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Scottish Widows plc

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COMPANIES HOUSE

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



(Appendices 1 , 3 , 4 , 6 , 7)

Scottish Widows plc

Year ended 31st December 2002

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Statement of solvency

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R9	199549	GL	31	12	2002	£000
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	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	20962076	22426962	10 . 11
Other than long term insurance business assets allocated towards long term insurance business required minimum margin	22	813018	501653	See instructions 1 and 3
Total mathematical reserves (after distribution of surplus)	23	19295401	20171947	See instruction 4
Other insurance and non-insurance liabilities	24	467974	385797	See instruction 5
Available assets for long term insurance business required minimum margin (21+22-23-24)	25	2011719	2370871	

Implicit items admitted under Rule 2.10(5) as modified

Future profits	31	400000		
Zillmerising	32			
Hidden reserves	33			

Total of available assets and implicit items (25+31+32+33)	34	2411719	2370871	
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Required minimum margin

Required minimum margin for long term insurance business	41	822657	849558	60 . 69
Explicit required minimum margin (1/6 x 41, or minimum guarantee fund if greater)	42	137110	141593	
Excess (deficiency) of available assets over explicit required minimum margin (25-42)	43	1874609	2229278	
Excess (deficiency) of available assets and implicit items over the required minimum margin (34-41)	44	1589062	1521313	

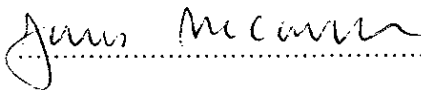
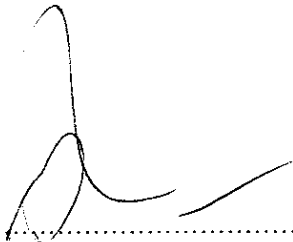
CONTINGENT LIABILITIES

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

Covering sheet to Form 9

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002****Michael D Ross****Chief Executive****James McConville****Director****Ian D Thompson****Director****Edinburgh 20 March 2003**

Statement of net assetsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

		Company registration number	GL/UK/CM	Period ended			Units	
		R10	199549	GL	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	20962076	22426962	13	89	1		
Long term insurance business - liabilities and margins	12	20962076	22426962	14	59	1		
Other than Long term insurance business - admissible assets	21	815779	503433	13	89	1		
Other than Long term insurance business - liabilities	22	2761	201780	15	69	1		
Net admissible assets (21-22)	23	813018	301653					
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	200000					
	Cumulative preference share capital	27						
Available assets (23 to 27)	29	813018	501653					

Represented by:

Paid up share capital (other than cumulative preference share capital)	51	648929	101080	
Amounts included in lines 24 to 27 above	52		200000	
Amounts representing the balance of net assets	56	164089	200573	
Total (51 to 56) and equal to line 29 above	59	813018	501653	

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

Balance brought forward at the beginning of the financial year	61	200573	237566	10 . 56 . 2
Retained profit/(loss) for the financial year	62	383399	3241	16 . 59 . 1
Movement in asset valuation differences	63	(419883)	(40234)	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	164089	200573	

Analysis of admissible assets

Name of insurer **Scottish Widows plc**

Global business

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

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	1
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	464261		59335	
		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	7766			
		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	20000		20000	
		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	492027		79335	

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

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

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	1
Investments (continued) Deposits with ceding undertakings Assets held to cover linked liabilities					As at the end of this financial year 1		As at the end of the previous year 2		
Other financial investments	Equity shares			41	9100				
	Other shares and other variable yield securities			42					
	Holdings in collective investment schemes			43	245791				
	Rights under derivative contracts			44					
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45					
			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			355725		
		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	254891		355725			

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

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

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	1
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	67219		67219		
	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	7		7		
	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	1635		1147		
	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	68861		68373		
Grand total of admissible assets (39+69+88)				89	815779		503433		
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)				91	815779		503433		
Total assets in excess of the admissibility limits of Appendix 4.2 (as valued in accordance with those Rules before applying admissibility limits)				92	16019		21776		
Solvency margin deduction for subsidiary undertakings which are insurance undertakings				93	233482		104724		
Other differences in the valuation of assets (other than for assets not valued above)				94	241374		(55508)		
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	1306654		574425		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100	87219		67219		

Analysis of admissible assets

Name of insurer **Scottish Widows plc**

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	199549	GL	31	12	2002	£000	10
Investments						As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings						11	1174130		1680896	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21		28535		43422			
		Debt securities issued by, and loans to, dependants	22		50		5603			
	Other insurance dependants	Shares	23							
		Debt securities issued by, and loans to, dependants	24							
	Non-insurance dependants	Shares	25		302450		332443			
		Debt securities issued by, and loans to, dependants	26		103903		83370			
	Other group undertakings and participating interests	Shares	27							
		Debt securities issued by, and loans to, group undertakings	28		10000					
		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	1619068		2145734	

Analysis of admissible assets

Name of insurer **Scottish Widows plc**

Global business

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

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	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	7162943		10510100		
	Other shares and other variable yield securities			42	676713		635545		
	Holdings in collective investment schemes			43	1438272		706208		
	Rights under derivative contracts			44	34350		3103		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	5003607		3200306		
			Other	46	2332362		1629282		
		Variable interest	Approved securities	47	1156861		531403		
			Other	48	3893		554304		
	Participation in investment pools			49					
	Loans secured by mortgages			50	3957		5367		
	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	1375		3955		
		Other		53	1879				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	25712		1148639		
		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	902616		449156		
	Property linked			59	67437		100582		
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	18811977		19477950		

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

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

Category of assets		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	GL	31	12	2002	£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	24222		40737		
	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	103311		200981		
		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	231599		134422		
		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			293644		
	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	158767		122531		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86	13132		10963		
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	531031		803278		
Grand total of admissible assets (39+69+88)				89	20962076		22426962		
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)				91	20962076		22426962		
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	5197		1946		
Other differences in the valuation of assets (other than for assets not valued above)				94	23714		16632		
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95	43851				
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99	21034838		22445540		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100	164353		229472		

Analysis of admissible assets

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **With Profit Fund**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R13	199549	GL	31	12	2002	£000	11
Investments						As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings						11	1057547		1495997	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares	21							
		Debt securities issued by, and loans to, dependants	22					50		
	Other insurance dependants	Shares	23							
		Debt securities issued by, and loans to, dependants	24							
	Non-insurance dependants	Shares	25			283729		299606		
		Debt securities issued by, and loans to, dependants	26			96539		79517		
	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	1437815		1875170	

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **With Profit Fund**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	11
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	6453841		9444551		
	Other shares and other variable yield securities			42	609208		568273		
	Holdings in collective investment schemes			43	872220		610932		
	Rights under derivative contracts			44	28256		2130		
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	4347622		2777512		
			Other	46	2053479		1342923		
		Variable interest	Approved securities	47	1154743		531403		
			Other	48	2716		551064		
	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	23171		748650		
		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	48620		48820			
	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	15593876		16626258			

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **With Profit Fund**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	11
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	239270		206087	
		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	193760		112216	
		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			234487	
	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	125483		79999	
	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	558513		632789	
Grand total of admissible assets (39+69+88)					89	17590204		19134217	
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)					91	17590204		19134217	
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	3958			
Total assets determined in accordance with the insurance accounts rules (91 to 95)					99	17594162		19134217	
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance					100	48920		57352	

Analysis of admissible assets

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Category of assets **Non Participating Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	12
Investments					As at the end of this financial year 1		As at the end of the previous year 2		
Land and buildings					11	116583		184899	
Investments in group undertakings and participating interests	UK insurance business dependants	Shares			21	28535		43422	
		Debt securities issued by, and loans to, dependants			22	50		5553	
	Other insurance dependants	Shares			23				
		Debt securities issued by, and loans to, dependants			24				
	Non-insurance dependants	Shares			25	18721		32837	
		Debt securities issued by, and loans to, dependants			26	7364		3853	
	Other group undertakings and participating interests	Shares			27				
		Debt securities issued by, and loans to, group undertakings			28	10000			
		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	181253		270564	

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **Non Participating Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	12
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	709102	1065549			
	Other shares and other variable yield securities			42	67505	67272			
	Holdings in collective investment schemes			43	566052	95276			
	Rights under derivative contracts			44	6094	973			
	Debt securities and other fixed income securities	Fixed interest	Approved securities	45	655985	422794			
			Other	46	278883	286359			
		Variable interest	Approved securities	47	2118				
			Other	48	1177	3240			
	Participation in investment pools			49					
	Loans secured by mortgages			50	3957	5367			
	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	1375	3955			
		Other		53	1879				
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		54	2541	399989			
		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	853996	400336			
	Property linked			59	67437	100582			
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	3218101	2851692			

Analysis of admissible assetsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **Non Participating Fund**

		Company registration number	GL/UK/CM	Period ended day month year			Units	Category of assets	
		R13	199549	GL	31	12	2002	£000	12
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	24222		40737		
	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	271200		245838		
		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	37840		22206		
		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			59157		
	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	33284		42532		
	Deferred acquisition costs			85					
	Other prepayments and accrued income			86	13132		10963		
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	379678		421433		
Grand total of admissible assets (39+69+88)				89	3779032		3543689		
Reconciliation to asset values determined in accordance with the insurance accounts rules									
Total admissible assets (as per line 89 above)				91	3779032		3543689		
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	5197		1946		
Other differences in the valuation of assets (other than for assets not valued above)				94	23714		16632		
Assets of a type not valued above, (as valued in accordance with the insurance accounts rules)				95	39893				
Total assets determined in accordance with the insurance accounts rules (91 to 95)				99	3847836		3562267		
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance				100	115433		172120		

Long term insurance business liabilities and marginsName of insurer **Scottish Widows plc**

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	199549	GL	31	12	2002	£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	18645401	19806947	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	181134	64134	See Instruction 4				
Long term insurance business fund carried forward (11 to 13)		14	18826535	19871081	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	108971	80429				
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	37796					
	Other creditors	Taxation	37	34699	101731				
		Other	38	282411	193934				
Accruals and deferred income		39	4097	9703					
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49	467974	385797					
Excess of the value of net admissible assets		51	1667567	2170084	See Instruction 6				
Total liabilities and margins		59	20962076	22426962					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	26632	112484					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	67437	100582					
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63	650000	365000	See Instruction 7				

Long term insurance business liabilities and marginsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **With Profit Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	199549	GL	31 day	12 month	2002 year	£000	11
			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	17264441	18935205			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					See Instruction 4	
Long term insurance business fund carried forward (11 to 13)			14	17264441	18935205			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	10845	10845				
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	5604					
	Other creditors	Taxation	37	11467	45000				
		Other	38	297847	53725				
Accruals and deferred income			39		893				
Provision for adverse changes (calculated in accordance with rule 5.3)			41						
Total other insurance and non-insurance liabilities (17 to 41)			49	325763	110463				
Excess of the value of net admissible assets			51		88549			See Instruction 6	
Total liabilities and margins			59	17590204	19134217				
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		88549			See Instruction 7	

Long term insurance business liabilities and margins

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **Non Participating Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R14	199549	GL	31	12	2002	£000	12
				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	1380960	871742	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	181134	64134	See Instruction 4				
Long term insurance business fund carried forward (11 to 13)		14	1562094	935876	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	98126	69584				
		Reinsurance accepted	32						
		Reinsurance ceded	33						
	Debenture loans	Secured	34						
		Unsecured	35						
	Amounts owed to credit institutions		36	32192					
	Other creditors	Taxation	37	23232	56731				
		Other	38	391724	391153				
Accruals and deferred income		39	4097	8810					
Provision for adverse changes (calculated in accordance with rule 5.3)		41							
Total other insurance and non-insurance liabilities (17 to 41)		49	549371	526278					
Excess of the value of net admissible assets		51	1667567	2081535	See Instruction 6				
Total liabilities and margins		59	3779032	3543689					
Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance		61	26632	112484					
Amounts included in line 59 attributable to liabilities in respect of property linked benefits		62	67437	100582					
Amount of any additional mathematical reserves included in line 51 which have been taken into account in the appointed actuary's certificate		63	650000	276451	See Instruction 7				

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

Global business

Financial year ended **31st December 2002**

		Company registration number	GL/UK/CM	Period ended			Units	
		R15	199549	GL	31	12	2002	£000
				As at the end of this financial year 1			As at the end of the previous year 2	
Technical provisions (gross amount)	Provision for unearned premiums		11					
	Claims outstanding		12					
	Provision for unexpired risks		13					
	Equalisation provisions	Credit business	14					
		Other than credit business	15					
	Other		16					
	Total (11 to 16)		19					
Provisions for other risks and charges	Taxation		21					
	Other		22					
Deposits received from reinsurers			31					
Creditors	Arising out of insurance operations	Direct insurance business	41					
		Reinsurance accepted	42					
		Reinsurance ceded	43					
	Debenture loans	Secured	44					
		Unsecured	45					
	Amounts owed to credit institutions		46					
	Other creditors	Taxation	47	2761			1780	
		Recommended dividend	48					
		Other	49					
Accruals and deferred income			51					
Total (19 to 51)			59	2761			1780	
Provision for adverse changes (calculated in accordance with rule 5.3) [Regulation 61 of the Insurance Companies Regulations 1994]			61					
Cumulative preference share capital			62					
Subordinated loan capital			63				200000	
Total (59 to 63)			69	2761			201780	
Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance			71					

Profit and loss account (non-technical account)Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

R16	199549	GL	31	12	2002	£000
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			This financial year 1	Previous year 2	Source		
					Form	Line	Column
Transfer (to)/from the general insurance business technical account		From Form 20	11			20 . 59	
		Equalisation provisions	12				
Transfer from the long term insurance business revenue account			13			40 . 26	
Investment income	Income		14	18218	4632		
	Value re-adjustments on investments		15	380073			
	Gains on the realisation of investments		16				
Investment charges	Investment management charges, including interest		17				
	Value re-adjustments on investments		18	9352			
	Loss on the realisation of investments		19				
Allocated investment return transferred to the general insurance business technical account			20			20 . 51	
Other income and charges (particulars to be specified by way of supplementary note)			21				
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	388939	4632		
Tax on profit or loss on ordinary activities			31	5540	1391		
Profit or loss on ordinary activities after tax (29-31)			39	383399	3241		
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	383399	3241		
Dividends (paid and proposed)			51				
Profit or loss retained for the financial year (49-51)			59	383399	3241		

Analysis of derivative contractsName of insurer **Scottish Widows plc**

Global business

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

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	199549	GL	31	12	2002	£000	1
		As at the end of this financial year				As at the end of the previous year			
Derivative contracts		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							

Analysis of derivative contractsName of insurer **Scottish Widows plc**

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	199549	GL	31	12	2002	£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							
	Equity shares	12							
	Land	13							
	Currencies	14	1490	3240	5305	2203			
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22	64290	28785	1				
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	8114	1540	11656	3611			
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41	(39544)	(16418)	(11656)	(3611)			
Total (11 to 41)		49	34350	17147	5306	2203			

Analysis of derivative contractsName of insurer **Scottish Widows plc**

Global business

Insurance Business **Long term**Financial year ended **31st December 2002**Category of assets **With Profit Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R17	199549	GL	31	12	2002	£000	11
		As at the end of this financial year				As at the end of the previous year			
Derivative contracts		Assets 1	Liabilities 2	Assets 3	Liabilities 4				
Futures contracts	Fixed-interest securities	11							
	Equity shares	12							
	Land	13							
	Currencies	14	1235	3027	4332	2203			
	Other	15							
Options	Fixed-interest securities	21							
	Equity shares	22	58451	28785	1				
	Land	23							
	Currencies	24							
	Other	25							
Contracts for differences	Fixed-interest securities	31							
	Equity shares	32	7300	1524	10945	2674			
	Land	33							
	Currencies	34							
	Other	35							
Adjustments for variation margin		41	(38730)	(16402)	(10945)	(2674)			
Total (11 to 41)		49	28256	16934	4333	2203			

Analysis of derivative contractsName of insurer **Scottish Widows plc**

Global business

Insurance Business **Long term**Financial year ended **31st December 2002**Category of assets **Non Participating Fund**

			Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
			R17	199549	GL	31	12	2002	£000	12
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	255	213	973					
	Other	15								
Options	Fixed-interest securities	21								
	Equity shares	22	5839							
	Land	23								
	Currencies	24								
	Other	25								
Contracts for differences	Fixed-interest securities	31								
	Equity shares	32	814	16	711	937				
	Land	33								
	Currencies	34								
	Other	35								
Adjustments for variation margin		41	(814)	(16)	(711)	(937)				
Total (11 to 41)		49	6094	213	973					

Long term insurance business : Revenue accountName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Total long term business fund 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	199549	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	1999652	2539886	
Investment income receivable before deduction of tax							12	922120	786953	
Increase (decrease) in the value of non-linked assets brought into account							13	(2254007)	(1167504)	
Increase (decrease) in the value of linked assets							14	(36131)	(30821)	
Other income							15	408213	502012	
Total income (11 to 15)							19	1039847	2630526	
Claims incurred							21	1802737	1695423	
Expenses payable							22	412485	376644	
Interest payable before deduction of tax							23	7089	4385	
Taxation							24	(137918)	(161087)	
Other expenditure							25		5989	
Transfer to (from) non technical account							26			
Total expenditure (21 to 26)							29	2084393	1921354	
Increase (decrease) in fund in financial year (19-29)							39	(1044546)	709172	
Fund brought forward							49	19871081	19161909	
Fund carried forward (39+49)							59	18826535	19871081	

Long term insurance business : Revenue accountName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **With Profit Fund 11**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R40	199549	GL	31	12	2002	£000	OB	11	0
Items to be shown net of reinsurance ceded							The financial year 1	Previous year 2		
Earned premiums							11	1237399	2030672	
Investment income receivable before deduction of tax							12	816172	548004	
Increase (decrease) in the value of non-linked assets brought into account							13	(2116312)	(582241)	
Increase (decrease) in the value of linked assets							14	3770	1399	
Other income							15	141024	163440	
Total income (11 to 15)							19	82053	2161274	
Claims incurred							21	1653555	1578715	
Expenses payable							22	41228	43426	
Interest payable before deduction of tax							23	711	1	
Taxation							24	(33326)	1849	
Other expenditure							25	90649	107572	
Transfer to (from) non technical account							26			
Total expenditure (21 to 26)							29	1752817	1731563	
Increase (decrease) in fund in financial year (19-29)							39	(1670764)	429711	
Fund brought forward							49	18935205	18505494	
Fund carried forward (39+49)							59	17264441	18935205	

Long term insurance business : Revenue accountName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Non Participating Fund 12**

Company registration number		GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund
			day	month	year				
R40	199549	GL	31	12	2002	£000	OB	12	0
Items to be shown net of reinsurance ceded						The financial year	Previous year		
						1	2		
Earned premiums						11	762253	509214	
Investment income receivable before deduction of tax						12	105948	238949	
Increase (decrease) in the value of non-linked assets brought into account						13	(137695)	(585263)	
Increase (decrease) in the value of linked assets						14	(39901)	(32220)	
Other income						15	481862	572871	
Total income (11 to 15)						19	1172467	703551	
Claims incurred						21	149182	116708	
Expenses payable						22	371257	333218	
Interest payable before deduction of tax						23	6378	4384	
Taxation						24	(104592)	(162936)	
Other expenditure						25	124024	132716	
Transfer to (from) non technical account						26			
Total expenditure (21 to 26)						29	546249	424090	
Increase (decrease) in fund in financial year (19-29)						39	626218	279461	
Fund brought forward						49	935876	656415	
Fund carried forward (39+49)						59	1562094	935876	

Long term insurance business : Analysis of premiums and expenses

Name of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Total long term business fund 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	199549	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	1467300		421632		1045668		
		Regular premium		12	499794		54345		445449		
	Pension business contracts	Single premium		13	1622779		1338904		283875		
		Regular premium		14	577844		360199		217645		
	Permanent health contracts	Single premium		15	1207		21		1186		
		Regular premium		16	6412		583		5829		
	Other contracts	Single premium		17							
		Regular premium		18							
	Total premiums	Single premium		19	3091286		1760557		1330729		
		Regular premium		29	1084050		415127		668923		
Total premiums at lines 19 and 29 attributable to	UK contracts		31	4096166		2175684		1920482			
	Overseas contracts		32	79170				79170			
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41	97312		65816		31496		
	Other commission payable			42	19797				19797		
	Management expenses in connection with acquisition of business			43	251608				251608		
	Management expenses in connection with maintenance of business			44	67257				67257		
	Other management expenses			45	42327				42327		
	Total expenses (41 to 45)			49	478301		65816		412485		
	Total expenses at line 49 attributable to	UK contracts		51	478150		65816		412334		
		Overseas contracts		52	151				151		

Long term insurance business : Analysis of premiums and expensesName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **With Profit Fund 11**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	199549	GL	31	12	2002	£000	OB	11	0
					Gross		Payable to or recoverable from reinsurers		Net of reinsurance (1-2) 3		
					1		2		3		
Earned premiums in the financial year	Life assurance and general annuity contracts	Single premium		11	517990				517990		
		Regular premium		12	260707		928		259779		
	Pension business contracts	Single premium		13	246241				246241		
		Regular premium		14	213007		58		212949		
	Permanent health contracts	Single premium		15							
		Regular premium		16	602		162		440		
	Other contracts	Single premium		17							
		Regular premium		18							
	Total premiums	Single premium		19	764231				764231		
		Regular premium		29	474316		1148		473168		
Total premiums at lines 19 and 29 attributable to	UK contracts		31	1159377		1148		1158229			
	Overseas contracts		32	79170				79170			
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41	1588				1588		
	Other commission payable			42	5818				5818		
	Management expenses in connection with acquisition of business			43	755				755		
	Management expenses in connection with maintenance of business			44	14220				14220		
	Other management expenses			45	18847				18847		
	Total expenses (41 to 45)			49	41228				41228		
	Total expenses at line 49 attributable to	UK contracts		51	41228				41228		
		Overseas contracts		52							

Long term insurance business : Analysis of premiums and expenses

Name of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Non Participating Fund 12**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R41	199549	GL	31	12	2002	£000	OB	12	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	1388929		861252		527677		
		Regular premium		12	271934		86263		185671		
	Pension business contracts	Single premium		13	1599463		1561830		37633		
		Regular premium		14	499473		494776		4697		
	Permanent health contracts	Single premium		15	1207		21		1186		
		Regular premium		16	5810		421		5389		
	Other contracts	Single premium		17							
		Regular premium		18							
	Total premiums	Single premium		19	2989599		2423103		566496		
		Regular premium		29	777217		581460		195757		
Total premiums at lines 19 and 29 attributable to	UK contracts		31	3766816		3004563		762253			
	Overseas contracts		32								
Expenses payable in the financial year	Commission payable in connection with acquisition of business			41	95724		65816		29908		
	Other commission payable			42	13979				13979		
	Management expenses in connection with acquisition of business			43	250853				250853		
	Management expenses in connection with maintenance of business			44	53037				53037		
	Other management expenses			45	23480				23480		
	Total expenses (41 to 45)			49	437073		65816		371257		
	Total expenses at line 49 attributable to	UK contracts		51	436922		65816		371106		
		Overseas contracts		52	151				151		

Long term insurance business : Analysis of claimsName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Total long term business fund 1**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	199549	GL	31	12	2002	£000	OB	1	0
Claims incurred in the financial year					Gross 1		Recoverable from reinsurers 2		Net of reinsurance (1-2) 3		
Life assurance and annuity contracts	On death	11	112046	24606	87440						
	By way of lump sums on maturity	12	432851	7041	425810						
	By way of annuity payments	13	26198		26198						
	By way of payments arising from other insured events	14	4839	4355	484						
	On surrender or partial surrender	15	481303	79205	402098						
	Total life assurance and annuity claims (11 to 15)	19	1057237	115207	942030						
Pension business contracts	On death	21	31966	5869	26097						
	By way of lump sums on vesting	22	588539	97588	490951						
	By way of vested annuity payments	23	136128	57981	78147						
	On surrender or partial surrender	24	351215	90897	260318						
	Total pension business claims (21 to 24)	29	1107848	252335	855513						
Permanent health contracts	By way of lump sums	31	2348	124	2224						
	By way of periodical payments	32	3226	256	2970						
	Total permanent health claims (31+32)	39	5574	380	5194						
Other contracts	By way of lump sums	41									
	By way of periodical payments	42									
	Total claims (41+42)	49									
Total claims (19+29+39+49)		59	2170659	367922	1802737						
Total claims at line 59 attributable to	UK contracts	61	2162923	367922	1795001						
	Overseas contracts	62	7736		7736						

Long term insurance business : Analysis of claimsName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **With Profit Fund 11**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	199549	GL	31	12	2002	£000	OB	11	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2) 3		
					1		2				
Life assurance and annuity contracts	On death				11	57858		2065		55793	
	By way of lump sums on maturity				12	404029		587		403442	
	By way of annuity payments				13	50				50	
	By way of payments arising from other insured events				14	82				82	
	On surrender or partial surrender				15	388952		1326		387626	
	Total life assurance and annuity claims (11 to 15)				19	850971		3978		846993	
Pension business contracts	On death				21	20157				20157	
	By way of lump sums on vesting				22	490146				490146	
	By way of vested annuity payments				23	74101				74101	
	On surrender or partial surrender				24	220761		2		220759	
	Total pension business claims (21 to 24)				29	805165		2		805163	
Permanent health contracts	By way of lump sums				31						
	By way of periodical payments				32	1538		139		1399	
	Total permanent health claims (31+32)				39	1538		139		1399	
Other contracts	By way of lump sums				41						
	By way of periodical payments				42						
	Total claims (41+42)				49						
Total claims (19+29+39+49)					59	1657674		4119		1653555	
Total claims at line 59 attributable to	UK contracts				61	1649567		4119		1645448	
	Overseas contracts				62	8107				8107	

