)				89	487		491		
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)				91	487		491		
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92					
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				93					
Other differences in the valuation of assets (other than for assets not valued above)				94					
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95					
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99	487		491		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100					

Long term insurance business liabilities and margins

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Financial year ended **31st December 2002**Category of assets **Total long term business assets**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	Z2	GL	31 day	12 month	2002 year	£000	10
					As at the end of this financial year 1	As at the end of the previous year 2		Source	
Mathematical reserves, after distribution of surplus		11						See Instruction 2	
Cash bonuses which had not been paid to policyholders prior to end of the financial year		12						See Instruction 3	
Balance of surplus/(valuation deficit)		13		487		491		See Instruction 4	
Long term insurance business fund carried forward (11 to 13)		14		487		491		See Instruction 5	
Claims outstanding which had fallen due for payment before the end of the financial year	Gross amount	15							
	Reinsurers' share	16							
	Net (15-16)	17							
Provisions for other risks and charges	Taxation	21							
	Other	22							
Deposits received from reinsurers		23							
Creditors and other liabilities	Arising out of insurance operations	Direct insurance business	31						
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36						
	Other creditors	Taxation	37						
		Other	38						
Accruals and deferred income		39							
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49							
Excess of the value of net admissible assets		51						See Instruction 6	
Total liabilities and margins		59		487		491			
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							
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63						See Instruction 7	

Analysis of derivative contractsName of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Insurance Business **Long term**Financial year ended **31st December 2002**Category of assets **Total long term business assets**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R17	Z2	GL	31	12	2002	£000	10
			day			month	year			
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								
Contracts for differences	Fixed-interest securities	31								
	Equity shares	32								
	Land	33								
	Currencies	34								
	Other	35								
Adjustments for variation margin		41								
Total (11 to 41)		49								

Long term insurance business : Revenue accountName of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Ordinary Long Term 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	Z2	GL	31	12	2002	£000	OB	1	0
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11			
Investment income receivable before deduction of tax							12			
Increase (decrease) in the value of non-linked assets brought into account							13	(4)	(9)	
Increase (decrease) in the value of linked assets							14			
Other income							15			
Total income (11 to 15)							19	(4)	(9)	
Claims incurred							21			
Expenses payable							22			
Interest payable before deduction of tax							23			
Taxation							24			
Other expenditure							25			
Transfer to (from) non technical account							26			
Total expenditure (21 to 26)							29			
Increase (decrease) in fund in financial year (19-29)							39	(4)	(9)	
Fund brought forward							49	491	500	
Fund carried forward (39+49)							59	487	491	

Long term insurance business : Analysis of premiums and expenses

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Ordinary Long Term 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	Z2	GL	31	12	2002	£000	OB	1	0
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2)		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium		11							
		Regular premium		12							
	Pension business contracts	Single premium		13							
		Regular premium		14							
	Permanent health contracts	Single premium		15							
		Regular premium		16							
	Other contracts	Single premium		17							
		Regular premium		18							
	Total premiums	Single premium		19							
		Regular premium		29							
	Total premiums at lines 19 and 29 attributable to	UK contracts		31							
		Overseas contracts		32							
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41							
	Other commission payable			42							
	Management expenses in connection with acquisition of business			43							
	Management expenses in connection with maintenance of business			44							
	Other management expenses			45							
	Total expenses (41 to 45)			49							
		Total expenses at line 49 attributable to	UK contracts		51						
			Overseas contracts		52						

Long term insurance business : Required minimum margin

Name of insurer **Scottish Widows' Fund and Life Assurance Society**

Global business

Company
registration
number

GL/UK/CM

Period ended
day month year

Units

Financial year ended **31st December 2002**

Class		Classes I, II & IX		Class III business with relevant factor of				Class IV and VI		Classes VII and VIII business with relevant factor of				Unallocated additional mathematical reserves with relevant factor of		Total for all classes	
Relevant factor (Instruction 1)		4%	1%	4%	1%	Nil	Total	4%	6	4%	7	1%	8	Nil	Total	The financial year	The previous year
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	13	14
Mathematical reserves before deduction of reinsurance	Reserves before distribution of surplus																
	Reserves for bonus allocated to policyholders																
	Reserves after distribution of surplus																
	Reserves before distribution of surplus																
Mathematical reserves after deduction of reinsurance	Reserves for bonus allocated to policyholders																
	Reserves after distribution of surplus																
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)																	
Required margin of solvency: first result = (line 13) * (line 17): relevant factor																	
Non negative capital at risk before reinsurance (see Instruction 3)	Temporary assurances with required margin of solvency of 0.1%																
	Temporary assurances with required margin of solvency of 0.15%																
	All other assurances with required margin of solvency of 0.3%																
Total (21 to 23)																	
Non negative capital at risk after reinsurance (all contracts) (see Instruction 3)																	
Ratio of line 31 to line 29, or 0.50 if greater																	
Required margin of solvency - second result (see Instruction 4)																	
Sum of first and second results (19+39)																	
Required margin of solvency for supplementary Accident & Sickness Insurance & Class V business																	
Total required margin of solvency for long term insurance business (49+51)																	
Minimum guarantee fund																380	373
Required minimum margin (greater of lines 59 and 61)																380	373