Long term insurance business : Analysis of claimsName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Non Participating Fund 12**

		Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
		R42	199549	GL	31	12	2002	£000	OB	12	0
Claims incurred in the financial year					Gross		Recoverable from reinsurers		Net of reinsurance (1-2) 3		
					1		2				
Life assurance and annuity contracts	On death				11	86376		54729		31647	
	By way of lump sums on maturity				12	28822		6454		22368	
	By way of annuity payments				13	26148				26148	
	By way of payments arising from other insured events				14	4839		4437		402	
	On surrender or partial surrender				15	274033		259561		14472	
	Total life assurance and annuity claims (11 to 15)				19	420218		325181		95037	
Pension business contracts	On death				21	21143		15203		5940	
	By way of lump sums on vesting				22	152024		151219		805	
	By way of vested annuity payments				23	107238		103192		4046	
	On surrender or partial surrender				24	240143		200584		39559	
	Total pension business claims (21 to 24)				29	520548		470198		50350	
Permanent health contracts	By way of lump sums				31	2348		124		2224	
	By way of periodical payments				32	1688		117		1571	
	Total permanent health claims (31+32)				39	4036		241		3795	
Other contracts	By way of lump sums				41						
	By way of periodical payments				42						
	Total claims (41+42)				49						
Total claims (19+29+39+49)					59	944802		795620		149182	
Total claims at line 59 attributable to	UK contracts				61	937066		787513		149553	
	Overseas contracts				62	7736		8107		(371)	

[illegible]26

Long term insurance business : Aggregate revenue account for internal linked fundsName of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund/Summary **Total long term business fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund/ Summary	No of part of Fund	
			day	month	year					
	R44	199549	GL	31	12	2002	£000	OB	1	0
Value of total creation of units						11	1360			
Investment income attributable to the funds before deduction of tax						12	2283			
Increase (decrease) in the value of investments in the financial year						13	(21534)			
Other income						14				
Total income (11 to 14)						19	(17891)			
Value of total cancellation of units						21	11716			
Charges for management						22	119			
Charges in respect of tax on investment income						23	13			
Taxation on realised capital gains						24				
Increase (decrease) in amount set aside for tax on capital gains not yet realised						25	(1853)			
Other expenditure						26				
Total expenditure (21 to 26)						29	9995			
Increase (decrease) in funds in financial year (19-29)						39	(27886)			
Internal linked funds brought forward						49	95323			
Internal linked funds carried forward (39+49)						59	67437			

Long term insurance business : Supplementary information for internal linked funds

Name of insurer **Scottish Widows plc**

Global business

Ordinary insurance business

Financial year ended **31st December 2002**Name and number of fund **Total long term business fund 1**

	Company registration number	GL/UK/CM	Period ended			Units	OB/IB	No of fund	No of part of Fund	
			day	month	year					
	R45	199549	GL	31	12	2002	£000	OB	1	0
Name of fund		Amount of taxable unrealised capital gain or loss	Percentage provision for tax on unrealised capital gains		Percentage provision for tax on realised capital gains		Liquidity percentage	Valuation price per unit		
1	2	3	4	5	6					
Investor Policy - Series 1	(1756)		22.00	2.04	12.302224					
Investor Policy - Series 2	(1491)		22.00	2.04	10.958817					
Investor Policy - Series 3	(1465)		22.00	2.04	10.004140					
Investor Policy Cash - Series 2				99.72	4.349913					
Investor Policy Cash - Series 3				99.72	4.019552					

SCOTTISH WIDOWS PLC

ABSTRACT OF VALUATION REPORT PREPARED BY THE APPOINTED ACTUARY UNDER RULE 9.31

- 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 The valuation has been made in conformity with rule 5.6 of IPRU(INS).

4 DESCRIPTION OF NON-LINKED CONTRACTS

(1)(a) ACCUMULATING WITH-PROFITS POLICIES

With Profits Bond

A single-premium unitised with-profits whole life assurance. This contract was closed to new business in October 2001.

A percentage of the single premium is applied to secure the allocation of units.

The death benefit is a cash sum equal to 101% of the bid value of the units (plus terminal bonus, if any). The contract can be written on a single-life or joint-life second-death basis.

- (i) Scottish Widows may apply, at its discretion, a market-value reduction to the value of units when they are surrendered in the circumstances given in (v) (A) below. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. However, no such reduction will apply on death or on surrender of units at a date (the "guarantee date") which is initially 10 years after the policy's entry date. On reaching a guarantee date a new guarantee date is set, being 10 years later. Scottish Widows has applied market-level reductions throughout 2002, with the reductions varying over the year. At the end of the year, the reductions ranged from 7% to 23% of the face value of units.
On surrender during the first 5 years of the policy, a percentage charge can be deducted; this is no more than 5% in the first year, 4% in the second year, and so on to 1% in the fifth year. This deduction does not apply to any surrenders under the regular-withdrawals option described below.
- (ii) Not applicable.
- (iii) There are circumstances in which a market-value reduction is guaranteed not to apply (see (i) above and option (B) in (v) below). There are no other guaranteed investment returns and no guaranteed bonus rates.
- (iv) There is a guarantee that neither of the adjustments mentioned in (i) above will apply in certain circumstances (see option (B) in (v) below). Otherwise there are no guarantees of surrender values.
- (v) The following options are available:
 - (A) to surrender some or all of the units at their bid price (increased by any terminal bonus and reduced by any reduction or charge as described in (i) above) at any time.
 - (B) to take regular withdrawals from the plan up to 7.5% p.a. of the original investment. Units are valued for this at their bid price (plus any terminal bonus).

House Purchase Savings Plan
Regular Savings Plan
Lifetime Protection Plan

The non-linked part of endowment and whole life assurance contracts which are partly or wholly non-linked business with the remainder, if any, linked. Further details are given in 5(1) and 5(2) below.

Flexible Options Bond

The non-linked part of whole life assurance contracts which are partly or wholly non-linked business with the remainder, if any, linked. Further details are given in 5(1) and 5(2) below.

Flexible Investment Bond

The non-linked part of whole life assurance contracts which are partly or wholly non-linked business with the remainder, if any, linked.. Further details are given in 5(1) and 5(2) below.

Pensionbuilder

This contract exists in two forms - Personal Pensionbuilder, taken out by individuals under a personal-pension scheme approved under Chapter IV Part XIV of the Income and Corporation Taxes Act 1988, and Group Pensionbuilder for pension schemes approved under Chapter I Part XIV of that Act. It is a unitised with-profits contract with regular or single premiums.

For Group Pensionbuilder a percentage of each premium is applied to secure the allocation of units at their offer price. The bid price of units is approximately 5% lower than the offer price on the same day.

The following changes, for regular contributions at the then current level under Personal Pensionbuilder policies, were introduced from 4 June 2001:

- (a) the bid/offer spread was removed and units bought at the bid price
- (b) the allocation rate was changed to 100%. However, where the previous allocation rate less the bid/offer spread was above 100% the allocation rate was only reduced by the bid/offer spread.

A pension date is selected at the outset, and on entry on pension at that date the bid value of the units plus any terminal bonus is applied to secure benefits with Scottish Widows or elsewhere.

On death before retirement the bid value of the units plus any terminal bonus is payable.

Under some policies there is an additional life assurance benefit. This is payable on death before the selected pension date. Additional monthly premiums are charged for this cover. The amount of each such premium depends on the age of the life assured when it is payable, and is calculated using Scottish Widows' premium scales in force at the time.

- (i) Scottish Widows may apply, at its discretion, a market-value reduction to the value of units when they are surrendered in certain circumstances. Different reductions may apply to units allocated in different periods. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. The reduction may apply on surrender of the policy for a transfer value. It may also apply on entry on pension at certain dates other than the selected pension date. For units allocated to a policy that commenced on or after 1 August 1994 those other dates are any date other than the selected pension date. For other units those other dates are in general any date prior to the lower of the selected pension date and age 60. Scottish Widows has applied market-level reductions throughout 2002, with the reductions varying over the year. At the end of the year, the reductions ranged from 3% to 25% of the face value of units.
Under some policies with regular premiums, the number of units allocated to the policy is reduced in the event of regular premiums ceasing to be paid for any reason (including the

payment of a claim) before the selected retirement date.

- (ii) Not applicable.
- (iii) The following guarantee applies in respect of units allocated to a policy before 1 August 1994:

On entry on pension on or after the selected pension date, or on death, the value of each unit which is being cancelled, including any terminal bonus addition, will be subject to a minimum of the bid value of that unit on the date it was first allocated, increased for the period from that date to the cancellation date at 4% per annum compound.

- (iv) There are no guaranteed surrender values.
- (v) The following options are available:
 - (A) to enter on pension at a date other than the selected pension date,
 - (B) to surrender the policy for a transfer value.

Individual Unitised Pensions Pensions Solutions

The non-linked part of deferred annuity contracts which are partly or wholly non-linked business with the remainder, if any, linked. Further details are given in 5(1) and 5(2) below.

Unitised Annuities

The non-linked part of immediate annuity contracts which are partly or wholly non-linked business with the remainder, if any, linked. Further details are given in 5(1) and 5(2) below.

Jersey With Profits Bond

An Overseas Life Assurance Business single-premium unitised with-profits whole life assurance. A percentage of the single premium is applied to secure the allocation of units.

The death benefit is a cash sum equal to 101% of the bid value of the units (plus terminal bonus, if any). The contract can be written on a single-life or joint-life second-death basis.

The contract was closed to new business in October 2001.

- (i) - (v) As With Profits Bond, except that the maximum percentage charges on surrender in (i) are 6%, 4.8% and 1.2% respectively.

Reinsurance of unitised with-profits units

The company reinsures the with-profits units under certain unitised with-profits policies issued by Royal Scottish Assurance plc (RSA) and Scottish Widows International (SWI).

The RSA policies are no longer open to new business, apart from increments to some of them. Scottish Widows International closed to new business, including increments to existing policies, in November 2002. The policies issued by Scottish Widows International were Bonds, with guarantees of a very similar nature to those offered under our Flexible Investment Bond (see below).

(b) POLICIES WITH BENEFITS BASED ON INTEREST ACCRUED

No contracts of the type covered by this sub-paragraph have been issued by Scottish Widows.

(c) **OTHER NON-LINKED POLICIES**

The benefits under all contracts of types that fall within this sub-paragraph are fully described by the entry in column 1 of Form 51, apart from the following:-

Versatile Endowment Plan

A 20-year with-profits endowment assurance with regular premiums, with an option date 10 years prior to the maturity date. This contract was closed to new business from 3 March 2000.

The death benefit before the option date is equal to 75% of the premiums payable during the full term of the policy. Thereafter it is equal to the sum assured plus bonus.

The following options are available for policies issued before 25 February 1988:-

- (i) Provided the policy has not been made paid up, to take at the option date a guaranteed cash sum of half of the sum assured plus half of any attaching bonuses in full settlement.
- (ii) On or after the option date, provided the policy has not been made paid up, to convert the policy to a property-linked policy of one of the following types:
 - (A) a paid-up property-linked endowment assurance maturing 10 years after the date of conversion,
 - (B) a property-linked endowment assurance maturing 10 years after the date of conversion, with premiums continuing at the original level,
 - (C) a property-linked whole-life assurance for a nominal premium until the death of the life assured.

The guaranteed cash sum at the option date, or the cash value of the policy at any other date of conversion, and a percentage of each premium payable under option (B) after the conversion will be applied to secure ordinary units in one or more of seven property-linked assurance funds. These funds, details of which are given under 5(1)(i) in connection with the House Purchase Savings Plan, are:-

Mixed Fund
UK Equity Fund
Property Fund
International Fund
Fixed-Interest Fund
Indexed-Stock Fund
Cash Fund

The following options are available for policies issued after 25 February 1988:-

- (i) Provided the policy has not been made paid up, to take at the option date a guaranteed cash sum of half of the sum assured plus half of any attaching bonuses in full settlement.
- (ii) On or after the option date, provided the policy has not been made paid up, to convert the policy to a property-linked endowment assurance maturing 10 years after the date of conversion, with premiums continuing at the original level.

The guaranteed cash sum at the option date, or the cash value of the policy at any other date of conversion, will be applied to secure ordinary units in one or more of the seven internal funds listed in (ii) above.

- (iii) To effect without evidence of health after 5 and 10 years a new endowment assurance with a sum assured of not more than the sum assured that would apply under a versatile endowment plan with a regular premium of half that under the original policy, subject to

certain restrictions.

Personal Pension Plus

The non-linked part of a deferred annuity contract which is partly or wholly non-linked business with the remainder, if any, linked. Further details are given in 5(1) and 5(2) below.

Executive Pension Plan

The non-linked part of a deferred annuity contract which is partly or wholly non-linked business with the remainder, if any, linked. Further details are given in 5(1) and 5(2) below.

Disability Income Plan

An individual regular-premium permanent health insurance contract. This contract closed to new business during 2001.

It provides a pre-determined income benefit (limited to a percentage of pre-disability earnings, less continuing income) during disability. Payment of this benefit starts after the end of a waiting period (of between 8 and 104 weeks) and continues until the earlier of recovery and an expiry date.

Disability is normally defined (for those working immediately prior to disability) basically as inability to carry out one's normal occupation and not doing any other paid work.

It also provides, on severe disability, a cash sum equal to 6 months' income benefit.

The policyholder selects one of the following options at the start of the contract:

- (i) Each year the insured benefit and regular premiums increase automatically by the lesser of the increase in RPI and 3%.
- (ii) Every three years (but not during disability) the policyholder can increase the insured benefit by the lesser of 10% and the increase in RPI on normal premium rates (for his age then) regardless of his state of health. This option lapses if not exercised.

At six-yearly intervals Scottish Widows can reduce or increase the insured benefit or premiums if this is justified in the light of its own or the industry's experience of similar policies.

There is no surrender value or death benefit.

Premiums are waived during periods of claim).

Care Plan

This is an individual permanent health insurance contract providing an income to help pay for long-term care. There are single-premium and regular-premium contracts. Regular premiums cease at age 90.

The main benefit is an income benefit of a pre-determined amount (limited to the cost of care) during disability. Payment of this benefit starts after the end of a waiting period (of at least 13 weeks) and continues until death or care is no longer needed. Disability is defined basically as inability to perform a number of 'activities of daily living', or mental impairment.

The policyholder selects one of the following options at the start of the contract:

- (i) Each year the insured benefit and regular premiums increase automatically by the lesser of the increase in RPI and 3%.

- (ii) Every three years (but not during disability) the policyholder can increase the insured benefit by between 50% and 100% of the lesser of the increase in RPI and 10% on normal premium rates (for his age then) regardless of his state of health. This option lapses if not exercised.

At five-yearly intervals - but only until age 65 - Scottish Widows can reduce or increase the insured benefit or any regular premiums (or request an additional single premium) if this is justified in the light of its own or the industry's experience of similar policies.

Single-premium contracts provide a death benefit, and have a surrender value, during the first five years of the contract. At the start of such a contract the death benefit is equal to the single premium, and then reduces linearly to zero over the five years. All income benefits already paid are deducted from any death benefit. The surrender value at any time is 90% of the death benefit then.

Income Protection Plan

An individual regular-premium permanent health insurance contract. It provides a pre-determined monthly income benefit (limited to a percentage of pre-disability earnings, less continuing income) during disability. Payment of the benefit starts after the end of a waiting period (of between 4 and 52 weeks) and continues until the earlier of recovery and an expiry date.

There are four definitions of disability, corresponding broadly speaking to the inability to carry out 1) own occupation 2) a suited occupation 3) any occupation 4) activities of daily living. Which definition applies depends on the policyholder's occupation when the policy started and any other relevant underwriting factors.

There are two types of plan:

- (i) Level-benefit, where the insured benefit remains level for the duration of the plan.
- (ii) Increasing-benefit, where the insured benefit (and premium) increases each year by the lesser of 10% and the increase in the RPI.

At five-yearly intervals Scottish Widows can reduce or increase the insured benefit or premiums if this is justified in the light of its own or the industry's experience of similar policies.

There is no surrender value or death benefit.

Premiums are waived during periods of claim.

Other Individual Contracts - General

Some endowment assurances have minimum paid-up values.

Some term assurances pay out on terminal illness. Terminal illness basically means that the life assured is unlikely to survive another 12 months and we are informed of the illness at least 18 months before the assurance is due to expire. If the sum assured is paid on terminal illness the policy is cancelled and there is no subsequent payment of benefit on death.

Some term assurance policies sold after 14 September 1998 include critical-illness cover with or without life assurance benefit. Under such policies, on diagnosis of one of a set of specified illnesses the sum assured will be paid. On payment of this benefit the contract is cancelled. Most of these policies also include children's benefit, under which a cash sum is paid on inception of a critical illness during the term of the policy of a child (aged between 6 months and 18 years) of the life assured, the amount of the cash sum being the lesser of £15,000 and 50% of the sum assured; the policy is not cancelled when it is paid.

Some term assurances sold after 14 September 1998 include waiver-of-premium benefit.

Some term assurances have the option to convert in whole or in part to a new policy without evidence of health.

Some policies have the option to increase the cover within certain limits without evidence of health.

Some with-profits policies have a minimum death benefit guaranteed.

Some conventional with-profits pension policies have a minimum-surrender-value clause.

Most of the "other" deferred annuity contracts included in Form 51 provide an annuity benefit with a guaranteed-rate cash option. Typical guaranteed rates are £1 p.a. annuity (yearly in arrear) corresponding to £9 cash (male aged 65) or £11 cash (female aged 60). Some provide a cash benefit with a guaranteed-rate annuity option (GAO).

Certain annuities linked to the Retail Prices Index have guarantees that the annuity will remain level when the index falls, until the index has recovered to its level before the fall.

Certain individual deferred annuity contracts have early or late retirement options on fixed terms.

Group Pensions - General

Some deferred annuity contracts provide an annuity benefit with a guaranteed-rate cash option applicable to either 25% or 100% of the benefit. Typical guaranteed rates are £1 p.a. annuity (monthly in advance, payable for at least 5 years) corresponding to £9 cash (male aged 65) or £11 cash (female aged 60).

Some term assurances and contingent assurances payable on death before normal retirement date issued in connection with exempt-approved retirement benefits schemes allow lives assured, on leaving service to effect in certain circumstances and before age 60, without further evidence of health, a whole-life or endowment assurance to replace this cover. (A similar option is allowed in the case of some group permanent health insurance contracts.)

Guaranteed maximum premium rates apply to the purchase of with-profits deferred annuities on the lives of certain current members of some retirement benefit schemes.

For term assurances and contingent annuities payable on death before normal retirement date there are various premium-rate guarantees. In most cases rates of premium were guaranteed for a period of five years from the most recent review.

In some policies, guaranteed early and late retirement options, as well as options to convert part of the pension into a pension for a named dependant, are available.

5 DESCRIPTION OF LINKED CONTRACTS

(1)(a) House Purchase Savings Plan

(b) The categories into which these contracts fall are:

- United Kingdom business,
- life assurance and general annuity business,
- direct-written business,
- either or both of with-profits and non-profit policies,
- endowment assurance.

(c) Premiums are payable monthly or yearly. They are either level or increase at the end of each of the first five years by 20% of their initial level.

- (d) An endowment assurance providing the following benefits:-
- At maturity, a cash sum equal to the bid value of units (plus terminal bonus, if any, for with-profits units).
 - On death, a cash sum of the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and the sum assured. On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life first-death basis.
 - Some contracts include critical-illness cover. Under such contracts, on diagnosis of one of a set of specified illnesses the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and the sum assured will be paid. On payment of this benefit the contract is cancelled.
 - Some contracts include waiver-of-premium benefit which basically ensures continuation of premiums until age 60 (or earlier maturity of the policy) while the life assured is unable, through illness or injury, to follow his or her normal occupation. For a joint-life contract this cover can be effected on one or both of the lives assured.
- (e) No guarantees of investment return are provided under the property-linked part of these contracts.
- (f) A percentage of each premium is invested in units. Ordinary units are allocated at offer prices of units, which exceed the equivalent bid prices.

There is a monthly fee charged by cancellation of the allocation of units.

The cost of the life cover, critical-illness cover (both of them equal to the excess of the sum assured above the value of the units) and waiver-of-premium cover is determined each month and charged by cancelling the allocation of units.

On each 1 January from 1 January 2005 onwards, all ordinary units that have been allocated to a contract for more than ten years will be exchanged for 'accelerator' units.

For ordinary units in property-linked funds other than externally-managed funds (see (i)) there is a management charge, taken from those funds, at the rate of 0.75% a year of the value of the fund; the management charge for accelerator units in those funds is at the rate of 0.5% a year of the value of the fund. For with-profits units the rates of increase in the prices of accelerator units will be higher than those for ordinary units.

For externally-managed funds the Scottish Widows management charge still applies though it is reduced to 0.6% a year for those funds marked ## in (i) below. There are also the external managers' management charges plus any additional expenses, which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 0.92% to 1.99%.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested, after allowing for the difference between the offer and bid prices of units, can sometimes slightly exceed the amount of the premium. The excess, which occurs only when an intermediary chooses to receive reduced commission, is expected to be more than covered by the other charges.

- (g) The percentage of each regular premium to be invested in units cannot be reduced below the level set for that premium when the current amount of premium was established.

Any increase in the monthly fee is limited to approximately any increase in national average earnings since the time of the last increase in the scale from which the fee was derived.

Any increase in the charges for life cover, critical-illness cover and waiver-of-premium cover is limited to any increase that Scottish Widows' Appointed Actuary considers to be appropriate to take account of Scottish Widows' actual or expected claims experience.

Any increase in the Scottish Widows management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

The charge for switching between funds is limited to 1% of the amount switched under policies issued after 30 June 1995.

- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices, but a terminal bonus and/or market-value reduction (see (2) below) may apply to any with-profits units allocated to the contract.
- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked assurance funds (externally-managed funds are marked # or ##):

Mixed Fund

Invested in a balanced portfolio of UK and overseas shares, fixed-interest and index-linked stocks, property and, where appropriate, cash deposits. Some of these investments are held through the Scottish Widows Unit Trust Managers' (SWUTM) UK Select Growth Open-Ended Investment Company (OEIC) sub-fund and through other internal property-linked funds.

UK Equity Fund

Invested principally in a spread of UK ordinary shares, but may include a proportion of overseas equities. UK ordinary shares may be held through the SWUTM UK Select Growth OEIC sub-fund.

Property Fund

Invested in high-quality freehold and long-leasehold commercial and industrial properties. Part of the fund can be held in short-term cash deposits.

International Fund

Invested mainly overseas, but may include fixed-interest stocks and shares of some UK-based companies with international interests.

Fixed-Interest Fund

Invested in British Government securities and other UK fixed-interest stocks and may also include overseas fixed-interest stocks. Part of the fund may be held in short-term deposits.

Indexed-Stock Fund

Invested mainly in British Government index-linked securities and other similar stocks.

Cash Fund

Invested in short-term securities.

SafetyPlus Fund

Invested solely in the SWUTM SafetyPlus OEIC sub-fund which invests mainly in the shares of leading UK companies. Derivatives are used to provide protection against major falls in the UK stock market.

UK Equity Index Fund

Invested - through the SWUTM UK Tracker OEIC sub-fund which invests in the shares of leading UK companies. This fund aims to track the performance of the UK equity market, currently as represented by the Financial Times Stock Exchange 100 Share Index.

Consensus Mixed Fund

Invested - mainly through various SWUTM index-tracking OEIC sub-fund, but also through the Assurance Cash Fund - in a diversified portfolio of UK and overseas shares and government bonds, and cash. The fund's asset allocation is based on the average allocation of the funds covered by a quarterly survey of UK pooled assurance funds.

European Fund

Invested - through the SWUTM European Select Growth OEIC sub-fund - in any economic sector in Continental Europe, mainly in shares.

North American Fund

Invested - through the SWUTM American Select Growth OEIC sub-fund - in companies based in the United States and Canada.

Japanese Fund

Invested - through the SWUTM Japanese Select Growth OEIC sub-fund - primarily invested in Japanese equities.

Environmental Fund

Invested solely in the SWUTM Environmental Investor OEIC sub-fund. The fund aims to provide longer term capital growth by investing in companies that demonstrate a positive commitment to the protection and preservation of the natural environment. Investment is mainly in UK equities.

Global Equity Fund

Invested solely in the SWUTM Global Select Growth OEIC sub-fund. The fund aims to achieve capital growth through investment in any economic sector in any geographical area, including the UK.

International Equity Tracker Fund

Invested - through the SWUTM International Equity Tracker OEIC sub-fund - in international equities. This fund aims to give growth based on the performance of a number of international equity indices. The proportion of each index is determined with reference to the "Pooled with Property" benchmark published by the Combined Actuarial Performance Services.

#Artemis UK Growth Fund

Invested - through the Artemis UK Growth Fund Unit Trust - in UK equities.

#Artemis UK Smaller Companies Fund

Invested - through the Artemis UK Smaller Companies Fund Unit Trust - in smaller UK companies.

#DWS American Growth Fund

Invested - through the DWS American Growth OEIC subfund - in US and Canadian equities.

#DWS European Smaller Companies Fund Invested – through the DWS European Smaller Companies OEIC sub-fund – in smaller European companies (including UK)

#DWS Japan Growth Fund

Invested – through the DWS Japan Growth OEIC sub-fund – in Japanese equities.

#DWS Stockmarket Managed Fund

Invested – through various funds within the DWS range – in all economic sectors and parts of the world.

#DWS UK Growth Fund

Invested – solely through the DWS UK Growth OEIC sub-fund – mainly in UK quoted equities. The managers can invest in recently issued transferable securities that are yet to be traded on the London Stock Exchange. They will only invest in the securities and derivatives markets of the UK.

#Fidelity American Fund Invested – through the Fidelity American Fund OEIC sub-fund – mainly in US equities, with a bias towards larger and medium-sized businesses.

#Fidelity American Special Situations Fund

Invested – through the Fidelity American Special Situations Fund OEIC sub-fund – in mainly US equities, with a bias towards medium-sized and smaller companies.

#Fidelity European Fund

Invested – through the Fidelity European Fund OEIC sub-fund – mainly in continental European equities, with a bias towards medium-sized and smaller businesses.

#Fidelity International Fund

Invested – through the Fidelity International Fund OEIC sub-fund – in equities from around the globe. There is a bias towards larger companies and at least half of the fund will be invested in the EU.

#Fidelity Japan Fund

Invested – through the Fidelity Japan Fund OEIC sub-fund – mainly in Japanese equities, with a bias towards larger businesses.

##Fidelity Managed Fund

Invested in a wide range of Fidelity's OEIC (Open Ended Investment Company) sub-funds which cover markets throughout the world.

#Fidelity South-east Asia Fund

Invested – through the Fidelity South-east Asia Fund OEIC sub-fund – in shares of companies throughout the Pacific basin excluding Japan, with a bias towards larger businesses.

#Fidelity Special Situations Fund

Invested – through the Fidelity Special Situations Fund OEIC sub-fund – in mainly UK equities, with a bias towards medium-sized and smaller companies.

#Fidelity UK Growth Fund

Invested – through the Fidelity UK Growth Fund OEIC sub-fund – mainly in UK equities, with a bias towards larger and medium-sized companies.

##Gartmore Managed Fund

Invested - through various unit trusts and collective investment schemes - in a portfolio of UK and overseas equities, fixed interest securities such as Government and corporate bonds and, where appropriate, cash deposits.

#INVESCO Perpetual Corporate Bond Fund

Invested – through the INVESCO Perpetual Corporate Bond Fund Unit Trust – mainly in fixed interest securities.

#INVESCO Perpetual European Growth Fund

Invested – through the INVESCO Perpetual European Growth Fund Unit Trust – in European equities excluding the UK.

#INVESCO Perpetual European Smaller Companies Fund

Invested – through the INVESCO Perpetual European Smaller Companies Fund Unit Trust – in smaller companies in Europe excluding UK.

#INVESCO Perpetual Global Bond Fund

Invested – through the INVESCO Perpetual Global Bond Fund Unit Trust – mainly in international bonds of differing interest yields and maturities. It may also include debentures, loan stock, and other instruments that the managers consider appropriate.

#INVESCO Perpetual High Income Fund

Invested – through the INVESCO Perpetual High Income Fund Unit Trust – mainly in high-yielding international securities (equities, convertibles and other fixed-interest stocks).

#INVESCO Perpetual Japan Fund

Invested – through the INVESCO Perpetual Japan Fund Unit Trust – mainly in Japanese equities.

##INVESCO Perpetual Balanced Managed Fund

Invested - through various unit trusts and collective investment schemes - in a diversified portfolio of equities and bonds.

#INVESCO Perpetual UK Key Trends Fund

Invested – through the INVESCO Perpetual UK Key Trends Fund Unit Trust – mainly in equities and equity-related investments which participate in a clearly defined theme. (A theme is a subject or topic relating to a specific area of investment that stands to benefit from changes in society or from economic cycles.)

#INVESCO Perpetual US Growth Fund

Invested – through the INVESCO Perpetual US Growth Fund Unit Trust – in US securities.

##JPMF (JP Morgan Fleming) Managed Fund

Invested - through various unit trusts – in UK and overseas stocks and shares, and Government bonds and cash.

#Merrill Lynch American Opportunities Fund

Invested – through the Merrill Lynch American Opportunities Fund Unit Trust – in predominantly smaller US companies. The managers may also invest in Canada and up to 10% in Latin America.

#Merrill Lynch Emerging Markets Fund

Invested – through the Merrill Lynch Emerging Markets Fund Unit Trust – in the world's emerging economies.

#Merrill Lynch European Growth Fund

Invested – through the Merrill Lynch European Growth Fund Unit Trust – mainly in continental European securities. The managers may also invest in fixed-interest securities.

#Merrill Lynch Global Titans Fund

Invested – through the Merrill Lynch Global Titans Fund Unit Trust – in a portfolio of the world's most successful companies.

##Merrill Lynch Managed Fund

Invested – through the Merrill Lynch Balanced Portfolio Fund Unit Trust – in a global spread of investments, generally with an emphasis on the UK.

#Merrill Lynch UK Dynamic Fund

Invested – through the Merrill Lynch UK Dynamic Fund – mainly in quoted UK securities.

#Merrill Lynch UK Smaller Companies Fund

Invested – through the Merrill Lynch UK Smaller Companies Fund – in smaller UK companies.

#Newton Continental European Fund

Invested – through the Newton Continental European Fund OEIC sub-fund – in European securities.

#Newton Higher Income Fund

Invested – through the Newton Higher Income Fund OEIC sub-fund – in securities with the aim of achieving increasing distributions of income from one year to the next, along with long-term capital growth.

#Newton Income Fund

Invested – through the Newton Income Fund OEIC sub-fund – mainly in UK equities.

#Newton International Bond Fund

Invested – through the Newton International Bond Fund OEIC sub-fund – in bonds from around the world.

#Newton International Growth Fund

Invested – through the Newton International Growth Fund OEIC sub-fund – in international securities.

##Newton Managed Fund

Invested – through various Newton OEIC Funds – in UK and international securities.

#Newton Oriental Fund

Invested – through the Newton Oriental Fund OEIC sub-fund – in the Asian and Pacific markets excluding Japan.

#Newton Stockmarket Managed Fund

Invested – through the Newton Stockmarket Managed Fund OEIC sub-fund – in UK, EC, and international securities.

#Schroder European Fund

Invested – through the Schroder European Fund Unit Trust – in European equities excluding the UK.

#Schroder Gilt and Fixed Interest Fund

Invested – through the Schroder Gilt and Fixed Interest Fund Unit Trust – in Sterling-denominated fixed-interest securities.

#Schroder Medical Discovery Fund

Invested – through the Schroder Medical Discovery Fund Unit Trust – in healthcare, medical services, and related product companies across the world.

##Schroder Managed Fund

Invested – through a range of underlying authorised unit trusts, recognised schemes and collective investment schemes - in UK and overseas equities and fixed income securities.

#Schroder Pacific Fund

Invested – through the Schroder Pacific Fund Unit Trust – in companies in the Pacific region, including Asia, but excluding Japan.

#Schroder Tokyo Fund

Invested – through the Schroder Tokyo Fund Unit Trust – in companies listed on the Japanese stockmarkets.

#Schroder UK Equity Fund

Invested in UK equities.

#Schroder UK Smaller Companies Fund

Invested – through the Schroder UK Smaller Companies Fund Unit Trust – in smaller companies listed in the UK.

#Schroder US Smaller Companies Fund

Invested – through the Schroder US Smaller Companies Fund Unit Trust – in companies listed on the US and Canadian stockmarkets.

#SocGen European Growth Fund

Invested – through the SocGen European Growth Unit Trust – in larger European companies.

#SocGen Technology Fund

Invested – through the SocGen Technology Unit Trust – in an international portfolio of companies involved in high-technology industries.

#SocGen UK Growth Fund

Invested – through the SocGen UK Growth Unit Trust – in shares listed on the London Stock Exchange.

#Threadneedle American Select Growth Fund

Invested – through the Threadneedle American Select Growth Fund OEIC sub-fund – in a relatively concentrated portfolio of mainly US equities.

#Threadneedle European Select Growth Fund

Invested – through the Threadneedle European Select Growth Fund OEIC sub-fund – in a concentrated portfolio of continental European equities.

#Threadneedle Global Select Growth Fund

Invested – through the Threadneedle Global Select Growth Fund OEIC sub-fund – in a relatively concentrated portfolio of international equities.

#Threadneedle UK Corporate Bond Fund

Invested – through the Threadneedle UK Corporate Bond Fund OEIC sub-fund – in fixed-interest investments mainly in the UK and continental Europe.

#Frank Russell Cautious Portfolio

Invested – through the Scottish Widows Cautious Portfolio OEIC sub-fund – primarily in bonds, while maintaining a low exposure in equities, across a number of geographic areas.

#Frank Russell Balanced Portfolio

Invested – through the Scottish Widows Balanced Portfolio OEIC sub-fund – in a balance of bonds and equities, across a number of geographic.

#Frank Russell Progress Portfolio

Invested – through the Scottish Widows Progressive Portfolio OEIC sub-fund – primarily in equities, while maintaining a moderate exposure to bonds, across a number of geographic areas.

Frank Russell Opportunities Portfolio

Invested – through the Scottish Widows Opportunities Portfolio OEIC sub-fund – primarily in equities, while maintaining a low exposure in bonds, across a number of geographic areas.

All internal funds are reassured with Scottish Widows Unit Funds Limited, a wholly-owned subsidiary company of Scottish Widows.

- (j) The contract includes the following features (to be read in conjunction with (2)(i) below where an asterisk is shown):-
- (A) An option to switch the whole or part of any property-linked investment to with-profits on a bid-to-bid basis at any time up to 10 years before the maturity date, or to switch such an investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
 - (B) (*) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds on a bid-to-bid basis at any time up to 10 years before the maturity date. A charge as described in (f) above may be levied.
 - (C) (*) An option to surrender the contract at any time, subject to possible deferment as in (A) above.
- (k) The contract was not open to new business in the year to the valuation date, other than for increments to existing policies.
- (l) The following rate of charges was increased in the year to the valuation date:
- The monthly fee was increased by approximately 2.5%
- (2)(i) Scottish Widows may apply, at its discretion, a market-value reduction (MVR) to the value of with-profits units when they are surrendered in certain circumstances. These circumstances are marked (*) in (1)(j) above. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. Different reductions may apply to units allocated in different periods. Scottish Widows has applied market-level reductions throughout 2002, with the reductions varying over the year. At the end of the year, the reductions ranged from 0% to 23% of the face value of units.
- However, no such reduction will apply on death or on the maturity date.
- (ii) Not applicable.
 - (iii) There are circumstances in which a market-value reduction is guaranteed not to apply. There are no other guaranteed investment returns and no guaranteed bonus rates.
 - (iv) There are no guaranteed surrender values.
 - (v) See (1)(j) above.

(1)(a) **Regular Savings Plan**

(b) As House Purchase Savings Plan

(c) Level premiums, payable monthly or yearly.

(d) An endowment assurance providing the following benefits:-

- At maturity, a cash sum equal to the bid value of units (plus terminal bonus, if any, for with-profits units).
- On death, a cash sum of the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and the sum assured. On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life second-death basis.
- Some contracts include critical-illness cover. Under such contracts, on diagnosis of one of a set of specified illnesses the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and the sum assured will be paid. On payment of this benefit the contract is cancelled.
- Some contracts include waiver-of-premium benefit which basically ensures continuation of premiums until age 60 (or earlier maturity of the policy) while the life assured is unable, through illness or injury, to follow his or her normal occupation. For a joint-life contract this cover can only be effected on one life.

(e)-(h): As House Purchase Savings Plan

(i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the internal linked funds available to the House Purchase Savings Plan plus the following internal property-linked assurance fund:

Hargreaves Lansdown (HL) Ultimate Managed Fund

Invested – through the Hargreaves Lansdown Ultimate Trust – in a number of unit trusts and OEIC sub-funds, e.g. Aberdeen Fixed Interest, Investec European, Schroder Toyko, Scottish Widows All Share Tracker.

(j) The contract includes the following features (to be read in conjunction with 2(i) below where an asterisk is shown):-

(A) As House Purchase Savings Plan

(B) (*) As House Purchase Savings Plan

(C) (*) As House Purchase Savings Plan

(D) (*) An option to take regular withdrawals, in return for the cancellation of the allocation of units at their bid prices (plus any terminal bonus in the case of with-profits units).

(k) The contract was open to new business in the year to the valuation date.

(l) As House Purchase Savings Plan

(2)(i) Scottish Widows may apply, at its discretion, a market-value reduction (MVR) to the value of with-profits units when they are surrendered in certain circumstances. These circumstances are marked (*) in (1)(j) above. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. Different reductions may apply to units allocated in different periods. Scottish Widows has applied market-level reductions throughout 2002,

with the reductions varying over the year. At the end of the year, the reductions ranged from 0% to 23% of the face value of units.

However, no such reductions will apply on death or on the maturity date.

(ii)-(iv) As House Purchase Savings Plan

(v) See (1)(j) above.

(1)(a) **Lifetime Protection Plan**

(b) The categories into which these contracts fall are:

- United Kingdom business,
- life assurance and general annuity business,
- direct-written business,
- either or both of with-profits and non-profit policies,
- whole life assurance.

(c) Level premiums, payable monthly or yearly.

(d) A whole-life assurance providing the following benefits:-

- On death, a cash sum of the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and the sum assured. On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life second-death basis.
- Some contracts include critical-illness cover. Under such contracts, on diagnosis of one of a set of specified illnesses the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and the sum assured will be paid. On payment of this benefit the contract is cancelled.
- Some contracts include waiver-of-premium benefit which basically ensures continuation of premiums until age 60 while the life assured is unable, through illness or injury, to follow his or her normal occupation. For a joint-life contract this cover can only be effected on one life.

(e) - (i): As House Purchase Savings Plan.

(j) The contract includes the following features (to be read in conjunction with 2(i) below where an asterisk is shown):-

- (A) An option to switch the whole or part of any property-linked investment to with-profits on a bid-to-bid basis at any time up to the 80th birthday of the life assured, or to switch such an investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (B) (*) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds on a bid-to-bid basis at any time up to the 80th birthday of the life assured. A charge as described in (f) above may be levied.
- (C) (*) As House Purchase Savings Plan.
- (D) (*) An option to take regular withdrawals, in return for the cancellation of the allocation of units at their bid prices (plus any terminal bonus in the case of with-profits units).

(k) The contract was not open to new business in the year to the valuation date, except for the exercise of options in certain existing policies.

(l) As House Purchase Savings Plan.

(2) (i) Scottish Widows may apply, at its discretion, a market-value reduction (MVR) to the value of with-profits units when they are surrendered in certain circumstances. These circumstances are marked (*) in (1)(j) above. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. Different reductions may apply to units allocated in different periods. Scottish Widows has applied market-level reductions throughout 2002, with the reductions varying over the year. At the end of the year, the reductions ranged from 0% to 23% of the face value of units.

However, no such adjustment will apply on death.

(ii)-(iv) As House Purchase Savings Plan

(v) See (1)(j) above.

(1)(a) **Flexible Options Bond**

(b) The categories into which these contracts fall are:

- United Kingdom business,
- life assurance and general annuity business,
- direct-written business,
- either or both of with-profits and non-profit policies,
- whole life assurance.

(c) Single premium. Additional single premiums may be paid.

(d) A single-premium whole life assurance. The death benefit is 101% of the bid-price value of units (plus terminal bonus, if any, for with-profits units).

On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life last-death basis.

(e) No guarantees of investment return are provided under the property-linked part of these contracts.

(f) A percentage of each premium is invested in units. Ordinary units are allocated at bid price (equal to offer price).

An initial charge is taken by cancellation of 1/24% of units each month (depending on the percentage of premiums invested in units) for the first five years.

A management charge is taken from the property-linked funds other than externally-managed funds (see (i)) at the rate of 0.75% a year of the value of the fund.

For externally-managed funds the Scottish Widows management charge still applies, (see (i)). There are also the external managers' management charges plus any additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges deducted from the funds (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 1.167% to 2.237%.

A further charge (additional to the above charges) is taken by cancellation of 1/48% of units each month (0.25% a year).

A charge may be made for each switch between investment funds after the first 12 in each policy year.

The amount of a premium invested can sometimes exceed the amount of the premium. The excess is expected to be more than covered by the other charges. On early surrender it is covered by the surrender charge mentioned in (h) below.

- (g) Any increase in the Scottish Widows management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

The charge for switching between funds is limited to 1% of the amount switched.

- (h) The amount of the surrender value is equal to the value of the units whose allocation is being cancelled subject to a percentage charge on surrender (other than certain regular withdrawals) in the first five years of the policy. This is 10% in the first year, 8% in the second year, and so on to 2% in the fifth year (less than this if the monthly rate of initial charge (see (f)) is less than 1/24%). Terminal bonus and/or a market-value-reduction (see (2) below) may apply to any with-profits units allocated to the contract.
- (i) As Regular Savings Plan, except that the International Equity Tracker Fund is not available.
- (j) The contract includes the following features:-

- (A) An option to switch the whole or part of any property-linked investment to either or both of the with-profits funds (see 2 (i) below), or to one or more of the other property-linked funds at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (B) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds at any time. A switch from or to a with-profits fund cannot be reversed within 12 months. A charge as described in (f) above may be levied.
- (C) An option to pay additional single premiums at any time.
- (D) An option to surrender the contract at any time in whole or in part, subject to possible deferment as in (A) above.
- (E) An option to take regular withdrawals, in return for the cancellation of the allocation of units at their bid prices.

- (k) The contract was open to new business in the year to the valuation date.
- (l) There have been no increases in the rates of charges since the product was launched in July 2002.
- (2)(i) There is a choice of two with-profits funds for the contract: With-Profits Growth and With-Profits Income. They are not available to any other contracts. The information in this paragraph (2) applies to each of these funds unless otherwise indicated. For further information on these funds see paragraph 14 below. Scottish Widows may apply, at its discretion, a market-value reduction to the value of units when they are surrendered in certain circumstances. These circumstances are given in (v)(A) (B) and (D) below. The reduction is likely to be applied in these circumstances if the face value (together with any final bonus) of units exceeds the value of the underlying assets. However, no such reduction will apply on death.

No such reduction has applied since this product was launched in July 2002.

On surrender during the first 5 years of the policy, a percentage charge can be applied; as described in (1) (h) above.

- (ii) Not applicable.
- (iii) There are circumstances in which a market-value reduction is guaranteed not to apply
There are no other guaranteed investment returns and no guaranteed bonus rates.
- (iv) There is a guarantee that neither of the adjustments mentioned in (i) above will apply in certain circumstances (see option (B) in (v) below). Otherwise there are no guarantees of surrender values.
- (v) The following options are available:
 - (A) to surrender some or all of the units at their bid price (increased by any terminal bonus and reduced by any reduction or charge as described in (i) above) at any time.
 - (B) to take regular "fixed" withdrawals from the plan (from either of the with-profits funds) up to specified limits. Market-level reductions as described in (1) above can also apply unless either
 - the withdrawals were chosen at the outset of the bond and started or will start in the following 12 months, or
 - it is agreed at the start of the withdrawal that such reductions will not apply to withdrawals of that amount.
 - (C) to take regular withdrawals from the With-Profits Income Fund equal to the value of bonus units added each month.. Market-value reductions will not apply to such withdrawals.
 - (D) to take the option referred to in 1 (j) (B) above for certain policies. For this purpose with-profits units are valued at their bid price (increased by any terminal bonus and reduced by any reduction as described in (i) above).

(1)(a) **Flexible Investment Bond**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - either or both of with-profits and non-profit policies,
 - whole life assurance.
- (c) Single premium. Additional single premiums may be paid.
- (d) A single-premium whole life assurance. The death benefit is 101% of the bid-price value of units (plus terminal bonus, if any, for with-profits units).

On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life last-death basis.

- (e) No guarantees of investment return are provided under the property-linked part of these contracts.
- (f) A percentage of each premium is invested in units. Ordinary units are allocated at bid price (equal to offer price).

An initial charge is taken by deduction from units each month at the rate of 1/12% of the single premium for the first five years.

A management charge is taken from the property-linked funds other than externally-managed funds (see (i)) at the rate of 0.75% a year of the value of the fund.

For externally-managed funds the Scottish Widows management charge still applies, but is reduced to 0.6% a year for those funds marked ## (see (i)). There are also the external managers' management charges plus any additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 0.92% to 1.99%.

A charge may be made for each switch between investment funds after the first 4 in each policy year.

The amount of a premium invested, after allowing for the difference between the offer and bid prices of units, can sometimes slightly exceed the amount of the premium. The excess, which occurs only when an intermediary chooses to receive reduced commission, is expected to be more than covered by the other charges. On early surrender it is covered by the surrender charge mentioned in (h) below.

- (g) Any increase in the Scottish Widows management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

The charge for switching between funds is limited to 1% of the amount switched.

- (h) The amount of the surrender value is equal to the value of the units whose allocation is being cancelled subject to a percentage charge on surrender (other than certain regular withdrawals) in the first five years of the policy. This is no more than 7.5% in the first year, 6% in the second year, and so on to 1.5% in the fifth year. Terminal bonus and/or a market-value-reduction (see (2) below) may apply to any with-profits units allocated to the contract.
- (i) As Regular Savings Plan.
- (j) The contract includes the following features:-

- (A) An option to switch the whole or part of any property-linked investment to one or more of the other property-linked funds or the with-profits fund (see (2) (i) below) at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied. (An option to switch the whole or part of any property-linked investments to with-profits was withdrawn on 31 December 2002.)
- (B) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds at any time. A switch from a with-profits investment cannot be reversed (after 31 December 2002). A charge as described in (f) above may be levied.
- (C) An option to pay additional single premiums at any time (the with-profits fund closed to increments on 31 December 2002)
- (D) An option to surrender the contract at any time in whole or in part, subject to possible deferment as in (A) above.

- (E) An option to take regular withdrawals, in return for the cancellation of the allocation of units at their bid prices.
- (k) The contract was closed to new business except increments on existing policies on 22 September 2002.
- (l) No rates of charges were increased in the year to the valuation date.
- (2)(i) Scottish Widows may apply, at its discretion, a market-value reduction to the value of units when they are surrendered in certain circumstances. These circumstances are given in (v)(A) and (v) (C) below. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. However, no such reduction will apply on death. Scottish Widows has applied market-level reductions throughout 2002, with the reductions varying over the year. At the end of the year, the reductions ranged from 0% to 21% of the face value of units.

On surrender during the first 5 years of the policy, a percentage charge can be applied as described in (1) (h) above..

- (ii) Not applicable.
- (iii) There are circumstances in which a market-value reduction is guaranteed not to apply. There are no other guaranteed investment returns and no guaranteed bonus rates.
- (iv) There is a guarantee that neither of the adjustments mentioned in (i) above will apply in certain circumstances (see option (B) in (v) below). Otherwise there are no guarantees of surrender values.
- (v) The following options are available:
 - (A) to surrender some or all of the units at their bid price (increased by any terminal bonus and reduced by any reduction or charge as described in (i) above) at any time.
 - (B) to take regular withdrawals from the plan up to specified limits. Units are valued for this at their bid price (plus any terminal bonus).
 - (C) to take the option referred to in 1 (j) (B) above for certain policies. For this purpose with-profits units are valued at their bid price (increased by any terminal bonus and reduced by any reduction as described in (i) above).

(1)(a) **Investment Bond**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - whole life assurance.
- (c) Single premium. Additional single premiums may be paid
- (d) A single-premium whole life assurance. The death benefit is 101% of the bid-price value of units.

On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life last-death basis.

- (e) No guarantees of investment return are provided under these contracts.

- (f) A percentage of each premium is invested in units. Ordinary units are allocated at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the property-linked funds other than externally-managed funds (see (i)) at the rate of 0.75% a year of the value of the fund.

For externally-managed funds the Scottish Widows management charge still applies, but is reduced to 0.6% a year for those funds marked ## (see (i)). There are also the external manager's management charge plus additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 0.92% to 1.99%.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested, after allowing for the difference between the offer and bid prices of units, can sometimes slightly exceed the amount of the premium. The excess, which occurs only when an intermediary chooses to receive reduced commission, is expected to be more than covered by the other charges. On early surrender it is covered by the surrender charge mentioned in (h) below.

- (g) Any increase in the Scottish Widows management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

The charge for switching between funds is limited to 1% of the amount switched.

- (h) The amount of the surrender value is equal to the value of the units whose allocation is being cancelled. For this purpose units are valued at their bid prices.