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE SOCIETY

SCHEDULE 4

ABSTRACT OF VALUATION REPORT PREPARED BY THE APPOINTED ACTUARY

- 1** The investigation relates to 31 December 2002.
- 2** The previous investigation under rule 9.4 of the Interim Prudential Sourcebook for Insurers (IPRU(INS)) related to 31 December 2001.
- 3-22** The Company had no long term insurance business liabilities throughout the year.

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Supplementary Notes to Schedules 1 and 3

1001 Reconciliation of Form 13 Line 99 to draft Companies Act accounts

	2002
	£000
Line 99 on Form 13	<u>487</u>
Total Assets in accordance with draft Companies Act accounts	<u>487</u>

1308 Classification of investments – long term business

No investments are held within the specified categories.

1309 Value of hybrid securities

No hybrid securities are held.

1310 Offsetting – long term business

There has not been any offsetting of amounts in Form 13.

1311 Counterparty limits

Not applicable.

1312 Exposure to large counterparties

Not applicable.

1313 Secured obligations

Not applicable.

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Supplementary Notes to Schedules 1 and 3

1316 Tangible leased assets

Not applicable.

1317 Other assets – face of the form

Not applicable.

1318 Waiver under section 148 of Financial Services and Markets Act 2000

The Financial Services Authority, on the application of the firm, issued to the firm on 4 November 2002 a direction under section 148 of the Financial Services and Markets Act 2000. The effect of the direction was to modify the provisions of IPRU (INS) Chapter 9, so that the firm may deposit abbreviated returns.

1401 Provision for adverse changes

No provision has been made for adverse changes.

1402 Other liabilities

- (a) No charge has been made on the assets of the company to secure the liabilities of any other person.
- (b) No provision has been made for capital gains tax.
- (c) There are no contingent liabilities.
- (d) The company has given no guarantees, indemnities or contractual commitments in respect of related companies.
- (e) There are no other fundamental uncertainties.

4001 Brought forward amounts

There is no difference between the fund brought forward this year and that carried forward last year.

4002 Other income and expenditure

Not applicable.

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Supplementary Notes to Schedules 1 and 3

4003 Allocation of investment income

This note is not applicable as the Company does not have a non technical account.

4004 Transfer of reserves

Not applicable.

4005 Basis of translation of foreign currency

There are no revenue transactions denominated in a foreign currency.

4006 Basis of apportionment between long term funds

Not applicable.

4008 Management services

Arrangements are in force under which Scottish Widows Investment Partnership Limited provides investment management services to the Company and under which Scottish Widows Services Limited provides management and administration services to the Company.

4009 Material connected-party transactions

All investment income is passed to the Company's immediate parent undertaking, Scottish Widows plc.

Returns under the Accounts and Statements Rules

**Statement required by Rule 9.29 of the Interim Prudential Sourcebook for Insurers:
Additional Information on Derivative Contracts**

Scottish Widows' Fund and Life Assurance Society

Financial year ended 31 December 2002

It is Company policy to avoid the use of derivatives. No derivatives were held during the financial year.

Returns under the Accounts and Statements Rules

Statement required by Rule 9.30 of the Interim Prudential Sourcebook for Insurers: Additional Information on Shareholder Controllers

Scottish Widows' Fund and Life Assurance Society

Financial year ended 31st December 2002

The immediate shareholder controller of the Company during the financial year was Scottish Widows plc.

Scottish Widows plc is a wholly owned and controlled subsidiary of Scottish Widows Financial Services Holdings.

Scottish Widows Financial Services Holdings is a wholly owned and controlled subsidiary of Scottish Widows Group Limited.

Scottish Widows Group Limited is a wholly owned and controlled subsidiary of Lloyds TSB Bank plc.

Lloyds TSB Bank plc is a wholly owned and controlled subsidiary of Lloyds TSB Group plc, which was the ultimate shareholder controller of the Company during the financial year.

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Certificate by the Appointed Actuary

I certify:

- (a) that the Company had no long-term insurance business liabilities throughout the year;
and

- (b) that the Company held sufficient admissible assets to cover its required minimum
solvency margin of £380,000 at the end of the financial year.