On complete or partial surrender in the early years of units bought by a premium of £100,000 or more, a charge is made.

- (i) As House Purchase Savings Plan.

- (j) The contract includes the following features:-

(A) An option to switch the whole or part of any holding of units in a property-linked investment to another such fund on a bid-to-bid basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.

(B) An option to pay additional single premiums at any time.

(C) An option to surrender the contract at any time in whole or in part, subject to possible deferment as in (A) above.

(D) (*) An option to take regular withdrawals, in return for the cancellation of the allocation of units at their bid prices.

- (k) The contract was not open to new business in the year to the valuation date, other than for increments to existing policies.

- (l) No rates of charges were increased in the year to the valuation date.

(1)(a) **Capital Investment Bond**

(b)-(c) As Investment Bond

- (d) A single-premium whole life assurance. The death benefit is a multiple of the bid-price value of units. For policies issued, and single premiums paid under older policies, after 14 September 1987 the multiple is 1.01 for all ages. Otherwise it is in accordance with a scale that reduces non-linearly from 3.00 at age 30 to 1.01 at age 75.

On payment of this benefit the contract is cancelled. The contract can be written on a single-life or joint-life last-death basis.

- (e) As Investment Bond
- (f) As Investment Bond, except that these contracts do not have access to externally managed funds.
- (g) Under policies taken out in July 1995 or later: as Investment Bond.
- (h) As Investment Bond
- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked assurance funds:

Mixed Fund
UK Equity Fund
Property Fund
International Fund
Fixed-Interest Fund
Indexed-Stock Fund
Cash Fund

For details of these funds see the entry for House Purchase Savings Plan.

- (j) As Investment Bond
- (k) The contract was not open to new business in the year to the valuation date, other than for increments to existing policies.
- (l) None of the rates of charge generally applied to the contracts was increased during the report period.

(1) (a) **Guaranteed Stock Market Bond**

- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - endowment assurance.
- (c) Single premium.
- (d) A linked single-premium bond with a term of 6 years.

There are two versions – Capped and Participation.
On maturity the bondholder will receive the greater of :

- (a) the enhanced investment (the original premium increased by any early

- investment bonus), and
(b) the Amount Invested increased by a percentage of the Index Growth.

The Amount Invested is 94% of the enhanced investment.

The percentage of the Index Growth is 100% for the Capped version and varies between 70% and 80% for the Participation version.

The Index Growth is the percentage by which the average close of business FTSE 100 Index over the 12 months prior to maturity exceeds the FTSE 100 Index at commencement.

The Capped version of the Bond limits the percentage of the Index Growth to 55%.

On death the amount payable is guaranteed to be no less than the enhanced investment.

- (e) See (d) above for the guarantees of investment return that are provided under these contracts.
- (f) The premiums for these contracts reflect all the costs that Scottish Widows expects to incur in connection with them.
- (g) There are no variable charges.
- (h) The amount of the surrender value is not guaranteed. It will depend on various factors, including the level of the FTSE 100 index and other market conditions.
- (i) The benefits are not determined by reference to any internal linked fund.
- (j) The contract has no other relevant features.
- (k) The contract was not open to new business during the year to the valuation date.
- (l) Not applicable.

(1) (a) **Guaranteed Investment Bond**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - endowment assurance.
- (c) Single premium.
- (d) A linked single-premium bond with a term of 6 years.

On maturity the bondholder will receive the greater of :

A - the enhanced investment (the original premium increased by any early investment bonus), and

B - the enhanced investment adjusted by c%, where c is calculated as follows. At the start of the policy term c starts at 0. Each 6 months c is increased or reduced arithmetically by the percentage rise or fall in the FTSE 100 index over that period, with the increase or reduction percentage having a ceiling of x and a floor of -y. For the business written in 2001, x equalled y equalled 7.5%. So in each year c could rise

or fall by up to 15%, and over the 6 year term of the policy c% could vary from -90% to +90%. For the business written in 2002, x equalled y and varied between 7 and 8%. So in each year c could rise or fall by up to 16%, and over the 6 year term of the policy c% could vary from -96% to +96%. On death the amount payable is the greater of the surrender value (see (h) below) and the enhanced investment.

- (e) See (d) above for the guarantees of investment return that are provided under these contracts.
- (f) The premiums for these contracts reflect all the costs that Scottish Widows expects to incur in connection with them.
- (g) There are no variable charges.
- (h) The amount of the surrender value is not guaranteed. It will depend on the level of the FTSE 100 index and other market conditions.
- (i) The benefits are not determined by reference to any internal linked fund.
- (j) The contract has no other relevant features.
- (k) The contract was open to new business on certain dates during the year to the valuation date. It was open for new business at the end of that year.
- (l) Not applicable.

(1)(a) **Flexible Home Plan**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - endowment assurance.
- (c) Premiums are payable monthly or yearly. They are either level or increase at the end of each of the first five years by 20% of their initial level.
- (d) A regular-premium endowment assurance, designed to help repay a mortgage.

The death benefit is the greater of a sum assured and the value of the units allocated to the policy on the day following receipt of intimation of death. The sum assured is fixed at the start of the policy, and is at least 75% (a lower percentage for older lives) of the total of the premiums payable.

Some contracts include waiver-of-premium benefit which basically ensures continuation of premiums until age 60 (or earlier maturity of the policy) while the life assured is unable, through illness or injury, to follow his or her normal occupation. For a joint-life contract this cover can only be effected on one life.

- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in ordinary units at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the funds represented by ordinary units, at the rate of 0.75% a year of the value of the fund.

When a policy has been in force for 15 years, and every 5 years thereafter, additional units

will be allocated to it. The additional units will be equal in value to a percentage of the units already allocated. This percentage will be up to 1% after 15 years, up to 1.5% after 20 years, and up to 2% on later occasions.

There is a monthly fee charged by cancellation of the allocation of units.

The cost of the life cover is determined each month and charged by cancelling the allocation of units.

The cost of any waiver-of-premium benefit is charged by reducing the percentage of the premiums invested in units.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

For certain policies, the amount of future premiums invested may exceed the amount of the premium. The date from which this applies varies by policy so that the benefits provided at maturity would be equal to those provided on 'Lautro' illustrations at sale, if the assumed rate of asset growth were applied.

- (g) The charge for waiver-of-premium benefit cannot be increased, but otherwise there are no specific restrictions on increases in the above charges.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices.
- (i) As Capital Investment Bond.
- (j) The contract includes the following options:-
 - (A) To extend the premium term of the policy without evidence of good health, but not to a date after the 70th birthday, provided that the extension is required as a result of a revision in the terms of the life assured's existing mortgage or because of a new or additional mortgage arranged by the life assured. If the extension is to beyond the 60th birthday the option can only be exercised prior to the 50th birthday. For a joint-life policy these age limits (and the limit in (B) below) are reduced by 5 years and apply to the older life.
 - (B) To increase the sum assured without evidence of health prior to the life assured's 50th birthday provided that the extension is required as a result of a revision in the terms of the life assured's existing mortgage or because of a new or additional mortgage arranged by the life assured. The sum assured is limited to twice the original level of the sum assured.
 - (C) To switch the whole or part of any holding of units in a property-linked investment to another such fund on a bid-to-bid basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (k) The contract was not open to new business in the year to the valuation date, other than for increments to existing policies.
- (l) None of the rates of charges applied generally to contracts was increased during the report period.

(1)(a) Investor Policy - First Series

- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - endowment assurance.
- (c) Level premiums, payable monthly.
- (d) A regular-premium endowment assurance. At the maturity date the benefit payable is a cash sum equal to the higher of the value of the units allocated to the policy and a guaranteed minimum amount (see (e) below).

The death benefit is the value of the units allocated to the policy at the date of death plus the total premiums that would have been payable after the date of death for the balance of the term. There is a minimum death benefit, equal to the total premiums payable throughout the full term of the policy, subject to the policy being maintained in full force.

- (e) The amount payable on maturity is guaranteed to be equal to at least the total of the premiums payable, subject to the policy having been maintained in full force.
- (f) A percentage of each premium is invested in first-series units in the Investor Policy Fund. Units are allocated at offer prices of units, which exceed the equivalent bid prices.

No management charge is taken from the part of the fund represented by first-series units.

The amount of a premium invested does not exceed the amount of the premium.

- (g) None of the charges under the policy may be increased.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices. (A deduction would have applied on surrender during the first 15 years of the contract.)
- (i) Benefits may be determined wholly or partly by reference to the value of units in the following internal property-linked fund:

The Investor Policy Fund
Invested mainly in UK ordinary shares and non-UK equities, but may include fixed-interest stocks, index-linked stocks and short-term deposits.

- (j) The contract includes the following options:-
- (A) An option to extend the term of the policy without further payment of premiums, and take the value of the units allocated to the policy at any time during the following five years.
- (B) To convert the policy to a paid-up policy, the guaranteed minimum maturity value and minimum death benefit being reduced in proportion to the number of premiums paid.
- (k) The contract was not open to new business in the year to the valuation date.
- (l) Not applicable - see (g) above.

(1)(a) Investor Policy - Second Series

(b) and (c) As Investor Policy First Series.

- (d) A regular-premium endowment assurance. At the maturity date the benefit payable is a cash sum equal to the value of the units allocated to the policy subject to a minimum of any guaranteed minimum amount (see (e) below).

The death benefit is the value of the units allocated to the policy at the date of death plus the total premiums that would have been payable after the date of death for the balance of the term. There is a minimum death benefit, equal to the total premiums payable throughout the full term of the policy, subject to the policy being maintained in full force.

- (e) A guaranteed minimum maturity value applies to policies issued prior to 1 July 1978. It is payable on maturity and is equal to the total of the premiums payable, subject to the policy having been maintained in full force.
- (f) A percentage of each premium is invested in second-series units in the Investor Policy Fund. Units are allocated at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the fund represented by second-series units at the rate of 0.25% a year of the value of the fund.

The amount of a premium invested does not exceed the amount of the premium.

- (g) None of the charges under the policy may be increased.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract subject to a deduction on surrender in the first 25 years of the policy. For this purpose units are valued at their bid prices. The amount of the deduction is approximately 2.5% of the total premiums payable over the balance of the term to the original maturity date, or to the 25th anniversary of the date of entry if earlier, provided that it does not reduce the amount payable to less than 20% of the value of the units allocated to the policy.
- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked funds:

The Investor Policy Fund
See Investor Policy First Series

The Investor Policy Cash Fund
Invested in short-term securities and deposits.

- (j) The contract includes the following options:-

- (A) An option to extend the term of the policy without further payment of premiums, and take the value of the units allocated to the policy at any time.
- (B) To convert the policy to a paid-up policy. The number of units allocated to the policy is reduced by the cancellation of an allocation of units equal in value to the amount (if any) of any deduction that would have applied under (h) above if the policy had been surrendered then. For policies issued prior to 1 July 1978 the guaranteed minimum maturity value and minimum death benefit are reduced in proportion to the number of premiums paid. For policies issued on or after that date the minimum death benefit is cancelled.
- (C) To switch investment between the two investment funds within the 5 years immediately preceding the original maturity date or at any time after that subject to the policy being maintained in full force. There is a charge of at least 0.5% of the value of the units exchanged.

- (k) The contract was not open to new business in the year to the valuation date.
- (l) Not applicable - see (g) above.

(1)(a) **Investor Policy - Third Series**

- (b) As Investor Policy First Series.
- (c) Level premiums, payable monthly or yearly.
- (d) A regular-premium endowment assurance. At the maturity date the benefit payable is a cash sum equal to the value of the units allocated to the policy.

The death benefit is the value of the units allocated to the policy at the date of death. There is a minimum death benefit, equal to 75% of the total premiums payable throughout the full term of the policy, subject to the policy being maintained in full force.

- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in third-series units in the Investor Policy Fund. Units are allocated at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the fund represented by third-series units at the rate of 0.75% a year of the value of the fund.

The amount of a premium invested does not exceed the amount of the premium.

- (g) The percentage of each premium to be invested in units cannot be changed.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract subject to a deduction on surrender in the first 25 years of the policy. For this purpose units are valued at their bid prices. The amount of the deduction is a percentage (5%, 4.25%, 3.75% or 3.5% for policies for terms of 10, 15, 20 or 25 years respectively) of the total premiums payable over the balance of the term to the original maturity date, or to the 25th anniversary of the date of entry if earlier, plus £2.50 for each complete year in the same period. The amount payable is guaranteed to be at least 50% of the value of the units allocated to the policy.
- (i) See Investor Policy Second Series
- (j) The contract includes the following options:-
 - (A) See Investor Policy Second Series
 - (B) To convert the policy to a paid-up policy. The number of units allocated to the policy is reduced by the cancellation of an allocation of units equal in value to the amount (if any) of any deduction that would have applied under (h) above if the policy had been surrendered then. The minimum death benefit is cancelled.
 - (C) See Investor Policy Second Series
- (k) The contract was not open to new business in the year to the valuation date.
- (l) None of the rates of charges applied generally to contracts was increased during the report period.

(1)(a) **Investor Plan Ten**

(b) The categories into which these contracts fall are:

- United Kingdom business,
- life assurance and general annuity business,
- direct-written business,
- non-profit policies,
- endowment assurance.

(c) Level premiums, payable monthly or yearly.

(d) A regular-premium endowment assurance. At the maturity date the benefit payable is a cash sum equal to the value of the units allocated to the policy.

The death benefit is the value of the units allocated to the policy at the date of death plus 75% of the total premiums that would have been payable after the date of death for the balance of the term. There is a minimum death benefit, equal to 75% of the total premiums payable throughout the full term of the policy, subject to the policy being maintained in full force.

(e) No guarantees of investment return are provided under these contracts.

(f) A percentage of each premium is invested in second-series units in the Investor Policy Fund. Units are allocated at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the fund represented by second-series units at the rate of 0.25% a year of the value of the fund.

The amount of a premium invested does not exceed the amount of the premium.

(g) None of the charges under the policy may be increased.

(h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices.

(i) As Investor Policy Second Series.

(j) The contract includes the following options:-

(A) An option to extend the term of the policy for 10 years and one month with or without further payment of premiums. If premiums are continued, the same options are available at the new maturity date.

(B) To extend the policy as a whole-life policy, with a nominal premium, while making regular withdrawals by cancelling the allocation of units.

(C) To convert the policy to a paid-up policy. The minimum death benefit is cancelled.

(D) To switch investment between the two investment funds, subject to a charge of at least 0.5% of the value of the units exchanged.

(k) The contract was not open to new business in the year to the valuation date.

(l) Not applicable - see (g) above.

(1)(a) **Maximum Growth Bond**

(b) The categories into which these contracts fall are:

- United Kingdom business,
- life assurance and general annuity business,
- direct-written business,
- non-profit policies,
- whole life assurance.

(c) Level premiums, payable monthly or yearly.

(d) A regular-premium whole life policy with regular premiums limited to not less than 5 and not more than 10 years.

The death benefit is 101% of the value of the units allocated to the policy at the date of death or, if death takes place within the premium-paying term, the total premiums paid if greater.

(e) No guarantees of investment return are provided under these contracts.

(f) A percentage of each premium is invested in ordinary units at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.75% a year of the value of the fund.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested does not exceed the amount of the premium.

(g) There are no specific restrictions on increases in the above charges.

(h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices. This value is reduced by a charge of between 4.5% and 5.5% of the premiums, if any, that remain to be paid during the original premium-paying term.

(i) As Capital Investment Bond.

(j) The contract includes the following options:-

- (A) An option to extend the premium term of the policy by at least 5 years and no more than the original premium term. The allocation percentage is guaranteed for the first such extension.
- (B) To convert the policy to a paid-up policy. The number of units allocated to the policy is reduced by the cancellation of an allocation of units equal in value to the amount (if any) of any deduction that would have applied under (h) above if the policy had been surrendered then. The minimum death benefit is cancelled.
- (C) To make regular withdrawals, subject to the policy being made paid-up.
- (D) An option to switch the whole or part of any holding of units in a property-linked investment to another such fund on a bid-to-bid basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.

- (k) The contract was not open to new business in the year to the valuation date.
- (l) None of the rates of charges applied generally to contracts was increased during the report period.

(1)(a) **Maximum Investment Bond (WL) / Privilege Extension Plan (IO)**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - whole life assurance.
- (c) Level premiums, payable monthly or yearly. A single premium may be payable at the start of Privilege Extension Plan (IO).
- (d) A whole life assurance.

The Maximum Investment Bond (WL) has regular premiums for between 10 and 25 years, although for policies issued from 1 July 1988 the premium term was always 25 years. The death benefit is the value of the units allocated to the policy at the date of receipt of intimation of death, subject to a minimum death benefit of 75% of the total premiums payable or to age 75 if earlier.

The Privilege Extension Plan (IO) has a single premium followed by nominal regular premiums. The death benefit is the value of the units allocated to the policy at the date of receipt of intimation of death, subject to a minimum death benefit of 75% of the total premiums payable to age 75.

- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in ordinary units at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.75% a year of the value of the fund.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested does not exceed the amount of the premium.

- (g) The percentage of each premium to be invested in units cannot be changed.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices. This value is reduced by a charge of between 4.5% and 7.5% of the premiums, if any, that remain to be paid during the first 10 years of the policy. However the surrender value will always be at least 60% of the value of the units.
- (i) As Capital Investment Bond.
- (j) The contract includes the following options:-

(A) For Maximum Investment Bonds:

- (i) To extend the premium term by at least 10 years but no more than the original premium term. The minimum death benefit is reduced to the

minimum compatible with a 'qualifying' policy.

- (ii) To convert the policy to a paid-up policy. The number of units allocated to the policy is reduced by the cancellation of an allocation of units equal in value to the amount (if any) of any deduction that would have applied under (h) above if the policy had been surrendered then. The minimum death benefit is cancelled.
 - (B) To make regular withdrawals, subject to the policy not having been made paid-up and to at least ten years having elapsed since the start of the policy or any subsequent extension, and to the withdrawals starting no later than an option date shown on the policy. This option does not apply to policies issued after 24 February 1988.
 - (C) To switch the whole or part of any holding of units in a property-linked investment to another such fund on a bid-to-bid basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
 - (k) The Maximum Investment Bond (WL) was not open to new business in the year to the valuation date. The Privilege Extension Plan (IO) was not added to any policy during that year, but it can be exercised as an option under any policy to which it is already attached.
 - (l) None of the rates of charges applied generally to contracts was increased during the report period.
- (1)(a) **Maximum Investment Bond (EA) / Privilege Extension Plan (DO/RIO)**
- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - life assurance and general annuity business,
 - direct-written business,
 - non-profit policies,
 - endowment assurance.
 - (c) Level premiums, payable monthly or yearly. A single premium may be payable at the start of Privilege Extension Plan (DO/RIO).
 - (d) A ten-year endowment assurance.

The Maximum Investment Bond (EA) has regular premiums. The death benefit is the value of the units allocated to the policy at the date of receipt of intimation of death, subject to a minimum death benefit of 75% (reducing by 2% for each year by which entry age exceeds 56 next birthday) of the total premiums payable.

The Privilege Extension Plan (DO/RIO) has a single premium with or without regular premiums. The death benefit is the value of the units allocated to the policy at the date of receipt of intimation of death, subject to a minimum death benefit of the minimum compatible with a 'qualifying' policy.

- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in ordinary units at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.75% a year of the value of the fund.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested does not exceed the amount of the premium.

- (g) The percentage of each premium to be invested in units cannot be changed.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices. This value is reduced by a charge of 4.5% of the premiums that remain to be paid during the first 10 years of the policy. However the surrender value will always be at least 60% of the value of the units.
- (i) As Capital Investment Bond.
- (j) The contract includes the following options:-
 - (A) For Maximum Investment Bonds, to extend the term of the policy as an endowment assurance with or without premiums continuing or as a whole-life assurance with a nominal regular premium, subject to option (B) not having been exercised.
 - (B) To convert the policy to a paid-up policy. The number of units allocated to the policy is reduced by the cancellation of an allocation of units equal in value to the amount (if any) of any deduction that would have applied under (h) above if the policy had been surrendered then. The minimum death benefit (if any) is cancelled.
 - (C) For Maximum Investment Bonds, and Privilege Extension Plans with regular premiums, to take from the maturity date, or from the end of the extension period, regular or irregular withdrawals, subject to the policy not having been made paid-up and to the reduction of the premiums to a nominal amount. This option does not apply to policies issued after 24 February 1988.
 - (D) To switch the whole or part of any holding of units in a property-linked investment to another such fund on a bid-to-bid basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (k) The Maximum Investment Bond (EA) was not open to new business in the year to the valuation date. The Privilege Extension Plan (DO/RIO) was not added to any policy during that year, but it can be exercised as an option under any policy to which it is already attached.
- (l) None of the rates of charges applied generally to contracts was increased during the report period.

(1)(a) **Individual Unitised Pensions**

This is a range of contracts, the principal contracts in the range being:-

- Personal pension for the employed
- Personal pension for the self-employed
- Free-standing AVC
- Executive pension
- AVC

See also the separate entries for Phased Retirement and Income Drawdown policies.

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - either or both of with-profits and non-profit policies,
 - deferred annuity.
- (c) Premiums may be single premiums or regular premiums. Regular premiums are payable monthly or yearly.
- (d) Deferred annuity contracts providing the following benefits:-
 - On entry on pension at the retirement age specified at the outset, a cash sum equal to the bid value of units (plus terminal bonus, if any, for with-profits units). This value is available to purchase annuity benefits from Scottish Widows using its then (not guaranteed) current annuity rates or from another insurer.
 - On death before entry on pension, a cash sum of the greater of the bid value of units (plus terminal bonus, if any, for with-profits units) and any 'integrated' sum assured under the contract. Additional life cover (payable on death in addition to the above cash sum) may also be present, either combined with the deferred annuity contract or as a separate contract.
 - Some regular-premium personal pension contracts include waiver-of-premium benefit which basically ensures continuation of regular premiums until age 60 (or earlier entry on pension under the policy) while the life assured is unable, through illness or injury, to follow his or her normal occupation. There is an option for benefit to pay for premiums increasing in line with national average earnings during disability.
- (e) No guarantees of investment return are provided under the property-linked part of these contracts.
- (f) A percentage of each premium is invested in ordinary units. For policies other than personal pension policies, units are allocated at offer prices of units, which exceed the equivalent bid prices. For personal pension policies they are now allocated at bid prices (see below).

For most policies there is a monthly fee charged by cancellation of the allocation of units.

The cost of any integrated life cover (the excess of the cover over the value of units) and any waiver-of-premium cover is determined each month and charged by cancelling the allocation of units. The cost of any additional life cover is charged by additional premiums.

For some policies renewal commission is calculated on the basis of the amount of the fund from time to time and is charged for by cancellation of the allocation of units.

Some policies are eligible for a 'loyalty bonus' which reduces the overall charges. The amount of the 'loyalty bonus' is broadly equivalent to the annual management charge and applies to units once these have been held for 15 or more complete calendar years.

For ordinary units in property-linked funds other than externally-managed funds (see (i)) there is a management charge, taken from those funds, at the rate of 0.875% a year of the value of the fund.

For externally-managed funds the Scottish Widows management charge still applies, but is reduced to 0.725% a year for those funds marked ## in (i) below. There are also the external managers' management charges plus any additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 1.045% to 2.165%.

The following changes, for Personal Pension policies, were introduced from 4 June 2001 to bring charges for all such policies broadly within 'stakeholder' levels overall (while ensuring policyholders are no worse off after the changes):

- (i) Units are allocated at bid prices.
- (ii) For regular contributions at the current level, the allocation rate is changed to 100%. However, where the allocation rate less the bid/offer spread was above 100%, the current allocation was only reduced by the bid/offer spread.
- (iii) The monthly fee is capped at a maximum of 0.125% p.a. of the fund value by the advance allocation of bonus units (the form that the 'loyalty bonus' takes for such policies) equal in value to the difference.
- (iv) The allocation of bonus units after 15 years will be reduced by any issued in advance.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a regular premium invested, after allowing (where relevant) for the difference between the offer and bid prices of units, can sometimes slightly exceed the amount of the premium. The excess is expected to be more than covered by the other charges.

- (g) The percentage of each regular premium to be invested in units cannot be reduced below the level set for that premium when the current amount of premium was established.

Any increase in the monthly fee is limited to approximately any increase in national average earnings since the time of the last increase in the scale from which the fee was derived.

Any increase in the charges for life cover and waiver-of-premium benefit is limited to any increase that Scottish Widows' Appointed Actuary considers to be appropriate to take account of Scottish Widows' actual or expected claims experience.

Any increase in the Scottish Widows management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

The charge for switching between funds is limited to 1% of the amount switched under policies issued after 30 June 1995.

- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices, but terminal bonus and/or a market-value reduction (see (2) below) may apply to any with-profits units allocated to the contract.
- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked pension funds (externally-managed funds are marked # or ##):

Mixed Fund

Invested in a balanced portfolio of UK and overseas shares, fixed-interest and index-linked stocks, property and, where appropriate, cash deposits. Some of these investments are held through other internal property-linked funds.

UK Equity Fund

Invested principally in a spread of UK ordinary shares, but may include a proportion of overseas equities.

Property Fund

Invested in high-quality freehold and long-leasehold commercial and industrial properties. Part of the fund can be held in short-term cash deposits.

International Fund

Invested mainly overseas, but may include fixed-interest stocks and shares of some UK-based companies with international interests.

Fixed-Interest Fund

Invested in British Government securities and other UK fixed-interest stocks and may also include overseas fixed-interest stocks. Part of the fund may be held in short-term deposits.

Indexed-Stock Fund

Invested mainly in British Government index-linked securities and other similar stocks.

Building Society Fund

Invested mainly in a range of higher-rate Building Society deposit accounts. Part of the fund may be held in other types of short-term deposit.

SafetyPlus Fund

Invested solely in the Scottish Widows SafetyPlus OEIC sub-fund - which invests mainly in the shares of leading UK companies. Derivatives are used to provide protection against major falls in the UK stock market.

UK Equity Index Fund

Invested - through the Scottish Widows UK Tracker OEIC sub-fund- in the shares of leading UK companies. This fund aims to track the performance of the UK equity market, currently as represented by the Financial Times Stock Exchange 100 Share Index.

Consensus Mixed Fund

Invested - mainly through various Scottish Widows index-tracking OEIC sub-fund, but also through the Pension Cash Fund - in a diversified portfolio of UK and overseas shares and government bonds, and cash. The fund's asset allocation is based on the average allocation of the funds covered by a quarterly survey of UK pooled pension funds.

European Fund

Invested - through the Scottish Widows European Select Growth OEIC sub-fund - in any economic sector in Continental Europe, mainly in shares.

North American Fund

Invested - through the Scottish Widows American Select Growth OEIC sub-fund - in companies based in the United States and Canada.

Japanese Fund

Invested - through the Scottish Widows Japanese Select Growth OEIC sub-fund - primarily invested in Japanese equities.

Environmental Fund

Invested solely in the SWUTM Environmental Investor Unit OEIC sub-fund. The fund aims to provide longer term capital growth by investing in companies that demonstrate a positive commitment to the protection and preservation of the natural environment. Investment is mainly in UK equities.

Global Equity Fund

Invested solely in the SWUTM Global Select Growth OEIC sub-fund. The fund aims to achieve capital growth through investment in any economic sector in any geographical area, including the UK.

UK All Share Tracker

Invested mainly in equities, designed to track the FTSE All Share Index.

UK Fixed-interest Index Tracker

Invested mainly in gilts, designed to track the FTSE Actuaries UK Gilts All Stocks Index.

International Equity Tracker Fund

Invested – through the Scottish Widows International Equity Tracker OEIC sub-fund – in international equities. This fund aims to give growth based on the performance of a number of international equity indices. The proportion of each index is determined with reference to the “Pooled with Property” benchmark published by the Combined Actuarial Performance Services.

#Artemis UK Growth Fund

Invested –through the Artemis UK Growth Fund Unit Trust - in UK equities.

#Artemis UK Smaller Companies Fund

Invested –through the Artemis UK Smaller Companies Fund Unit Trust – in smaller UK companies

#DWS American Growth Fund

Invested – through the DWS American Growth OEIC sub-fund - in US and Canadian equities.

#DWS European Smaller Companies Fund

Invested – through the DWS European Smaller Companies Fund OEIC sub-fund – in smaller European companies (including UK)

#DWS Japan Growth Fund

Invested – through the DWS Japan Growth OEIC sub-fund – in Japanese equities.

#DWS Stockmarket Managed Fund

Invested – through various funds within the DWS range – in all economic sectors and parts of the world.

#DWS UK Growth Fund

Invested – solely through the DWS UK Growth OEIC sub-fund – mainly in UK quoted equities. The managers can invest in recently issued transferable securities that are yet to be traded on the London Stock Exchange. They will only invest in the securities and derivatives markets of the UK.

#Fidelity American Fund Invested – through the Fidelity American Fund OEIC sub-fund – mainly in US equities, with a bias towards larger and medium-sized businesses.

#Fidelity American Special Situations Fund

Invested – through the Fidelity American Special Situations Fund OEIC sub-fund – in mainly US equities, with a bias towards medium-sized and smaller companies.

#Fidelity European Fund

Invested – through the Fidelity European Fund OEIC sub-fund – mainly in continental European equities, with a bias towards medium-sized and smaller businesses.

#Fidelity International Fund

Invested – through the Fidelity International Fund OEIC sub-fund – in equities from around the globe. There is a bias towards larger companies and at least half of the fund will be invested in the EU.

#Fidelity Japan Fund

Invested – through the Fidelity Japan Fund OEIC sub-fund – mainly in Japanese equities, with a bias towards larger businesses.

##Fidelity Managed Fund

Invested in a wide range of Fidelity's OEIC (Open Ended Investment Company) sub-funds which cover markets throughout the world.

#Fidelity South-east Asia Fund

Invested – through the Fidelity South-east Asia Fund OEIC sub-fund – in shares of companies throughout the Pacific basin excluding Japan, with a bias towards larger businesses.

#Fidelity Special Situations Fund

Invested – through the Fidelity Special Situations Fund OEIC sub-fund – in mainly UK equities, with a bias towards medium-sized and smaller companies.

#Fidelity UK Growth Fund

Invested – through the Fidelity UK Growth Fund OEIC sub-fund – mainly in UK equities, with a bias towards larger and medium-sized companies.

##Gartmore Managed Fund

Invested - through various unit trusts and collective investment schemes - in a portfolio of UK and overseas equities, fixed interest securities such as Government and corporate bonds and, where appropriate, cash deposits.

#INVESCO Perpetual Corporate Bond Fund

Invested – through the INVESCO Perpetual Corporate Bond Fund Unit Trust – mainly in fixed interest securities.

#INVESCO Perpetual European Growth Fund

Invested – through the INVESCO Perpetual European Growth Fund Unit Trust – in European equities excluding the UK.

#INVESCO Perpetual European Smaller Companies Fund

Invested – through the INVESCO Perpetual European Smaller Companies Fund Unit Trust – in smaller companies in Europe excluding UK.

#INVESCO Perpetual Global Bond Fund

Invested – through the INVESCO Perpetual Global Bond Fund Unit Trust – mainly in international bonds of differing interest yields and maturities. It may also include debentures, loan stock, and other instruments that the managers consider appropriate.

#INVESCO Perpetual High Income Fund

Invested – through the INVESCO Perpetual High Income Fund Unit Trust- mainly in high-yielding international securities (equities, convertibles and other fixed-interest stocks).

#INVESCO Perpetual Japan Fund

Invested – through the INVESCO Perpetual Japan Fund Unit Trust – mainly in Japanese equities.

##INVESCO Perpetual Balanced Managed Fund

Invested - through various unit trusts and collective investment schemes - in a diversified portfolio of equities and bonds.

#INVESCO Perpetual UK Key Trends Fund

Invested – through the INVESCO Perpetual UK Key Trends Fund Unit Trust – mainly in equities and equity-related investments which participate in a clearly defined theme. (A theme is a subject or topic relating to a specific area of investment that stands to benefit from changes in society or from economic cycles.)

#INVESCO Perpetual US Growth Fund

Invested – through the INVESCO Perpetual US Growth Fund Unit Trust – in US securities.

##JPMF (JP Morgan Fleming) Managed Fund

Invested - through various unit trusts – in UK and overseas stocks and shares, and Government bonds and cash.

#Merrill Lynch American Opportunities Fund

Invested – through the Merrill Lynch American Opportunities Fund Unit Trust – in predominantly smaller US companies. The managers may also invest in Canada and up to 10% in Latin America.

#Merrill Lynch Emerging Markets Fund

Invested – through the Merrill Lynch Emerging Markets Fund Unit Trust – in the world's emerging economies.

#Merrill Lynch European Growth Fund

Invested – through the Merrill Lynch European Growth Fund Unit Trust – mainly in continental European securities. The managers may also invest in fixed-interest securities.

#Merrill Lynch Global Titans Fund

Invested – through the Merrill Lynch Global Titans Fund Unit Trust – in a portfolio of the world's most successful companies.

##Merrill Lynch Managed Fund

Invested – through the Merrill Lynch Balanced Portfolio Fund Unit Trust – in a global spread of investments, generally with an emphasis on the UK.

#Merrill Lynch UK Dynamic Fund

Invested – through the Merrill Lynch UK Dynamic Fund – mainly in quoted UK securities.

#Merrill Lynch UK Smaller Companies Fund

Invested – through the Merrill Lynch UK Smaller Companies Fund – in smaller UK companies.

#Newton Continental European Fund

Invested – through the Newton Continental European Fund OEIC sub-fund – in European securities.

#Newton Higher Income Fund

Invested – through the Newton Higher Income Fund OEIC sub-fund – in securities with the aim of achieving increasing distributions of income from one year to the next, along with long-term capital growth.

#Newton Income Fund

Invested – through the Newton Income Fund OEIC sub-fund – mainly in UK equities.

#Newton International Bond Fund

Invested – through the Newton International Bond Fund OEIC sub-fund – in bonds from around the world.

#Newton International Growth Fund

Invested – through the Newton International Growth Fund OEIC sub-fund – in international securities.

##Newton Managed Fund

Invested – through various Newton OEIC Funds – in UK and international securities.

#Newton Oriental Fund

Invested – through the Newton Oriental Fund OEIC sub-fund – in the Asian and Pacific markets excluding Japan.

#Newton Stockmarket Managed Fund

Invested – through the Newton Stockmarket Managed Fund OEIC sub-fund – in UK, EC, and international securities.

#Schroder European Fund

Invested – through the Schroder European Fund Unit Trust – in European equities excluding the UK.

#Schroder Gilt and Fixed Interest Fund

Invested – through the Schroder Gilt and Fixed Interest Fund Unit Trust – in Sterling-denominated fixed-interest securities.

#Schroder Medical Discovery Fund

Invested – throughout the Schroder Medical Discovery Fund Unit Trust – in healthcare, medical services, and related product companies across the world.

##Schroder Managed Fund

Invested – through a range of underlying authorised unit trusts, recognised schemes and collective investment schemes - in UK and overseas equities and fixed income securities.

#Schroder Pacific Fund

Invested – through the Schroder Pacific Fund Unit Trust – in companies in the Pacific region, including Asia, but excluding Japan.

#Schroder Tokyo Fund

Invested – through the Schroder Tokyo Fund Unit Trust – in companies listed on the Japanese stockmarkets.

#Schroder UK Equity Fund

Invested in UK equities.

#Schroder UK Smaller Companies Fund

Invested – through the Schroder UK Smaller Companies Fund Unit Trust – in smaller companies listed in the UK.

#Schroder US Smaller Companies Fund

Invested – through the Schroder US Smaller Companies Fund Unit Trust – in companies listed on the US and Canadian stockmarkets.

#SocGen European Growth Fund

Invested – through the SocGen European Growth Unit Trust – in larger European companies.

#SocGen Technology Fund

Invested – through the SocGen Technology Unit Trust – in an international portfolio of companies involved in high-technology industries.

#SocGen UK Growth Fund

Invested – through the SocGen UK Growth Unit Trust – in shares listed on the London Stock Exchange.

#Threadneedle American Select Growth Fund

Invested – through the Threadneedle American Select Growth Fund OEIC sub-fund – in a relatively concentrated portfolio of mainly US equities.

#Threadneedle European Select Growth Fund

Invested – through the Threadneedle European Select Growth Fund OEIC sub-fund – in a concentrated portfolio of continental European equities.

#Threadneedle Global Select Growth Fund

Invested – through the Threadneedle Global Select Growth Fund OEIC sub-fund – in a relatively concentrated portfolio of international equities.

#Threadneedle UK Corporate Bond Fund

Invested – through the Threadneedle UK Corporate Bond Fund OEIC sub-fund – in fixed-interest investments mainly in the UK and continental Europe.

#Frank Russell Cautious Portfolio

Invested – through the Scottish Widows Cautious Portfolio OEIC sub-fund – primarily in bonds, while maintaining a low exposure in equities, across a number of geographic areas.

#Frank Russell Balanced Portfolio

Invested – through the Scottish Widows Balanced Portfolio OEIC sub-fund – in a balance of bonds and equities, across a number of geographic.

#Frank Russell Progress Portfolio

Invested – through the Scottish Widows Progressive Portfolio OEIC sub-fund – primarily in equities, while maintaining a moderate exposure to bonds, across a number of geographic areas.

Frank Russell Opportunities Portfolio

Invested – through the Scottish Widows Opportunities Portfolio OEIC sub-fund – primarily in equities, while maintaining a low exposure in bonds, across a number of geographic areas.

All internal funds are reassured with Scottish Widows Unit Funds Limited, a wholly-owned subsidiary company of Scottish Widows.

- (j) The contract includes the following features (to be read in conjunction with (2)(i) below where an asterisk is shown):-
- (A) An option to switch the whole or part of any property-linked investment to with-profits on a bid-to-bid basis at any time up to three years before the specified pension age, or to switch such an investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
 - (B) (*) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds at any time. A charge as described in (f) above may be levied.
 - (C) An option to pay additional single premiums at any time. The terms relating to them are not guaranteed.
 - (D) An option to increase, reduce or suspend regular premiums at any time before entry on pension. Premium 'holidays' may be taken for up to two years (or such longer period as allowed at the time). A charge may be made if there are more

than two changes in any plan year. Integrated life cover ceases six months after the cessation of regular premiums.

- (E) (*) An option to enter on pension before the selected pension age, but not before age 50 unless in ill health.
- (F) On attainment of the selected pension age an option to select a new pension age no later than the 75th birthday. Unitised with-profits units must be exchanged for units in one of the other funds if the new selected pension age is not at least three years away.
- (G) (*) An option to surrender the contract at any time in return for the transfer of its surrender value in accordance with the rules of the scheme governing the policy.
- (k) The Executive Pension and AVC contracts in the range were open to new business in the year to the valuation date. The Personal Pensions and Free-Standing AVC contracts were not open to new business in the year to the valuation date other than for increments to existing policies.
- (l) The following rate of charge was increased in the year to the valuation date:

The monthly fee was increased by approximately 2.5%
- (2)(i) Scottish Widows may apply, at its discretion, a market-value reduction to the value of with-profits units when they are surrendered in certain circumstances. These circumstances are marked (*) in (1)(j) above. The reduction is likely to be applied in these circumstances if the face value (together with any terminal bonus) of units exceeds the value of the underlying assets. Different reductions may apply to units allocated in different periods. Scottish Widows has applied market-level reductions throughout 2002, with the reductions varying over the year. At the end of the year, the reductions ranged from 0% to 25% of the face value of units.

However, no such reduction will apply on death or on the selected pension date.
- (ii) Not applicable.
- (iii) There are circumstances in which a market-value reduction is guaranteed not to apply. There are no other guaranteed investment returns and no guaranteed bonus rates.
- (iv) There are no guaranteed surrender values.
- (v) See (1)(j) above.

(1)(a) **Pensions Solutions**

This is a range of contracts, the principal contracts in the range being :-

Personal pension for the employed
Personal pension for the self-employed
Occupational Money Purchase
AVC

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - either or both of with-profits and non-profit policies,
 - deferred annuity.

- (c) As Individual Unitised Pensions.
- (d) As Individual Unitised Pensions.
- (e) No guarantees of investment return are provided under these contracts.
- (f) 100% of each premium is invested in Series 2 units. Units are allocated at the bid price of units.

For Series 2 units in property-linked funds other than externally-managed funds (see (i)) there is an annual management charge taken from those funds at a rate of 1% a year of the value of the fund.

For externally-managed funds a Scottish Widows management charge still applies but is reduced to 0.85% a year for those marked ## in (i) under Individual Unitised Pensions. There are also the external managers' management charges plus any additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 1.17% to 2.29%.

One of the externally-managed funds, the Scottish Widows UBS Managed (UBSM) Unit Linked Fund, is only available to the Lloyds TSB Pension Funds. For it, the Scottish Widows management charge is 1.0% a year of the value of the fund. To the extent not covered by the 1.0% charge, annual management charge made by UBS is charged directly to the Lloyds TSB Pension Trustees.

For some policies, there is an additional regular charge taken by the cancellation of units at a rate set in the policy. For some other policies, overall charges are reduced by the regular addition of bonus units at a rate set in the policy.

The cost of any integrated life cover (the excess of the cover over the value of units) and any waiver-of-premium cover is determined each month and charged by cancelling the allocation of units. The cost of any additional life cover is charged by additional premiums.

A charge may be made for switching between investment funds. However, the first charge in any contract-year is free.

- (g) Any increase in the Scottish Widows management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

Any increase in the charges for life cover and waiver-of-premium benefit is limited to any increase that Scottish Widows' Appointed Actuary considers to be appropriate to take account of Scottish Widows' actual or expected claims experience.

The charge for switching between funds is limited to 1% of the amount switched.

- (h) As Individual Unitised Pensions.
- (i) As Individual Unitised Pensions. In addition, the Scottish Widows UBS Managed (UBSM) Unit Linked Fund is solely available to the Lloyds TSB Occupational Money Purchase Pension Scheme. It is reinsured to SWUF, and through SWUF to UBS Global Asset Management Limited, and invested - through the UBS Global Asset Management Life Managed Fund - in a global spread of investments, predominately equities.
- (j) The contract includes the following features (to be read in conjunction with (2)(i) below where an asterisk is shown) :-

- (A) An option to switch the whole or part of any property-linked investment to with-profits on a bid-to-bid basis at any time up to three years before the specified pension age, or to switch such an investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month.
 - (B) (*) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds at any time. A charge as described in (f) above may be levied.
 - (C) An option to pay additional single premiums at any time.
 - (D) An option to increase, reduce or suspend regular premiums at any time before entry on pension. Integrated life cover ceases six months after the cessation of regular premiums.
 - (E) (*) An option to enter on pension before the selected pension age, but not before age 50 unless in ill health.
 - (F) On attainment of the selected pension age an option to select a new pension age no later than the 75th birthday. Unitised with-profits units must be exchanged for units in one of the other funds if the new selected pension age is not at least three years away.
 - (G) (*) An option to surrender the contract at any time, subject to possible deferment as in (A) above, in return for the transfer of its surrender value in accordance with the rules of the scheme governing the policy.
- (k) The range of contracts was open to new business in the year to the valuation date.
 - (l) No rates of charges were increased in the year to the valuation date.
- (2) As Individual Unitised Pensions.
- (1)(a) **Stakeholder Pensions**
- These are personal pension contracts established under the Scottish Widows Stakeholder Pension Scheme.
- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - non-profit policies,
 - deferred annuity.
 - (c) As Individual Unitised Pensions.
 - (d) Deferred annuity contracts providing the following benefits:-
 - On entry on pension at the retirement age specified at the outset, a cash sum equal to the bid value of units. This value is available to purchase annuity benefits from Scottish Widows using its then (not guaranteed) current annuity rates or from another insurer.
 - On death before entry on pension, a cash sum equal to the bid value of units.

- (e) No guarantees of investment return are provided under these contracts.
- (f) 100% of each premium is invested in Series 3 (Stakeholder) units in property-linked funds. Units are allocated at the bid price of units.

For Series 3 (Stakeholder) units in property-linked funds, including externally-managed funds (see (i)), there is an annual management charge taken from those funds. The basic charge is 1% a year of the value of the fund. For some policies it is partly offset by the regular addition of bonus units at a rate set in the policy.

- (g) Any increase in the management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

Charges are subject to the maximum limits in the rules of the stakeholder scheme under which the policies are held.

- (h) The amount of the surrender value is equal to the value of the units allocated to the policy. For this purpose units are valued at their bid prices.

- (i) The following pension funds, described for Individual Unitised Pensions, are available:

Mixed Fund
 SafetyPlus Fund
 Consensus Mixed Fund
 European Fund
 Environmental Fund
 UK All Share Tracker Fund
 UK Fixed-interest Index Tracker Fund
 International Equity Tracker Fund

In addition, the Cash Fund is available. It is invested in short-term securities and deposits.

Additionally the following pension funds, also described for Individual Unitised Pensions, are available to certain policies:

UK Equity Fund
 Property Fund
 Fixed-Interest Fund
 North American Fund
 Japanese Fund
 Global Equity Fund
 Merrill Lynch Managed Fund
 Newton Managed Fund
 Schroder Managed Fund

- (j) The contract includes the following features :-
 - (A) An option to switch the whole or part of any property-linked investment to one or more of the other property-linked funds at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month.
 - (B) An option to pay additional single premiums at any time.
 - (C) An option to increase, reduce or suspend regular premiums at any time before entry on pension.

- (D) An option to enter on pension before the selected pension age, but not before age 50 unless in ill health.
- (E) On attainment of the selected pension age an option to select a new pension age no later than the 75th birthday.
- (F) An option to surrender the contract at any time, subject to possible deferment as in (A) above, in return for the transfer of its surrender value in accordance with the rules of the scheme governing the policy.
- (k) The contract was open to new business in the year to the valuation date.
- (l) No rates of charge were increased in the year to the valuation date.
- (2) Not applicable.

(1)(a) **Phased Retirement Plan**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - non-profit policies,
 - deferred annuity.
- (c) Single premium. Further single premiums may be paid at any time prior to entry on pension.
- (d) Deferred annuity contracts, usually purchased shortly before entry on pension, providing the following benefits:-
 - On entry on pension a cash sum equal to the bid value of units in property-linked funds. This value is available to purchase annuity benefits from Scottish Widows using its then (not guaranteed) current annuity rates or from another insurer.
 - On death before entry on pension, a cash sum of the bid value of units.
- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in units. Ordinary units are allocated at either the offer price or the bid price of units.. The percentage of premium invested differs depending on whether the units are allocated at the bid or offer price of units. The offer price of units exceeds the equivalent bid price.

There is a management charge, taken from the property-linked funds, at the rate of 0.875% a year of the value of the fund for internally-managed funds..

For externally-managed funds a Scottish Widows management charge still applies but is reduced to 0.725% a year for those marked ## in (i) under Individual Unitised Pensions. There are also the external managers' management charges plus any additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (including Scottish Widows charges) expressed as a percentage of the value of the fund at 31 December 2002 ranged from 1.045% to 2.165%.

Sometimes renewal commission is calculated on the basis of the amount of the fund from time to time. It is charged either by cancellation of the allocation of units or by reduction in the percentage of each premium that is invested in units.

Under some policies there is a regular charge made by the cancellation of a percentage of the allocation of units to those policies.

Under some policies the charges are partially offset after a number of years by the allocation at regular intervals of additional units.

A charge may be made for switching between investment funds. However, the first 6 switches in any contract-year are free.

The amount of premium invested does not exceed the amount of the premium.

- (g) Any increase in the management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

Under those policies for which a regular charge is made by the cancellation of a percentage of the allocation of units, the percentage is fixed.

Under those policies for which the other charges are partially offset after a number of years by the allocation at regular intervals of additional units, the additional units will represent a fixed increase in the value of units allocated to the policy.

The charge for switching between funds is limited to 1% of the amount switched.

- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices.
- (i) As for Individual Unitised Pensions.
- (j) The contract includes the following features:-
- (A) An option to switch the whole or part of any property-linked investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
 - (B) An option to transfer to the Income Drawdown Plan on a bid-to-bid basis at any time.
 - (C) An option to pay additional single premiums at any time prior to entry on pension.
 - (D) An option to surrender the contract at any time, subject to possible deferment as in (A) above, in return for the transfer of its surrender value in accordance with the rules of the scheme governing the policy.
- (k) The contract was open to new business in the year to the valuation date.
- (l) No rates of charges applied generally to contracts were increased in the year to the valuation date.

(1)(a) **Income Drawdown Plan**

- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - pension business,
 - direct-written business,

- non-profit policies,
 - deferred annuity.
- (c) Single premium. No further single premiums may be paid.
- (d) Deferred annuity contracts, purchased on entry to pension, providing the following benefits:-
- Income withdrawals, in accordance with the rules of the scheme governing the policy, are made until the purchase of an annuity. The income is provided by the cancellation of the allocation of property-linked units at their bid prices.
 - An annuity must be purchased by age 75. When an annuity is to be purchased, the policy provides a cash sum equal to the bid value of property-linked units allocated to it. This value is available to purchase annuity benefits from Scottish Widows using its then (not guaranteed) current annuity rates or from another insurer.
 - On death before purchase of an annuity, a cash sum of the bid value of units is used to provide benefits in accordance with the rules of the scheme governing the policy.
- (e)-(g) As Phased Retirement Plan.
- (h) The amount of the surrender value is equal to the value of the units allocated to the policy. For this purpose units are valued at their bid prices. Surrender of a policy is possible only if allowed under the rules of the scheme governing the policy.
- (i) As Phased Retirement Plan.
- (j) The contract includes an option to switch the whole or part of any property-linked investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (k) The contract was open to new business in the year to the valuation date.
- (l) No rates of charges applied generally to contracts were increased in the year to the valuation date.
- (1)(a) **Unitised Annuities**
- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - pension business,
 - direct-written business,
 - either or both of with-profits and non-profit policies,
 - immediate annuity.
- (c) Single premium. No further single premium may be paid.
- (d) Immediate annuity contracts under which each payment of annuity is a pre-set percentage of the value at that date of a set of "reference units". These units are units in one or more property-linked funds and/or with-profits units.
- Under some contracts the number of reference units is reduced at regular intervals at a fixed compound rate.
- (e) No guarantees of investment return are provided under the property-linked part of these contracts.