.....
A M Eastwood
Appointed Actuary

11 March 2003

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Directors' Certificate required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

We certify that in our opinion:

- 1 (a) in relation to the part of the return comprising Forms 9, 10, 13, 14, 17, 40 and 41 (including the supplementary notes) and the statements required by rules 9.29 and 9.30 of the Interim Prudential Sourcebook for Insurers ("the Rules") that:
 - (i) the return has been prepared in accordance with the Accounts and Statements Rules,
 - (ii) proper accounting records have been maintained and adequate information has been obtained by Scottish Widows' Fund and Life Assurance Society ("the Company"); and
 - (iii) an appropriate system of control has been established and maintained by the Company over its transactions and records;
- (b) in respect of the Company's business which is not excluded by rule 7.6, the assets held throughout the financial year in question enabled the Company to comply with rules 7.1 to 7.5 (matching and localisation);
- (c) reasonable enquiries have been made by the Company for the purpose of identifying material connected-party transactions;
- 2 the Company has maintained the required margin of solvency throughout the financial year in question;
- 3 (a) any amount payable from or receivable by the long-term insurance business fund or funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purposes of rule 3.4, is connected with it or is a subsidiary undertaking of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to that fund or those funds, and any exchange of assets representing such fund or funds for other assets of the Company has been made at fair market value;
- (b) all guarantees given by the Company of the performance by a related company which would fall to be met by any long-term insurance business fund have been disclosed in the return, and that the fund or funds on which each such guarantee would fall has been identified in the return;

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Directors' Certificate required by IPRU (INS) 9.34(a) and IPRU (INS) Appendix 9.6

- (c) the return in respect of long-term insurance business is not distorted by agreements between the companies concerned or by any arrangements which could affect the apportionment of expenses and income; and
- (d) the Company has fully complied with the requirement of rule 3.5;

4 We are satisfied that:

- (a) systems and controls established and maintained by the Company in respect of its business complied, at the end of the financial year in question, and it is reasonable to believe that those systems and controls continued to so comply subsequently and will continue to so comply in the future, with the following relevant guidance:
 - (i) Prudential Guidance Note P1 "Systems and controls over the investments (and counterparty exposure) of insurers with particular reference to the use of derivatives"; and
 - (ii) Money Laundering - Guidance Notes for Insurance and Retail Products (revised June 1997) issued by the Joint Money Laundering Steering Group
- (b) the return has been prepared in accordance with:
 - (i) Prudential Guidance Note 4.1 "Guidance for insurers and auditors on the Valuation of Assets Rules";
 - (ii) Prudential Guidance Note 4.2 "Use of derivative contracts in insurance funds"; and
 - (iii) Prudential Guidance Note 9.1 "Preparation of annual returns".

.....
M D Ross
Director

.....
W H Main
Director

.....
C M Herd
Secretary

11 March 2003

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Report of the auditors to the directors pursuant to IPRU (INS) 9.35

We have examined the following documents prepared by Scottish Widows' Fund and Life Assurance Society ("the Company") pursuant to the Accounts and Statements Rules set out in part I, chapter 9 to the Interim Prudential Sourcebook for Insurers ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000 ("FSMA").

- Forms 9, 10, 13, 14, 17, 40 and 41 (including the supplementary notes thereto) ("the Forms");
- the statement required by rule 9.29 on page 16 ("the Statement"); and
- the certificate signed in accordance with rule 9.34(a) on pages 19 to 20 ("the Certificate").

In the case of the Certificate, our examination did not extend to:

- (a) paragraph 1(a) in relation to the statement required by rule 9.30 concerning shareholder controllers;
- (b) paragraph 4(a) in so far as it relates to controls with respect to Money Laundering.

Respective responsibilities of the company and its auditors

The Company is responsible for the preparation of an annual return (including the Forms, Statement and Certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver granted under section 148 of FSMA on 4 November 2002. Under rule 9.11 the Forms and Statement are required to be prepared in the manner set out in the Account and Statement Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms and Statement meet these requirements, and in the case of the Certificate whether it was or was not unreasonable for the persons giving the Certificate to have made the statements therein, and to report our opinions to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance. This report has been prepared for the Directors of the Company to comply with their obligations under rule 9.35 and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Bases of opinions

We conducted our work in accordance with Practice Note 20 "The audit of insurers in the United Kingdom" 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 and Statement.

Name of Company Scottish Widows' Fund and Life Assurance Society

Global business

Financial year ended 31 December 2002

Report of the auditors to the directors pursuant to IPRU (INS) 9.35

The evidence included that previously obtained by us relating to the audit of the financial statements of the Company for the financial year on which we reported on 11 March 2003. It also included an assessment of the significant estimates and judgements made by the Company in the preparation of the Forms and Statement.

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 and Statement are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with rule 9.11.

In the case of the Certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

In giving our opinion we have relied on:

- the certificate of the actuary on page 18 with respect to the required minimum margin for long-term insurance business.

Opinions

In our opinion:

- (a) the Forms and Statement fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules; and
- (b) according to the information and explanations received by us:
 - (i) the Certificate has been properly prepared in accordance with the provisions of the Rules; and
 - (ii) it was not unreasonable for the persons giving the Certificate to have made the statements therein.

PricewaterhouseCoopers LLP
Edinburgh
Chartered Accountants and Registered Auditors
11 March 2003