- (f) For units in property-linked funds there is a management charge of 0.875% a year (1% a year for policies sold from 1 August 2000) taken from those funds.

A charge may be made for switching between property-linked investment funds. However, the first switch in any contract-year is free.

- (g) Any increase in the management charges for property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

The charge for switching between funds is limited to 1% of value of the part of the annuity being switched.

- (h) Not applicable.
- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked pension funds. For details of funds, see Individual Unitised Pensions.

Mixed Fund
UK Equity Fund
Property Fund
International Fund
Fixed-Interest Fund
Indexed-Stock Fund
Building Society Fund
Environmental Fund

- (j) There is an option to switch the whole or part of any property-linked investment to one or more of the other property-linked funds at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as indicated in (f) above may be levied. It is not possible to switch to or from with-profits investment.
- (k) The contract was open to new business in the year to the valuation date.
- (l) No rates of charges applicable to contracts after their starting dates were increased in the year to the valuation date:
- (2)(i) Not applicable.
- (ii) Not applicable.
- (iii) Contracts effected from 9 May 2000 have a guarantee that the level of the annuity will not fall below the initial amount of the annuity which would have applied if the contract had been set up on the basis that the number of reference units would not reduce at regular intervals (see (1) (d) above).
- (iv) Not applicable.
- (v) Contracts effected from 9 May 2000 have an option to convert to a conventional annuity at policy anniversaries from the second anniversary to age 75. The conversion basis is subject to certain conditions, and the terms of any conversion depend on financial conditions in force at the date of conversion.

(1)(a) **Trustee Investment Bond**

- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - pension business,
 - direct-written business,
 - non-profit policies,
 - deferred annuity.
- (c) Single premium. Further single premiums may be paid at any time.
- (d) Deferred annuity contract providing benefits corresponding to benefits under a personal or occupational pension scheme or cash sums to enable the trustees of such schemes to purchase such benefits.
- (e) No guarantees of investment returns are provided under this contract.
- (f) A percentage of each premium is invested in units. Ordinary units are allocated at offer prices of units, which exceed the equivalent bid prices.

There is a management charge, taken from the property-linked funds other than externally-managed funds (see (i)), at the rate of 0.875% a year of the value of the fund.

For externally-managed funds the Scottish Widows management charge still applies, but is reduced to 0.725% a year for those marked ## in (i) under Individual Unitised Pensions. There is also the external manager's management charge plus additional expenses which are charged by the external manager concerned and which are not rebated to the property-linked funds. The total annual charges (expressed as a percentage of the value of the fund) at 31 December 2002 ranged from 1.045% to 2.165%.

Sometimes renewal commission is calculated on the basis of the amount of the fund from time to time and is charged for by cancellation of the allocation of units.

Under some policies there is a regular charge made by the cancellation of a percentage of the allocation of units to those policies.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested, after allowing for the difference between the offer and bid prices of units, does not exceed the amount of the premium.

Bid prices are used when units are cancelled to pay for benefits. If benefits are taken within a pre-set number of years of a premium being paid, the value of the cancelled units is reduced by a charge for early encashment.

- (g) Any increase in the Scottish Widows management charges for the property-linked funds can only be to levels which the Appointed Actuary considers will result in the margin of charges over costs (for relevant policies) not being excessive. In forming his opinion he must take into account the general level of such margins in the market for policies of similar types, and any previous increases in the charges.

Under those policies for which a regular charge is made by the cancellation of a percentage of the allocation of units, the percentage is fixed.

The charge for early encashment of units was fixed when the relevant premium was paid.

The charge for switching between funds is limited to 1% of the amount switched.

- (h) The amount of the surrender value is equal to the value of the units allocated to the contract. For this purpose units are valued at their bid prices. If the surrender value is taken within a

pre-set number of years of a premium being paid, the value of the cancelled units is reduced by a charge for early encashment.

- (j) As for Individual Unitised Pensions.
- (j) The contract includes an option to switch the whole or part of any property-linked investment to one or more of the other property-linked funds on that basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (k) The contract was open to new business in the year to the valuation date.
- (l) No rates of charges applied generally to contracts were increased in the year to the valuation date.

(1)(a) **Personal Pension Plus**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - either or both of with-profits and non-profit policies,
 - deferred annuity.
- (c) Premiums may be single premiums or regular premiums. Regular premiums are payable monthly or yearly.
- (d) Deferred annuity contract which is partly or wholly property-linked business with the remainder (if any) being conventional with-profits. It provides benefits for the self-employed and those in non-pensionable employment, with a pension age selected at the outset. It provides the following benefits:-

- On entry on pension at the retirement date specified at the outset, a cash sum which may be used to purchase annuity benefits from Scottish Widows or from another insurer. The cash sum is equal to the bid value of units plus any with-profits benefit.

Any with-profits benefit is expressed as a cash sum with, in most cases, a guaranteed-rate annuity option if the benefit is taken at the retirement date specified at the outset. This option applies to all such benefits effected before 1 July 1999 and to a few effected later. Typical guaranteed rates are £1 p.a. pension (yearly in arrears) from £9 cash (male aged 65) or £11 cash (female aged 60).

- On death before entry on pension, a cash sum of
 - the bid value of units, plus
 - for any with-profits benefit, the paid-up value purchased by the above date including reversionary bonuses, discounted for the period between the above date and the specified pension age using a guaranteed rate of interest of 5.5% p.a. compound, and subject to a minimum of the premiums applied for that benefit.
- (e) No guarantees of investment return are provided under the property-linked part of these contracts.
- (f) These details apply to the property-linked part of the contract.

A percentage of each premium is invested in units at offer prices of units, which exceed the equivalent bid prices. Initial units are allocated in respect of the first year's regular

premiums and ordinary units in respect of other premiums.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.875% a year of the value of the fund, and from the part represented by initial units at the rate of 6.875% a year.

A charge may be made for switching between unit-investment funds. However, the first switch in any contract-year is free. (The terms for switching between linked and non-linked are at Scottish Widows' discretion.)

The amount of a premium invested, after allowing for the difference between the offer and bid prices of units, can sometimes slightly exceed the amount of the premium. The excess is expected to be more than covered by the other charges.

- (g) The percentage of each regular premium to be invested in units cannot be reduced below the level set for that premium when the current amount of premium was established.
- (h) The amount of the surrender value is equal to the value of the units allocated to the contract minus a percentage of the value of any initial units. For this purpose units are valued at their bid prices. Examples of the percentage reductions applicable to the value of initial units are:

<u>Years between date of surrender and pension age</u>	<u>Percentage reduction</u>
1	5.7
5	24.0
10	39.9
15	51.1

- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked pension funds. For details of funds marked with an asterisk, see Individual Unitised Pensions.

- * Mixed Fund
- * UK Equity Fund
- * Property Fund
- * International Fund
- * Fixed-Interest Fund
- * Indexed-Stock Fund

Cash Fund

Invested in short-term securities and deposits.

- (j) The contract includes the following:-
 - (A) An option to switch the whole or part of any property-linked investment to with-profits on terms to be decided by Scottish Widows.
 - (B) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds on terms to be decided by Scottish Widows.
 - (C) An option to pay additional single premiums at any time before entry on pension.
 - (D) An option to increase, reduce or suspend regular premiums at any time before entry on pension. Premium 'holidays' may be taken for up to two years (or such longer period as allowed at the time). A charge may be made if there are more than two changes in any plan year.
 - (E) An option to enter on pension before the selected pension age, but not before age 60 (50 for policies issued after 1 July 1988) unless in ill health. In this case the

value of the units less a percentage of the value of any initial units is applied to secure benefits. The percentages are those shown in (h) above.

- (F) On attainment of the selected pension age an option to select a new pension age no later than the 75th birthday. Upon deferment of retirement any initial units are converted to ordinary units. On entry on pension the value of all the units allocated to the policy, together with the cash value of any with-profits benefit, is applied to secure benefits.
- (G) An option to surrender the contract in return for the transfer of its surrender value to another insurance company, in accordance with the rules of the scheme governing the policy.
- (k) The contract was open to new business in the year to the valuation date only for increments to existing policies.
- (l) None of the rates of charges applied generally to the linked part of contracts was increased during the report period.
- (2) This contract contains a conventional with-profits option but not an accumulating with-profits option.

(1)(a) **Executive Pension Plan**

- (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - either or both of with-profits and non-profit policies,
 - deferred annuity.
- (c) Premiums may be single premiums or regular premiums. Regular premiums are payable monthly or yearly.
- (d) Deferred annuity contract which is partly or wholly property-linked business with the remainder (if any) being conventional with-profits. It provides benefits for employees in pensionable employment, with a pension age selected at the outset. It provides the following benefits:-

- On entry on pension at the retirement date specified at the outset, a cash sum which may be used to purchase annuity benefits from Scottish Widows or from another insurer. The cash sum is equal to the bid value of units plus any with-profits benefit.

Any with-profits benefit is expressed as a cash sum with, in most cases, a guaranteed-rate annuity option if the benefit is taken at the retirement date specified at the outset. This option applies to all such benefits effected before 1 July 1999 and to a few effected later. Typical guaranteed rates are £1 p.a. pension (monthly in advance, payable for at least 5 years) from £9 cash (male aged 65) or £11 cash (female aged 60).

- On death before entry on pension, a cash sum of
 - the bid value of units, plus
 - for any with-profits benefit, the paid-up value purchased at the above date including reversionary bonuses, discounted for the period between the above date and the specified pension age using a guaranteed rate of interest of 5.5% p.a. compound, and subject to a minimum of the premiums applied for that benefit.
- (e) No guarantees of investment return are provided under the property-linked part of these

contracts.

- (f) These details apply to the property-linked part of the contract.

A percentage of each premium is invested in units at offer prices of units, which exceed the equivalent bid prices. Initial units are allocated in respect of the first year's regular premiums and ordinary units in respect of other premiums.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.875% a year of the value of the fund, and from the part represented by initial units at the rate of 6.875% a year.

A charge may be made for switching between unit-investment funds. However, the first switch in any contract-year is free. (The terms for switching between linked and non-linked are at Scottish Widows' discretion.)

The amount of a premium invested, after allowing for the difference between the offer and bid prices of units, can sometimes slightly exceed the amount of the premium. The excess is expected to be more than covered by the other charges.

- (g) The percentage of each regular premium to be invested in units cannot be reduced below the level set for that premium when the current amount of premium was established.
- (h) As Personal Pension Plus.
- (i) As Personal Pension Plus.
- (j) The contract includes the following:-
- (A) An option to switch the whole or part of any property-linked investment to with-profits on terms to be decided by Scottish Widows.
 - (B) An option to switch the whole or part of a with-profits investment to one or more of the property-linked funds on terms to be decided by Scottish Widows.
 - (C) An option to pay additional single premiums at any time before entry on pension.
 - (D) An option to increase, reduce or suspend regular premiums at any time before entry on pension. Premium 'holidays' may be taken for up to two years (or such longer period as allowed at the time). A charge may be made if there are more than two changes in any plan year.
 - (E) An option to enter on pension before the selected pension age, but not before age 50 unless in ill health. In this case the value of the units less a percentage of the value of any initial units is applied to secure benefits with Scottish Widows or elsewhere. The percentages are those shown in (h) above.
 - (F) On attainment of the selected pension age an option to postpone entry on pension until no later than the 75th birthday. Upon such postponement any initial units are converted to ordinary units. On entry on pension the value of all the units allocated to the policy, together with the cash value of any with-profits benefit, is applied to secure benefits with Scottish Widows or elsewhere.
 - (G) An option, subject to the rules of the scheme, to surrender the contract for cash.
- (k) The contract was open to new business in the year to the valuation date only for increments to existing policies.
- (l) None of the rates of charges applied generally to the linked part of contracts was increased during the report period.

- (2) This contract contains a conventional with-profits option but not an accumulating with-profits option.

(1)(a) **Pensions Investment Bond**

- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - pension business,
 - direct-written business,
 - non-profit policies,
 - deferred annuity.
- (c) Single premium. Further single premiums may be paid at any time.
- (d) A group pensions contract effected by trustees of approved pension schemes.

A benefit may become payable under the policy whenever a benefit becomes payable under the rules of the scheme. In these circumstances the trustees of the scheme may arrange for the cancellation of an allocation of units. The amount of the benefit payable is calculated as described in (h) below.

- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in ordinary units at offer prices of units, which exceed the equivalent bid prices.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.875% a year of the value of the fund.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested does not exceed the amount of the premium.

- (g) Not applicable.
- (h) The amount of the surrender value is equal to the value (at their bid prices) of the units allocated to the contract, minus a deduction if a premium has been paid in the previous two years. The maximum deduction is 1% of the value of the units.
- (i) As Executive Pension Investment Plan (see below).
- (j) No other features material to the valuation.
- (k) The contract was not open to new business in the year to the valuation date, other than for increments to existing policies.
- (l) None of the rates of charges applied generally to contracts was increased during the report period.

(1)(a) **Executive Pension Investment Plan**

- (b) The categories into which these contracts fall are:
- United Kingdom business,
 - pension business,
 - direct-written business,
 - non-profit policies,

- deferred annuity.

- (c) Regular premiums payable monthly or yearly. A single premium may be paid at any time.
- (d) A deferred annuity contract providing benefits for employees in pensionable employment, with a pension age selected at the outset.

On retirement at the pension age, the value of the units allocated to the policy is applied to secure benefits with Scottish Widows or elsewhere.

On death before retirement the amount available is the value of the units in force on the day following receipt of the intimation of death.

- (e) No guarantees of investment return are provided under these contracts.
- (f) A percentage of each premium is invested in units at offer prices of units, which exceed the equivalent bid prices. Initial units are allocated in respect of the first year's regular premiums and ordinary units in respect of other premiums.

A management charge is taken from the part of the funds represented by ordinary units at the rate of 0.875% a year of the value of the fund, and from the part represented by initial units at the rate of 6.875% a year.

A charge may be made for switching between investment funds. However, the first switch in any contract-year is free.

The amount of a premium invested does not exceed the amount of the premium.

- (g) The percentage of each regular premium to be invested in units cannot be changed from the level established when the current level of regular premium began.
- (h) As Personal Pension Plus.
- (i) Benefits may be determined wholly or partly by reference to the value of units in one or more of the following internal property-linked pension funds. For details of funds marked with an asterisk, see Individual Unitised Pensions.

- * Mixed Fund
- * UK Equity Fund
- * Property Fund
- * International Fund
- * Fixed-Interest Fund
- * Indexed-Stock Fund

Cash Fund

Invested in short-term securities and deposits.

Loans Fund

The assets of this fund consist entirely of loans to companies for commercial purposes under the loanback scheme available under this policy. The fund is divided into different types of unit, units of a specific type being allocated in respect of each loan. In the event of default, the unit price of the particular type of unit would be adjusted to reflect this.

- (j) The contract includes the following options:-
 - (A) To increase the regular premium at any anniversary before the pension age.
 - (B) To convert the policy to a paid-up policy.
 - (C) To enter on pension earlier than the pension age, but no earlier than the 50th

birthday unless in ill health. In this case the value of the units less a percentage of the value of any initial units is applied to secure benefits. The percentages are those shown in (h) above.

- (D) To postpone entry on pension until after the pension age, subject to regular premiums ceasing at that age. Single premiums may be paid thereafter. Upon deferment of retirement any initial units are converted to ordinary units. On entry on pension the value of all the units allocated to the policy is applied to secure benefits.
- (E) To switch the whole or part of any holding of units in a property-linked investment to another such fund on a bid-to-bid basis at any time. Scottish Widows may defer switches from funds with direct or indirect investments in real property by up to six months, and may defer other switches by up to one month. A charge as described in (f) above may be levied.
- (F) To switch investment into or out of the Pension Loan Fund, subject to the granting or repayment of the appropriate loan(s).
- (k) The contract was not open to new business in the year to the valuation date, other than for increments to existing policies.
- (l) None of the rates of charges applied generally to contracts was increased during the report period.
- (1)(a) **Personal Pension Investment Bond**
 - (b) The categories into which these contracts fall are:
 - United Kingdom business,
 - pension business,
 - direct-written business,
 - non-profit policies,
 - deferred annuity.
 - (c) Regular premiums payable monthly or yearly. A single premium may be paid at any time.
 - (d) A deferred annuity contract providing benefits for self-employed persons and those in non-pensionable employment, with a pension age selected at the outset.

On entry on pension at the pension age, the value of the units allocated to the policy is applied to secure benefits with Scottish Widows or elsewhere.

On death before entry on pension the amount available is the value of the units in force on the day following receipt of the intimation of death.

- (e)-(l) As Executive Pension Investment Plan.

5 INTERNAL LINKED FUNDS

- (1)-(4) *Policies other than Investor Policies*

The following is a description of the method used at present for the creation and cancellation of units in internal linked funds.

Units are created in any fund only if assets equivalent to such units are added at the same time to that fund. For this purpose units are valued on the basis used to establish the upper value of that fund.

When units are cancelled, the assets withdrawn from the relevant fund are equivalent to those units on the basis used to establish the lower value of the fund.

The upper and lower values of each fund are derived from the maximum and minimum values of the investments of that fund calculated as indicated below. In establishing these fund values appropriate allowance is made for

- (a) taxes, duties and other charges related to the acquisition or disposal of the assets of the fund,
- (b) uninvested cash,
- (c) accrued income,
- (d) sums recoverable in respect of taxation, and
- (e) all liabilities of the fund including money borrowed for the account of the fund, actual or prospective liability for taxes, duties or levies not previously taken into account, and charges accrued but not deducted.

The maximum value of an investment of a fund is the market price at which it might be purchased and the minimum value of such an investment is the market price at which it might be sold.

The values of securities are based on prices quoted on any stock exchange selected by Scottish Widows. For markets that are not open at the time of the valuation, the latest closing prices are used. For any security not so quoted, the value is based on prices as quoted by such competent person, firm or corporation as Scottish Widows may reasonably consider to be fair.

The values of investments in real or heritable property are based on valuations prepared and certified at intervals not exceeding fifteen months by independent valuers. Variations in real or heritable property prices since the last such valuation are allowed for at least once a month.

When a fund holds units in another Scottish Widows property-linked fund, that other fund is valued at the same time as the property-linked fund. When a fund holds units in a Scottish Widows Open Ended Investment Company (OEIC) or unit trust, that OEIC or unit trust is valued earlier on the same day.

Decisions on whether to create or cancel units are normally taken daily, and put into effect on the basis of the next valuation of funds.

Units are allocated to policies, or their allocation cancelled, at a price that sometimes (in the case of regular premiums) derives from a valuation prior to receipt of the money or instruction, but otherwise at a price that derives from a later valuation.

The following is a description of the method used at present for determining unit prices for the allocation, or the cancellation of the allocation, of units in property-linked funds to policies:-

Each fund is normally valued each working day. At each valuation offer prices and bid prices are calculated for all the units in the fund.

The offer price of a unit will not exceed the result of taking the upper value of the part of the appropriate fund represented by the type of unit, dividing it by the number of units of that type in that fund, increasing the result by an initial charge of not more than 5% of the offer price, and rounding the result upwards by not more than the lesser of 1p and 0.5%.

The bid price of a unit will not exceed the result of taking the upper value of the part of the appropriate fund represented by the type of unit, dividing it by the number of units of that type in that fund and rounding the result upwards by not more than the lesser of 1p and 0.5%.

The bid price of a unit will not be less than the result of taking the lower value of the part of the appropriate fund represented by that type of unit, dividing it by the number of units of that type in that fund, and rounding the result downwards by not more than the lesser of 1p and 0.5%.

In practice:-

the bid price (before rounding) will usually be based on the upper value of the fund in the case of a fund for which the number of units allocated to policies is (short-term fluctuations apart) growing, and it will usually be based on the lower value if the number of units is (short-term fluctuations apart) falling;

if the number of units is starting to fall after having grown (or vice versa) the basis of the bid price may be adjusted gradually over a period from the upper value to the lower value (or vice versa);

the offer price would (before rounding) be the bid price (before rounding) increased by 5% of the offer price.

(1)-(4) *Investor Policies*

The following is a description of current practice. Scottish Widows reserves the right to replace it by a practice similar to that adopted for other types of policy as described above.

Each fund is valued once in each working week and on the first day of each month.

Units are allocated to policies, or their allocation is cancelled, at the next valuation. At each valuation at which there are net allocations of units in a fund to policies, sufficient units are created in that fund to cover the net allocations. At each valuation at which there is a net cancellation of allocations of units in a fund, units in that fund are cancelled. At all times the number of units in existence in a fund equals the number of units in that fund allocated to policies.

At each valuation offer and bid prices of units are calculated. Because the number of units reduces each month, prices are at present always based on lower values of the funds calculated as described above. Apart from that, offer prices and bid prices are calculated as described above.

On the creation of units in a fund an amount equal to their value on the basis underlying their offer prices (including the effect of any rounding of offer prices but without the 5% charge included in offer prices) is added to that fund. On the cancellation of units in a fund a sum equal to their bid-price value is removed from the fund.

(5) *Internal linked funds*

Tax on chargeable capital gains is retained in internal linked (assurance) funds until it is paid, at which stage assets equal in value to the amount of tax are removed from the relevant funds. This applies in respect of tax on notional realisations under the Taxes Acts as well as tax on realised capital gains. The rate of tax was 22% throughout the year.

While the tax to be paid in respect of *realised* capital gains is retained in the funds, until it is paid, an amount equal to it is deducted from the value of assets when calculating the prices of units.

For chargeable capital gains in respect of *unrealised* capital gains (for assets to which the rules for notional realisation do *not* apply) appropriate adjustments are made to the value of

the assets when calculating the prices of units. The adjustments take the form of deducting a percentage of the chargeable gains which it is estimated would apply if the relevant assets were to be sold immediately. The purpose of these percentages is to allow for the rate of tax and also for gains being taxable at some future date and not immediately. The percentage for each of the Investor Policy Funds and also for the SWUF Funds was 20% throughout the year, apart from the SWUF Property Fund which was 17.5% throughout the year.

Gains resulting from the rules for notional realisations of OEIC and unit trust holdings are spread over seven years in accordance with the Taxes Act. When calculating the prices of units the deductions made for the portion of such gains for which a tax payment falls due in the current year were at the rate of tax applicable to realised gains, as detailed above.

For chargeable capital gains for which tax payments fall due in subsequent years and to which the rules for notional realisations *do* apply, the following adjustment is made. For this purpose the relevant notional chargeable gains are the notional realisations in the past, to the extent that tax has not already been paid on them, together with the gain at an additional notional disposal as at the date the unit prices are being calculated. The adjustment takes the form of deducting a proportion of the total of the relevant notional chargeable capital gains from the value of each fund when calculating unit prices. The proportion takes into account the rate of tax and discounts for the average interval from the date of the calculation to the various dates on which the tax on the notional gains included in that total would be due for payment. The discount rate is reviewed from time to time. It was 4% p.a. throughout the year for all relevant assurance funds.

Similar principles are applied to tax relief on realised and unrealised losses, including those arising from the rules for notional realisations, subject to there being an expectation that such losses are likely to be relievable against corresponding gains.

(6) *Funds other than externally-managed funds*

Where an internal linked fund invests in units of a fund managed by Scottish Widows that is of one of the types referred to in paragraph 5 of Part I of Appendix 3.2, it buys and sells units in the second fund on the basis of upper and lower values (calculated as in 5(4) above) respectively of the second fund, or at the single price with adjustment for any dilution levy, without any subsequent rounding of the result and without the application of other charges. This obviates any need for specific discounts, payment of commission or other allowances.

While the internal linked fund continues to hold units in such a second fund, other than in the case of the Scottish Widows Investment Partnership Global Liquidity Fund plc, it receives refunds of any regular administration charges that are deducted from the part of the second fund represented by those units. In the case of the Scottish Widows Investment Partnership Global Liquidity Fund plc, the rebate is partial such that a charge of 0.06% p.a. is applied. Investment is only made into this fund if the investment managers consider that the return, net of charges, is likely to exceed that available of suitable alternative investments (taking account of other factors such as security and liquidity).

Externally-managed funds

Where an internal linked fund invests in units of a fund of one of the types referred to in paragraph 5 of Part I of Appendix 3.2, it may receive a negotiated rebate of part of the external manager's normal management charge. The amount of this rebate (up to 1% a year of the value of the fund) varies depending on which external manager and which fund within each external management group is involved.

All rebates are accrued on a daily basis to the relevant funds and therefore reflected in unit prices.

6 GENERAL PRINCIPLES AND METHODS

- (1) The valuation has taken account of the provisions of the Scheme of Transfer. Separate valuations have also been carried out for the With Profits Fund (WPF) and Non Participating Fund (NPF).

The reserves under individual contracts have been calculated as specified in the table below:

Valuation Methods

<u>Type of Contract</u>	<u>Method</u>
Conventional With-Profits Assurances	Net premium valuation. Joint life and last survivor contracts have been valued approximately.
Term Assurances	Gross premium valuation
Other Conventional Non-Profit Assurances	Net premium valuation. Joint life and last survivor contracts have been valued as single life contracts, using the age of the older life where premiums cease on the first death and of the younger life otherwise.
Conventional With-Profit Deferred Annuities	Net premium valuation
Conventional Non-Profit Deferred Annuities	Net premium valuation
Group Deferred Annuities	Present value of the benefits secured by the premiums paid to the valuation date, with an addition of 3.0% for expenses.
Conventional Annuities	Present value of annuity benefits plus expenses.

Unitised with-profits contracts
- WPF.

For contracts other than unitised annuities, the highest for any contract of :

- (A) the bid value of units allocated, reduced where appropriate by market-value reductions (see 6 (b) below), and
- (B) the discounted value of
 - the amount guaranteed to be paid at the pension or maturity date, or on death, or on regular withdrawal under certain policies, in respect of those units
 - management charges due to be transferred from the WPF to the NPF under the Scheme of Transfer, adjusted to reflect transfers arising from the NPF to the WPF under the terms of the Scheme that may apply under either the 'statutory test' or the 'PRE Test'.
 - charges (funded by cancellation of units) for any monthly policy fees, integrated life cover, waiver-of-premium cover and renewal commission
- (C) the amount required to cover future valuation strain, so that the reserve held at any time is sufficient to provide for cash-flow (see (B) above) over the following period and the reserve required at the end of that period

For unitised annuities, the discounted value of

- the amounts (at the guaranteed level) expected to be paid in the future
- management charges due to be transferred from the WPF to the NPF under the Scheme of Transfer, adjusted to reflect transfers arising from the NPF to the WPF under the terms of the Scheme that may apply under either the 'statutory test' or the 'PRE Test'.

Allowance has been made for future unit bonus growth (consistent with the reasonable expectations of policyholders in the event that experience were to follow the valuation basis) in quantifying future guaranteed benefits and options (including non-guaranteed discontinuance values).

Unitised with-profits contracts – NPF.	Reserves are held to cover any shortfall, on a case by case basis, of charges (transferred from the WPF) relative to costs and benefit payment, on the assumption that each case ceases paying premiums at the valuation date if this gives a higher reserve, or continues paying premiums until maturity otherwise.
International Investment Bond – Reassured Unitised With-Profits Units	Valued approximately as 105% of the face value of the units. In the case of the alternative valuations carried out under 7(6) below, market value reductions appropriate to the financial conditions in the relevant scenario were applied.
Property-linked contracts.	For contracts other than unitised annuities, the value of units allocated, plus a non-unit reserve calculated by the method described in the Transactions of the Faculty of Actuaries Vol. 36, p343, and using the parameters set out in paragraph 9 below, together with, where appropriate, a reserve for maturity and death guarantees as described in (g) below. For unitised annuities, the discounted value of the amounts expected to be paid (using the current value of units) plus an allowance for any future expenses not covered by future charges.
Group term assurances and contingent annuities by recurrent single premiums.	Six months' premiums.
Permanent health insurances, and waiver-of-premium benefits under regular-premium contracts.	A multiple of the premium (unless the benefit is being charged for by the cancellation of units), plus a reserve for current claims.
Permanent health insurances by recurrent single premiums.	80% of the premiums due in the current policy year plus a reserve for outstanding claims.

In the case of assurance contracts on under-average lives

- (i) accepted at increased premiums throughout, the policies have been valued according to the rated-up ages corresponding to the premiums actually charged. (Where an extra premium applies, but no age rating is held on the record, the age rating is taken to be 10 years.)
- (ii) accepted with the sums assured subject to debts, the policies have been valued as if they were normal risks for the full sums assured.

Where extra premiums are payable on account of occupation, foreign residence, etc, a special reserve of one year's extra premium has been made.

The reserves for assurances have been increased to allow for an estimated amount of death claims having occurred on or before the valuation date but not notified to Scottish Widows.

Further details of the principles and methods adopted in the valuation are as follows:-

- (a) The valuations of the assets and accounting liabilities, including derivative contracts or contracts or assets having the effect of derivative contracts, have conformed with Chapter 4 of IPRU (INS) both in the valuation at 31 December 2002 and in the

valuations carried out under rule 5.17 of IPRU (INS) allowing for the future changes in financial conditions in the scenarios mentioned in 7(6) below.

The valuation interest rate derived in respect of certain derivative assets held against guaranteed annuity options is restricted so that the amount of the long term insurance business liabilities in respect of the guaranteed annuity options concerned is at least as great as the result implied by the value of those quasi derivative assets that are held to match these options, as taken into account in Form 13.

Further details in relation to index-linked contracts are given in 9(a) below.

- (b) The reasonable expectations of policyholders were allowed for as follows:

For each class of with-profits policy valued by the net premium method, an assessment is made of the levels of reversionary and terminal bonuses supportable on the valuation rate of interest, allowing for financial conditions applying at the valuation date. On conditions applying at this valuation date, no reversionary bonuses were supported by the valuation rate of interest.

For unitised with-profits contracts the reasonable expectations of policyholders were allowed for mainly by ensuring that the reserve for each policy is at least as large as the value on the following basis of the with-profits units allocated to it. That value was calculated using the face value (ignoring any terminal bonus) of the units reduced where appropriate by market-value reductions. Subject to the following limitation, these market-value reductions were those (if any) appropriate to the financial conditions in force on the valuation date or, in the case of the alternative valuations carried out under 7(6) below, reductions appropriate to the financial conditions in the relevant future scenario. All these market-value reductions were limited to the reductions that would have been appropriate if all terminal bonus rates (currently and in the relevant scenario) had previously been set to zero. The reserves are at least as great as surrender values net of market-value reductions that might apply given significant exit volumes.

For unitised with-profits contracts explicit allowance is made for increases in unit values (regular bonus) that are consistent with policyholders' reasonable expectations in the context of the valuation basis - see (e) below.

- (c) Reserves for conventional with-profit assurances include a Zillmer adjustment of 3.5% of sums assured.
The net premium valued has, in all cases, been restricted to a maximum of 95% of the office premium.
- (d) All negative values have been eliminated, with the exception of negative sterling reserves that are covered by surrender charges and are restricted if otherwise that contract of insurance would have been treated as an asset.
- (e) For unitised with-profits contracts the following regular bonus rates have been assumed (see (b) above):

	2003	2004	2005	2006	2007	2008 onwards
Flexible Investment Bond	2.50%	1.00%	-	-	-	-
Flexible Option Bond Income	5.00% H1 4.50% H2	3.75%	2.75%	2.75%	2.75%	2.75%
Flexible Option Bond Growth	3.00% H1 2.00% H2	1.00%	-	2.00%	2.00%	2.00%
International Bond	3.00%	1.50%	0.50%	-	-	-
Euro & Dollar II Bond	2.75%	1.25%	-	-	-	-
Jersey With Profit Bond	2.00%	-	-	-	-	-
Other Assurances	1.50%	-	-	-	-	-
Pensions	2.50%	1.50%	1.00%	-	-	-

- (f) In aggregate, there were no unrealised capital gains at the valuation date, so that no specific provision for tax on unrealised capital gains was necessary.
- (g) For property-linked policies which have maturity and death guarantees (and where no charge is made) additional reserves have been made as a provision against fluctuations in investment performance using stochastic methods.

For Limited Price Indexation (LPI) annuities no specific reserve was made for investment guarantees because the liabilities were closely matched by fully index-linked assets. For annuities linked to the Retail Price Index that contain a guarantee that the annuity would not be reduced, the annuity valued is increased by a loading of 18%. For unitised with-profits policies all investment-performance guarantees are allowed for in part (B) of the calculation described under "Valuation Methods" above.

- (h) The mortality option under a convertible term assurance has been provided for by reserving for a cost of 3% of the sum assured to be met at the expiry date of the policy. Where a policy has been effected without medical evidence by exercising an option under a convertible term assurance, the new policy has been valued assuming the life assured to be eight years older than he is.

The options under certain policies to increase the level of cover (and the level of premiums) irrespective of state of health are not of sufficient significance on the valuation basis to require additional reserves.

The reserve taken for Versatile Endowment Plans inception within the last ten years is the greater of the reserves calculated by treating the policy as a 20-year policy or as a 10-year policy, on a case-by-case basis.

Deferred-annuity contracts with a guaranteed-rate annuity option have been valued based upon an assumed rate of take-up of the guaranteed-rate option of 95%. Where the option is assumed taken up, the contracts are valued either as deferred annuity or as cash contracts, whichever gives the higher reserve. Deferred-annuity contracts with a guaranteed-rate cash option have been valued either as deferred annuity or as cash contracts, whichever gives the higher reserve.

The majority of the guaranteed-rate annuity option are matched by a structured asset which gives protection against increases in liabilities arising from changes in interest rates. To the extent that the additional liability in respect of these options is not covered by the structured asset, and in respect of the additional liability for the guaranteed-rate cash options, the reserves are increased to allow for possible future variations in interest rates. The increase was made by reference to the option value inherent in the valuation of the structured asset.

The reserves for certain individual deferred annuities have been increased to cover 'no worse off' provisions granted in earlier years in respect of transfers from previous arrangements. Prudent provision is also made for the cost of direct compensation likely to be agreed in future as a result of the review of policies required by the FSA.

The reserve for the guarantee of maximum premium rates in respect of certain group pension contracts has been valued by taking the difference between the guaranteed maximum premiums and the premiums calculated on the valuation basis (where the former is the higher) and multiplying this difference by a factor. The factor allows for the proportion of members (of the schemes concerned) whose benefits are covered by the guarantee and for the number of future years that they are expected to remain active members of the scheme.

No other provisions for guarantees or options relevant to this sub-paragraph have been considered to be necessary.

INTEREST RATES, MORTALITY TABLES, AND SCENARIOS TESTED

- (1) The rates of interest and tables of mortality assumed in the valuation are shown in the supplementary notes to Forms 51, 52, 53 and 54.

The reserve for outstanding claims under permanent health insurance contracts has been valued on a CMIR12 basis, adjusted for experience to date as published in CMIR 18, with a margin for prudence taken, resulting in the use of 50% of CMIR 12 recovery rates, 70% of CMIR 12 mortality rates.

For unitised premium waiver the cost of the benefit is taken as 100% of the waiver charge.

- (2) The rates of critical illness assumed in the valuation were:
- for business sold by the LTSB Branch Network, 140% of those adopted by the principal reinsurer.
 - for business sold by IFAs and Direct Sales, 115% of those adopted by the principal reinsurer.

Specimen rates for business sold by the LTSB Branch Network (for non-smokers per mil sum assured) are as follows:

Age		30	40	50
Accelerated benefit	Male	0.76	1.57	5.46
	Female	0.87	2.24	5.19
Stand alone benefit	Male	0.49	1.15	4.24
	Female	0.66	1.96	4.37

The rates for accelerated benefit allow for mortality and critical illness.

- (3) The tables of mortality and morbidity assumed in valuing UK business are standard UK tables, based on UK experience. For overseas business the degree of variation between mortality in the UK and in other states would not give rise to a material effect on the valuation and therefore standard UK tables have been used.
- (4) Allowance has been made for future reductions in the rates of mortality under annuity contracts (including reversionary and deferred annuities) by applying (to the assumed initial mortality) the CMI 'Medium Cohort' projection factors to the 1992 base tables.
- (5) For Term Assurances allowance to cover the cost of AIDS mortality has been made through an addition to the standard mortality rates of 33.3% AIDS6A (entry year 1998) for males and 10% AIDS6A (entry year 1993) for females.

Otherwise, the reserves include allowances to cover the cost of AIDS mortality including additional mortality from the exercise of options to increase or extend cover without evidence of health. The allowances take the form of margins in the assumed rates of mortality.

See also (4) above.

- (6) The following scenarios (each in conjunction with a 14% fall in equity values, a 10% fall in company earnings, a 20% fall in property values and, for non-Sterling fixed interest securities, a 10% fall in the value of relevant currencies against Sterling) of future changes in the value of assets have been tested in order to take account of the nature (including currency) and terms of the assets held in determining the amount of the long-term insurance business liabilities in accordance with rule 5.17 of IPRU (INS):-

- (i) a fall in gilt yields of 20% for terms to 5 years, 10% for terms over 15 years,

interpolating between these values for intermediate terms, with corresponding changes to corporate bond yields, subject to a minimum fall of 0.5 percentage points in each case

a 25% fall in the real yield on indexed gilts

(ii) a rise in fixed interest yields of 2 percentage points

a rise in the real yield on indexed gilts of 1 percentage point.

Scenario (i) produced the most onerous requirement.

(7) No specific reserve has been considered necessary pursuant to rule 5.17 (a) of IPRU (INS).

This conclusion was reached after consideration of the degree of matching for the relatively small volumes of non-profit business, the large volume of highly liquid assets held, and the mathematical reserves in respect of rule 5.17 (b).

(8) Scenario (i) produces the most serious requirement, with a reserve of £650m being made. Paragraphs (a), (b) and (c) below relate to that scenario.

(a) The changed assumptions (other than the changed interest rates stated in Form 57) were as follows:

- Different rates of bonus unit growth are used when valuing unitised with-profits benefits to reflect the changed policyholder expectations in the changed scenario.

(b) The valuation was repeated using

(i) the revised values of the assets,

(ii) changes to the hypothecation of assets including exchange at fair value or representing the making of contingent loans in accordance with the Scheme of Transfer,

(iii) the resulting revised interest rates,

(iv) for calculating non-unit reserves for linked business, prices of units were assumed to fall immediately in a manner broadly consistent with the most onerous resilience scenario,

(v) the other changes described in (8)(a) above.

(c) As a result of the application of such changed assumptions:-

(i) the aggregate amount of the long term insurance business liabilities was reduced by £2million,

(ii) the value of the assets allocated to match such liabilities in the scenario reduced in value from the amount contributed by those assets to the figure shown in Form 13 by £652million.

(9) The liabilities denominated in currencies other than Sterling are not material.

VALUATION OF NON-LINKED CONTRACTS

- (a) Where appropriate, the proportion of the office premiums reserved for expenses and profits is shown in column 8 of Form 51 or column 10 of Form 52.
- (b) The Scheme of Transfer transferred *unitised with-profits* policies to the NPF, although the investment element is managed in the WPF. Non-unit reserves have been established for this business in the NPF using similar principles to those adopted for property-linked business (see paragraph 6). The allowance for expenses for these policies is detailed in paragraph 9 below.

For *other than unitised with-profits* policies, the allowance for expenses after premiums have ceased or where there are no future premiums payable, or where the method of valuation does not take credit for future premiums as an asset, is as follows:-

	Allowance (net of any tax relief)
Annuities in payment - conventional (pension business) - conventional (BLAGAB)	£11.15 pa per policy [#] plus 0.03% pa of reserves £8.84 pa per policy [#] plus 0.0476% pa of reserves
Group deferred pensions	3.0% of reserves.
Other deferred annuities: Pre-vesting: With Profits Non-Profit Post-vesting (where guaranteed annuity or cash options apply):	Self-Employed & Personal Pensions - £54.60 pa per policy [#] ; Executive Pensions - £73.80 pa per policy [#]. £18.80 pa per policy [*] 0.06% pa of reserves. 0.75% applied to the cash value at vesting in respect of commission, plus £11.15 pa per annuity policy [#] plus 0.06% pa of reserves
Term Assurances BLAGAB Pensions	£10.78pa per policy [#] plus commission at actual rates £13.60pa per policy [#] plus commission at actual rates
Other (non-unitised) CWP assurances:	£11.24 pa per policy [#] plus 0.0476% pa of reserves.
Other (non-unitised) Non-Profit assurances:	£18.00 pa per policy [*].

[#] These per policy expenses are assumed to increase at 3.5% per annum from mid 2003.

[*] Includes allowance for future increases, but applies during deferment only for deferred annuities.

- (c) A prospective method of valuation has not been used for the following classes:

- increasing term assurances and contingent assurances,
- group term assurances and contingent annuities by recurrent single premiums,
- permanent-health insurances.

There is a limited volume of business in these categories and approximations include margins so that the reserves for these classes are greater than those which would have been obtained using a prospective method.

- (d) Where the premiums brought into account are not in accordance with rule 5.9 (1) of IPRU (INS), sampling tests have demonstrated that the reserves are not less than the corresponding amounts calculated in accordance with rules 5.8 to 5.17 of IPRU (INS).

9 VALUATION OF LINKED CONTRACTS

(a) Property-linked policies

The allowance for expenses is as follows:-

	<u>Future Expenses (net of any tax relief)</u>
Flexible Investment Bond Flexible Options Bond	£21.87pa per policy plus 0.095% pa of asset share.
Capital Investment Bond Investment Bond	£38.83 per annum per policy plus 0.095% per annum of the value of units
House Purchase Savings Plan Regular Savings Plan Lifetime Protection Plan	Regular premium - £29.08 per annum per policy plus 0.095% per annum of the value of units plus commission at actual rates. Paid Up - £26.47 per annum per policy plus 0.095% per annum of the value of units.
Investor Policy Flexible Home Plan Max Investment Bond Max Growth Bond Privilege Extension Plan	Regular premium - £28.37 per annum per policy plus 0.095% per annum of the value of units plus commission at actual rates. Single premium/Paid Up - £26.15 per annum per policy plus 0.095% per annum of the value of units.
Phased Retirement Plan Income Drawdown	£450.00 per annum per policy plus 0.12% per annum of the value of units.
Trustee Investment Bond	£100.00 per annum per policy plus 0.12% per annum of the value of units.
Stakeholder Pensions Pensions Solutions	Regular premium - £34.10 (Individual)/£53.30 (Group administered) per annum per policy plus 0.2% (Stakeholder)/0.12% (Solutions) per annum of the value of units plus commission at actual rates. Single premium/Paid Up - £28.50 (Individual)/£46.60 (Group administered) per annum per policy plus 0.2% (Stakeholder)/0.12% (Solutions) per annum of the value of units.

Individual Unitised Pensions Contracts - Personal Pension for the employed - Personal Pension for the self-employed - Free-standing AVC - Executive Pension - AVC	Regular premium - £34.70 (Individual)/£53.40 (Group administered)/£103.60(Executive)/£65.00(Group Money Purchase Schemes & Group AVC Schemes) per annum per policy plus 0.12% per annum of value of units plus commission at actual rates. Single premium/Paid Up - £29.10 (Individual)/£46.70 (Group administered)/£96.60(Executive)/£58.40(Group Money Purchase Schemes & Group AVC Schemes) per annum per policy plus 0.12% per annum of value of units.
Unitised Annuities-in-payment (unit linked)	£15.10 pa per policy plus 0.12% per annum of reserves.
Old Style deferred annuities Self-employed & Personal Pensions Executive Pensions	Regular premium - £42.90 per annum per policy plus 0.12% per annum of value of units plus 2.5% of future premiums. Single premium/Paid Up - £39.60 per annum per policy plus 0.12% per annum of value of units. Regular premium - £66.50 per annum per policy plus 0.12% per annum of value of units plus 2.5% of future premiums. Single premium/Paid Up - £58.80 per annum per policy plus 0.12% per annum of value of units.

The per-policy expenses are assumed to increase at 3.5% per annum from mid-2003.

The value of each unit is assumed to grow by 3.75% per annum (net of tax) for property-linked life assurances, and by 4.5% per annum for pension contracts, in each case less the appropriate management charges.

The unit liability is not discounted in the valuation.

Where regular partial withdrawals may be taken it is assumed that they are taken at a rate of 5% p.a. or actual rate if higher for an individual policy.

The assumed rates of mortality and rates of interest on non-unit reserves are indicated in the Forms 53 or their supplementary notes.

No account has been taken of any possible increases in the rates of management charges taken from property-linked funds. Monthly fees (which can be increased by up to the increase in average earnings) are assumed to increase at 3.5% per annum.

For regular premium policies a prudent allowance has been made for the effect on the non-unit reserves calculated on an ongoing premium payment basis if conversion to paid-up policy status were to be assumed. For Stakeholder Pensions and Pensions Solutions, conversion to paid-up policy status is assumed to occur over four years from the valuation date (40% immediately, 20% after a year, 15% after two & three years, with the remaining 10% becoming paid-up after four years). For other contracts, conversion is assumed to occur at the valuation date.

A negative non-unit reserve has been allowed for a contract, provided (i) it does not exceed the relevant surrender value deduction, and (ii) the unit reserve for that contract, plus the non-unit reserve, is not negative.

(b) Index-linked policies

Payments under RPI-linked and LPI-linked annuities in payment are assumed to increase at 2.5% per annum. An allowance of £11.15 pa per policy (£8.84 pa per policy for BLAGAB) was made for future expenses (net of any tax relief) for such policies. In addition an allowance of 0.03% per annum of fund value (0.0476% for BLAGAB) was made to allow for investment costs. The per policy expenses are assumed to increase at 3.5% per annum from mid 2003. The assumed rates of mortality and rates of interest for such annuities are indicated in Forms 54 or their supplementary notes.

The liabilities for the Guaranteed Stock Market Bond and Guaranteed Investment Bond have been calculated as the sum of (i) the market value at the valuation date of the underlying financial instruments held to precisely match the benefits on the Bond, (ii) a reserve for future maintenance expenses (£24.33 pa per policy inflating at 3.5% pa), (iii) a mortality risk reserve to cover future mortality strain, and (iv) a counterparty risk reserve (taken as 0.25% of the investment liability multiplied by the term of the Bond running off uniformly over the duration of the Bond to allow for the risk of default).

(c) Unitised with-profits policies

The allowance for expenses is as follows:-

	Allowance (net of any tax relief)
With Profits Bond Flexible Investment Bond Flexible Options Bond	£21.87pa per policy plus 0.0476% pa of asset share.
Jersey With Profits Bonds	£27.6 pa per policy plus 0.06% pa of asset share.
House Purchase Savings Plan Regular Savings Plan Lifetime Protection Plan	Regular premium - £29.08pa per policy plus 0.0476% pa of asset share plus commission at actual rates. Paid-up - £26.47pa per policy plus 0.0476% pa of asset share.
Pensions Solutions	Regular premium - £34.10(Individual)/£53.30 (Group administered) pa per policy plus 0.06% pa of asset share plus commission at actual rates. Single premium/Paid Up - £28.50(Individual)/ £46.60 (Group administered) pa per policy plus 0.06% pa of asset share.
Individual Unitised Pensions Contracts - Personal Pension for the employed - Personal Pension for the self-employed - Free-standing AVC - Executive Pension -AVC	Regular premium - 34.70(Individual)/£53.40 (Group administered)/£103.60(Executive)/£65.00(Group Money Purchase Schemes & Group AVC Schemes) pa per policy plus 0.06% per annum of asset share plus commission at actual rates. Single premium/Paid Up - £29.10 (Individual)/£46.70 (Group administered)/£96.60(Executive)/ £58. Group Money Purchase Schemes & Group AVC Schemes) pa per policy plus 0.06% pa of asset share.

Unitised Annuities-in-payment	£15.10 pa per policy plus 0.06% per annum of reserves.
Pensionbuilder deferred annuities	Regular premium - £21.00(Individual)/£37.10(Company)/£37.90(Group) pa per policy plus 0.06% pa of asset share plus commission at actual rates. Single premium/Paid Up – £18.80(Individual)/£32.70(Company)/£33.50(Group) pa per policy plus 0.06% pa of asset share.

The per-policy expenses are assumed to increase at 3.5% per annum from mid-2003.

For the Flexible Options Bond Income plan it is assumed that withdrawals are taken at the 'natural income' bonus rate declared. For other contracts where regular partial withdrawals may be taken it is assumed that they are taken at a rate of 5% p.a. or actual rate if higher for an individual policy.

In addition for the Flexible Options Bond, assumptions are made on the level of deductions for guarantees (see Section 14 for an explanation of how these are applied). For prudence, these guarantee deductions are assumed to be nil for the purpose of calculating reserves in the With-Profits-Fund, and are assumed to be 0.25% p.a. fund for calculating Non-Profit Fund non-unit reserves.

For regular premium policies a prudent allowance has been made for the effect on the non-unit reserves calculated on an ongoing premium payment basis if conversion to paid-up policy status were to be assumed. For Pensions Solutions, conversion to paid-up policy status is assumed to occur over four years from the valuation date (40% immediately, 20% after a year, 15% after two & three years, with the remaining 10% becoming paid-up after four years). For other contracts, conversion is assumed to occur at the valuation date.

A negative non-unit reserve has been allowed for a unitised with-profits contract in the NPF, provided (i) it does not exceed the relevant surrender value deduction, and (ii) the unit reserve for that contract in the WPF, plus the non-unit reserve, is not negative.

- (b) Not applicable.

10 EXPENSES

- (1) Inflation of expenses has been allowed for explicitly where indicated in 8(b) and 9(a) above. Where inflation is not mentioned explicitly for policies dealt with in those subparagraphs, the loadings for those policies allow implicitly for inflation of per-policy expenses at rates calculated as above.
- (2) The aggregate amount, grossed up for taxation where appropriate, arising during the 12 months after the valuation date from the implicit and explicit reserves made in the valuation to meet expenses in fulfilling contracts in force at the valuation date is in excess of £150,000,000. This amount has been calculated as follows:
 - (i) For policies for which explicit allowances for future expenses were made in the valuation, as shown in 8(b) and 9(a) above, the initial yearly rate of those allowances has been used. Where that allowance takes the form of a percentage addition to the reserves, and provides for all future management expenses, it has been replaced by an equivalent percentage appropriate to only the first year's expenses.

- (ii) For policies valued using the net premium method, the amount has been calculated as the difference between office premiums and net premiums less an allowance for commission.
- (iii) Where the method of valuation does not take credit for future premiums, the above amount does not take credit for any of the margins present in such premiums.

The above amount includes no allowance for the cost of paying commission in respect of future premiums. Allowance for that cost is included in other loadings in the valuation.

- (3) No explicit reserve is needed in respect of continuing to write new business during the 12 months following the valuation date. This was established by testing, using a suitably prudent discount rate, that new business is expected to be self-supporting allowing for repayment of any valuation strain. It was assumed that new business volumes to be transacted in the 12 months after the valuation date will be 70% of those planned but that costs will be in accordance with company budgets, that are consistent with the full planned volumes. The test has been carried out using both the product mix sold in 2002 and the planned mix for 2003.
- (4) No specific reserve is required to provide for the costs of closure to new business that would arise if Scottish Widows were to cease to transact new business 12 months after the valuation date. Such costs are covered by valuation surplus emerging on existing business, including that arising from receipt of annual management charges on unit-linked business

In establishing this allowance was made for the costs of all redundancy payments to employees that would be incurred, for the costs of retaining staff that would be needed for temporary periods following the closure, and for the terms and conditions under various shared-service agreements with other companies within the Lloyds TSB Group.

11 CURRENCY

All but £43,871,000 of the liabilities are expressed to be payable in Sterling. The Sterling liabilities are matched by assets in the following currencies:

<u>Currency</u>	<u>Assets</u> (Expressed in £000)	
	WPF	NPF
Sterling	16,302,864	1,847,807
US Dollar	21,140	6,031
Euro Zone	686,452	82,991
Other	210,118	26,690
Total	17,220,574	1,963,519

The remaining £43,871,000 of mathematical reserves are matched by assets in the same currencies (£27,370,000 US Dollar, £16,501,000 Euro Zone).

12 REINSURANCE

- (1) No reinsurance premiums are payable on a facultative basis by Scottish Widows to reinsurers who are not authorised to carry on insurance business in the United Kingdom.
- (2)(a) There are twenty reinsurance treaties where Scottish Widows is the ceding insurer. The first three treaties and the 5th, 6th, 8th, 12th, 13th, 14th, 15th, 16th and 19th are with Swiss Re Life & Health Limited, the 4th is with Scottish Widows Unit Funds Limited, the 7th and 9th are with Munich Reinsurance Company Limited, the 10th and 11th are with ERC Frankona Reassurance Limited, and the 17th and 18th are with Scottish Widows Annuities Limited. The 20th is with UBS Global Asset Management Limited.

- (b) In all treaties the reinsurer is authorised to carry on insurance business in the United Kingdom.
- (c) Swiss Re Life & Health Limited, Munich Reinsurance Company Limited, and ERC Frankona Reassurance Limited and UBS Global Asset Management Limited are not connected with Scottish Widows. Scottish Widows Unit Funds Limited and Scottish Widows Annuities Limited are subsidiaries of Scottish Widows.
- (d)
 - (i) The first treaty covers life insurance business transacted in the United Kingdom. A maximum of £750,000 under any one life (including amounts reinsured under the second treaty) is covered, and of this not more than £75,000 can be with-profits business on original terms.
 - (ii) The second treaty covers death in service benefits under Group contracts. The same maximum of £750,000 under any one life applies as for the first treaty.
 - (iii) The 3rd treaty covers permanent health insurance business transacted in the United Kingdom. The maximum cover is £25,000 per annum on any one life.
 - (iv) The 4th treaty covers the reinsurance of the investment part of certain property-linked life assurance and pension contracts. This treaty also covers part of the life cover and critical-illness cover for certain property-linked assurance contracts (maximum cover is £100,000 on any one contract). With effect from 1 April 2001, the treaty was extended by way of addendum to cover substantially all of the expense risks associated with Pensions Solutions and Stakeholder Pensions policies written by Scottish Widows. In return for accepting these expense risks and the payment to Scottish Widows of an appropriate reinsurance commission, the reinsurer is entitled to substantially all of the charges from Pensions Solutions and Stakeholder Pensions policies.
 - (v) The 5th treaty covers life insurance business transacted in the United Kingdom where the sum assured exceeds Scottish Widows' retention limit plus the maximum amount covered by the first or second treaty. A maximum of £1,000,000 under any one life is covered.
 - (vi) The 6th and 7th treaties cover life and critical-illness insurance business transacted in the United Kingdom under a Group contract for members of the armed forces. The maximum cover of any one life in each treaty is £37,500 for life insurance and £16,875 for critical illness.
 - (vii) The 8th and 9th treaties cover life and critical illness insurance business transacted in the United Kingdom. The maximum cover of any one life is £750,000 for life insurance and £300,000 for critical illness.
 - (viii) The 10th treaty covers individual PHI business transacted in the UK. The maximum cover of any one life is £120,000 per annum.
 - (ix) The 11th treaty covers individual basic long-term care business transacted in the UK. The maximum cover on any one life is £30,000 per annum.
 - (x) The 12th treaty covers comprehensive long-term care business transacted in the UK. The maximum cover on any one life is £15,000 per annum.
 - (xi) The 13th treaty covers life and critical illness business in the UK. For any one life the maximum life assurance cover is £15 million and the maximum critical illness cover is £5 million.
 - (xii) The 14th treaty covers level term assurance, mortgage protection and pension term assurance business sold prior to 1 January 1999 which was in force as at 30 June 1999. A percentage of the sum assured (net of previous reinsurance arrangements)

is reinsured on a level net premium basis.

- (xiii) The 15th treaty covers level term assurance and mortgage protection business which commenced from 1 January 1999 to 3 March 2000. A percentage of the sum assured (net of previous reinsurance arrangements) is reinsured on a level net premium basis.
- (xiv) The 16th treaty covers level term assurance and mortgage protection business (both with and without critical illness) which commenced after 3 March 2000. A percentage of the sum assured (net of previous reinsurance arrangements) is reinsured on a net premium basis.
- (xv) The 17th treaty covers non-profit non-unit-linked pension annuity business – immediate annuity, deferred annuity, reversionary annuity business, and lump sum death benefits in connection with such annuity business. All of each benefit is reinsured on an original terms basis, adjusted to reflect administration expenses being borne by Scottish Widows. The treaty covers both policies transferred from the Society on 3 March 2000 and policies written since then.
- (xvi) The 18th treaty covers pension term assurance business. All of each benefit is reinsured on an original terms basis, adjusted to reflect administration expenses being borne by Scottish Widows. The treaty covers both policies transferred from the Society on 3 March 2000 and policies written since then.
- (xvii) The 19th treaty covers individual income protection business. Each benefit is reinsured on a quota-share basis and the maximum cover is £120,000 per annum.

As far as can reasonably be determined, there are no material contingencies in respect of risks relating to the treaties. The credit worthiness of both Swiss Re Life and Health Limited and Munich Reinsurance Company is assessed by Standard & Poors as AA+, whilst GE Frankona Re is assessed as AA-. The treaties are based on wording in general use for reinsurance of the relevant business, so there should be no material contingencies over and above those in routine legal contracts.

- (e) The premiums payable by Scottish Widows under the eighteen treaties during 2002 have been as follows, in £000.

<u>Treaty</u>	
1st	2,350
2nd	127
3rd	32
4th	1,559,424
5th	845
6th	15
7th	15
8th	165
9th	148
10th	192
11th	18
12th	328
13th	181
14th	6,016
15th	3,737
16th	4,294
17th	585,970
18th	11,113
19th	690

- (f) Not applicable.
- (g) No provision has been considered necessary for any liability of Scottish Widows to refund any amounts of reinsurance commission in the event of lapse or surrender of the contracts.

Of the treaties, the first, 5th, 12th, 13th, 14th, 15th, 16th, and 19th are closed to new business.

- (3) (a) Scottish Widows has no undischarged obligation under any financing arrangement.
- (b) Not applicable.

13 WITH-PROFITS FUND

- (1) With-profits policies have rights to participate in profits arising in the With Profits Fund after allowing for transfers to the Non Participating Fund under the terms of the Scheme of Transfer.

The With Profits Fund also has rights to profits arising on transferred policies allocated to the Non Participating Fund up to a limit set in the Scheme of Transfer. However, each payment to the With Profits Fund of such profits results in the repayment by the With Profits Fund of the equivalent part of a contingent loan made to it at the time of the transfer.

- (a) A revenue account is shown as Form 40 for the With Profits Fund.

A revenue account for the part of the Non Participating Fund that relates to policies transferred from the Society is shown below.

	£000
Premiums	105,441
Investment income receivable before deduction for tax	21,977
Increase (decrease) in the value of non-linked assets	7,506
Increase (decrease) in the value of linked assets	(21,534)
Other income	78,435
Total income	191,825
Claims incurred	64,646
Expenses payable	70,130
Interest payable before deduction of tax	2,764
Tax	(1,900)
Other expenditure	64,024
Total expenditure	199,664
Increase (decrease) in fund in financial year	(7,839)
Fund brought forward	419,839
Fund carried forward	412,000

The investment income receivable before deduction for tax includes an amount of £2,285,000 in respect of linked assets.

The business in the Non Participating Fund is matched by the assets brought into account, so the investment income, realised gains and unrealised gains are based on the returns on these matching assets. Other income comes from annual management charges on transferred unitised with-profits and unit-linked business. Expenses are based on an appropriate apportionment between the transferred and non-transferred parts of the Non Participating Fund that takes account of the average numbers of policies in force.

Taxation is consistent with the basis adopted for the valuation of the liabilities. Other expenditure is the transfer to the With-Profits Fund of the surplus arising, in accordance with the terms of the Scheme of Transfer.

- (b) A statement of liabilities and margins is shown as Form 14 for the With Profits Fund.

The amounts of the entries in the Form 14 for the Non Participating Fund that relate to policies transferred from the Society are shown below.

	£000
Mathematical reserves, after distribution of surplus	412,000
Balance of surplus/(valuation deficit)	0
Long term business fund carried forward	412,000
Creditors and other liabilities:	
Arising out of insurance operations – Direct business	42,522
Amounts owed to credit institutions	9,071
Other creditors - Taxation	0
Other creditors - Other	65,271
Accruals and deferred income	1,154
Total other insurance and non-insurance liabilities	530,018
Excess of the value of net admissible assets	0
Total liabilities and margins (#)	530,018
Amounts included in (#) attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	6,589
Amounts included in (#) attributable to liabilities in respect of property linked benefits	67,437

- (2) Not applicable.

14 DISTRIBUTION OF PROFITS

- (1)(a) The constitution of Scottish Widows does not describe principles on which the distribution of profits among policyholders is based.
- (b) Changes in the principles on which the distribution of profits among policyholders is based (see (f) below) were made by resolutions of the Board of Scottish Widows in December 2001 and January 2002, and announced on 31 January 2002. They related to policies transferred from the Society. The changes followed the decision of the House of Lords decision in the case of Equitable Life. In current conditions the changes lead to final (terminal) bonuses higher than they would otherwise have been for most policies with guaranteed annuity rate options, and mean that the final bonus for transferred policies no longer includes any enhancement from the Additional Account.
- (c) Each Flexible Options Bond policy issued by Scottish Widows contains the following provisions:

"Each [with-profits] fund forms part of a wider fund (the "With Profits Fund") that we maintain."

The units in each fund will be entitled to share in the profits of our With Profits Fund.

From time to time the board of Scottish Widows, taking into account the advice of our Appointed Actuary, will decide how much of the total profits that may have arisen in our With Profits Fund is to be distributed, what part of those distributable profits is to be attributed to units in each fund, and how and in what proportions the distribution among units in that fund is to be made.

Profits distributed among the units will be applied as regular bonuses, as final bonuses, or in such other manner as the board may decide. Rates of increase in unit prices, and rates of terminal bonus, may be varied at any time.

In the case of the With-Profits Growth Fund, regular bonuses will be in the form of increases in unit prices.

In the case of the With-Profits Income Fund, regular bonuses will be in the form of the allocation of additional units in that fund to the policy."

Each other policy issued by Scottish Widows that can provide with-profits benefits contains the following, or similar, provisions:

"The units will be entitled to share in the profits of our With Profits Fund, of which the fund forms part.

From time to time the board of Scottish Widows, taking into account the advice of our Appointed Actuary, will decide how much of the total profits that may have arisen in our With Profits Fund is to be distributed, what part of those distributable profits is to be attributed to units in the fund, and how and in what proportions the distribution among units is to be made. Profits distributed among the units will be applied as bonuses in the form of increases in unit prices, as terminal bonuses, or in such other manner as the board may decide.

Rates of increase in unit prices, and rates of terminal bonus, may be varied at any time."

Each with-profits policy issued by the Society and transferred to Scottish Widows indicates that the policy or particular benefits under the policy were entitled to share in the Society's profits. It does not describe the principles on which the distribution of profits would be based.

- (d) The following is taken from a recent "Guide to investing in the Scottish Widows With-Profits Growth Fund using our Flexible Options Bonds" issued at the pre-sale stage by Scottish Widows since July 2002.

(The With-Profits Growth Fund is one of two with-profits funds that are available under these bonds.)

"Introduction"

"Our approach to managing our With-Profits Growth Fund can change from time to time. It will probably not be exactly the same for all types of bond or plan. We'll write to you if we make a change to our approach that might have a significant effect on your Bond."

"How does it work?"

The fund

Your money, after any initial charges, is pooled with many other investors' money in our with-profits fund. We refer to it in this guide as 'the Scottish Widows With-Profits Fund'.

However, when we refer in this Guide to 'the With-Profits Growth Fund', we are referring to part of the whole Scottish Widows With-Profits Fund. It is the part that we use to help us to decide what you and other With-Profits Growth investors will get back."

"Part of the With-Profits Growth Fund will be used as part of a process of providing the guarantees that apply to With-Profits Growth units. This part will be managed quite differently from the rest. See "Other factors" in "What affects how

much I might get?" below."

"With-Profits Growth units do not all have the same (or even similar) value. Instead, we decide what you will get back from your investment by adding bonuses and sometimes making 'market value reductions' (see "What if I decide to move out of With-Profits Growth?"). We have wide discretion in deciding bonuses and more limited discretion in deciding market value reductions. In this way we are able to provide the smoothing and guarantees that are described in the following paragraphs."

"Your group"

When managing the With-Profits Growth Fund we often look separately at different groups of investors. The group you'll be in will depend on the type of bond that you have, when you started it and when you used it to invest in With-Profits Growth. If you invest in With-Profits Growth at different times using your Bond, each of those investments could be in a different group."

"Fair shares"

We aim to maintain a fair level of payouts to all With-Profits Growth investors.

To help us do this, we track 'fair shares' of the With-Profits Growth Fund for sample units. We track fair shares separately for the different groups of investors, including your group. We track them separately for units that were started at different times.

When deciding what a fair share would be for sample units, we look at:

- the amounts invested in those units;
- the past investment performance of the core assets (see "Investment" in "What affects how much I might get?" below);
- the regular deductions that we have made from fair shares as part of the process of providing for the guarantees we make to With-Profits Growth investors;
- the With-Profits Growth Fund's profits and losses from the process of providing for guarantees;
- the With-Profits Growth Fund's profits and losses from smoothing;
- the charges we have made;
- taxation.

We use these fair shares to help us to decide the bonuses to pay to different With-Profits Growth investors and the market value reductions to apply. These bonuses and market value reductions will be separate and distinct from those for other plans and bonds invested in the Scottish Widows With-Profits Fund. The way this works for each of these is described later in this guide."

"Smoothing"

With-Profits Growth investing includes a feature called 'smoothing'. It can increase or reduce what you get back from your Bond. We use smoothing wherever the guarantees apply.

The main result of smoothing is to reduce the effect of recent stock-market fluctuations, but it will not lessen the effects of longer-term changes in the stock market on what you get back.

Smoothing may also apply, fully or partly, for withdrawals that you make where the guarantees don't apply. However, when it doesn't apply fully you are unlikely to get back more than a smoothed amount."

"What affects how much I might get?"

Investment

The biggest factors determining how much you'll get are

- the amounts you invest;
- when you invest them;
- what we gain or lose from our investment in the 'core assets'.

The 'core assets' are part of the With-Profits Growth Fund. They are not the only part of the With-Profits Growth Fund that will affect what you and the other investors in 'your group' get back, but they will have the most effect. This is because the investment performance of the core assets has an important effect on what you will get back. See "Fair shares" above.

The investment performance will depend on, among other things, the 'mix' of the core assets. We currently aim for in the region of 85% of the core assets to be potentially higher-return, and higher-risk, assets such as shares and property. The rest are lower-risk assets, such as fixed-interest bonds issued by the government or by companies, and cash deposits that earn interest."

"Other factors

Other important factors that will or may apply are as follows.

- The guarantees that we make to you.
- The deductions we make from fair shares as part of the process of providing the guarantees we make to With-Profits Growth investors.
- The charges which we make to your Bond.
- Taxation.
- The smoothing of payouts that we make to you.
- The smoothing of payouts that we make to other With-Profits Growth investors.

The deductions that we make as part of the process of providing guarantees to With-Profits Growth investors are kept in the With-Profits Growth Fund. We manage them as part of that process. Any profits and losses from the process will affect the value of your With-Profits Growth investment. They may also lead to changes in the subsequent level of deductions.

To reduce the likely size of any changes in the deductions, the With-Profits Growth Fund enters into certain 'futures' contracts. Overall, these increase the money available to support guarantees when poor performance of the core assets increases the likely cost of the guarantees. They reduce it when the investment performance is good and little support is needed. We keep these contracts under constant review, and we are likely to adjust them frequently. We aim for rises and falls in the deductions to be equally likely. However, significant changes in the level of deductions from fair shares cannot always be prevented."

"What are the bonuses?"

There are two types of bonus which we add to your With-Profits Growth units. Between them they determine what you will be able to get back – but only in the circumstances where the guarantees apply. They are:

- regular bonuses, which are added daily throughout each year as permanent increases in the guarantees that apply to your units, and
- final bonuses, which we may add on top of those guaranteed amounts when you move out of With-Profits Growth or we pay out on death.

We usually decide levels of regular and final bonus twice a year, but we may change them at any other time as well. We do not guarantee future levels of bonus.

We apply different levels of each type of bonus for different groups of investors. In particular, we apply different levels of final bonus for With-Profits Growth units bought in different periods.

The yearly statement we send you will include information about the current bonus rates for your group. “

“How do you decide the bonuses?”

Regular bonuses and final bonuses have different purposes, and we decide them differently.

Regular bonus

Over time the regular bonuses increase the guarantees of what you will get back from your units if you move out of With-Profits Growth. But only if you move out of the With-Profits Growth Fund in the circumstances where the guarantees apply.

We usually aim to limit rates of regular bonus so that the guarantees that result are likely to remain below 'fair share' payouts (see "Final bonus" below). If we didn't limit them, we would have to make larger deductions from fair shares to help the With-Profits Growth Fund pay for the extra guarantees. Or more of the core assets might have to be lower-risk assets. Either of these would mean we'd expect to achieve a lower long-term return on your With-Profits Growth investment.

Final bonus

We decide final bonuses for With-Profits Growth units in two stages.

Firstly, we take different groups of units and decide an 'Overall Yield' for each group. We express this as a level yearly rate of increase or reduction. The main factors we consider when setting Overall Yields are:

- the amounts originally invested in the relevant units;
- how long the units have been held;
- the current 'fair shares' for the units;
- the adjustment we make for the smoothing of recent investment returns;
- the investment returns we expect for the coming months.

Then we apply the relevant Overall Yield to the price (see "What are the guarantees?") at which you bought each unit. We allow for the exact period of years and days between when you originally invested in that unit and the date of the payout.

We pay a final bonus for a unit if the amount we have already guaranteed to pay is less than the result of applying the Overall Yield.”

“Overall, we aim to make average payouts over many years equal to average fair shares. The extra that we sometimes pay out because of guarantees would be on top of this.

Final bonuses can sometimes change very significantly in spite of smoothing.”

The following is taken from a recent "Guide to investing in the Scottish Widows With-Profits Income Fund using our Flexible Options Bonds" issued at the pre-sale stage by Scottish Widows since July 2002.

(The With-Profits Income Fund is the other of the two with-profits funds that are available under these bonds.)

"Introduction"

"Our approach to managing our With-Profits Income Fund can change from time to time. It will probably not be exactly the same for all types of bond or plan. We'll write to you if we make a change to our approach that might have a significant effect on your Bond."

"How does it work?"

The fund

Your money, after any initial charges, is pooled with many other investors' money in our with-profits fund. We refer to it in this guide as 'the Scottish Widows With-Profits Fund'.

When we refer in this Guide to 'the With-Profits Income Fund', we are referring to part of the whole Scottish Widows With-Profits Fund. It is the part that we use to help us to decide what you and other With-Profits Income investors will get back.

When you invest, we credit With-Profits Income units to your bond. Although With-Profits Income units all have a 'nominal' value of £1, they do not all have the same value to you, as we explain later."

"Part of the With-Profits Income Fund will be used as part of a process of providing the guarantees that apply to With-Profits Income units. See "Other factors" in "What affects how much I might get?" below.

With-Profits Income units do not all have the same underlying value, even though they all have the same nominal value. Instead, we decide what you will get back from your investment by paying bonuses and, in certain circumstances, making 'market value reductions' (see "What if I decide to move out of With-Profits Income?"). We have wide discretion in deciding bonuses and more limited discretion in deciding market value reductions. In this way we are able to provide the guarantees and other payouts that are described in the following paragraphs.

Bonus units

Each month we add extra, 'bonus', units to your With-Profits Income investment (see 'Regular bonuses'). You can cash in bonus units regularly to provide what we call 'Natural Income Withdrawals'.

Your group

When managing the With-Profits Income Fund we often look separately at different groups of investors. The group you'll be in will depend on the type of bond that you have. It will also depend on when you started it and the period in which you used it to invest in With-Profits Income. We are likely to start a new period for this purpose whenever the average 'fair shares' for units started in the current period is significantly different from £1.

If you invest in With-Profits Income at different times using your bond, each of those investments could be in a different group. Your bonus units (see "Bonus units" above) are likely to be in different groups.

Fair shares

Fair shares

We aim to maintain a fair level of payouts to all With-Profits Income investors.

To help us do this, we track 'fair shares' of the With-Profits Income Fund for sample units. We track fair shares separately for the different groups of investors, including your group. We track them separately for units that were started in

different periods.

When deciding what a fair share would be for sample units, we look at:

- the amounts invested in those units (being, in the case of bonus units, the regular bonuses that gave rise to them – see "Regular bonus");
- the past investment performance of the core assets (see "Investment" in "What affects how much I might get?" below);
- how much of that performance has already been reflected in the addition of bonus units to your bond;
- the regular deductions that we have made from fair shares as part of the process of providing for the guarantees we make to With-Profits Income investors;
- the With-Profits Income Fund's profits and losses from the process of providing for guarantees;
- the charges we have made;
- taxation.

We use these fair shares to help us to decide the bonuses to pay to different With-Profits Income investors and the market value reductions to apply. These bonuses and market value reductions will be separate and distinct from those for other plans and bonds invested in the Scottish Widows With-Profits Fund. The way this works for each of these is described later in this guide."

"What affects how much I might get?"

"Investment"

The biggest factors determining how much you'll get are

- the amounts you invest;
- when you invest them;
- what we gain or lose from our investment in the 'core assets'.

The 'core assets' are part of the With-Profits Income Fund. They are not the only part of the With-Profits Income Fund that will affect what you and the other investors in 'your group' get back, but they will have the most effect. This is because the investment performance of the core assets has an important effect on what you will get back. See "Fair shares" above."

"Other factors"

Other important factors that will or may apply are as follows.

- The guarantees that we make to you.
- The deductions we make from fair shares as part of the process of providing the guarantees we make to With-Profits Income investors.
- The charges which we make to your bond.
- Taxation.

The deductions that we make as part of the process of providing guarantees to With-Profits Income investors are kept in the With-Profits Income Fund. We manage them as part of that process. Any profits and losses from the process will affect the value of your With-Profits Income investment. They may also lead to changes in the subsequent level of deductions.

The With-Profits Income Fund makes arrangements to reduce the likely size of any changes in the deductions or profits and losses. Overall, these increase the money available to support the guarantees when poor investment performance of the core assets increases the likely cost of the guarantees. They reduce it when the investment performance is good and little support is needed. We aim for rises and

falls in the deductions to be equally likely. However, significant changes in the level of the deductions cannot always be prevented.

What are the bonuses?

There are two types of bonus which we apply to your With-Profits Income units. Between them they determine what you will be able to get back – but only in the circumstances where the guarantees apply. They are:

- regular bonuses, which are added monthly throughout each year by the addition of extra ('bonus') units to your bond, and
- final bonuses, which we may add on top of the £1 nominal values of your units when you move out of With-Profits Income or we pay out on death.

We usually decide levels of regular bonus twice a year, but we may change them at any other time as well. We are likely to change levels of final bonus more frequently, when there are significant changes in the levels of fair shares. We do not guarantee future levels of bonus.

We apply different levels of each type of bonus for different groups of investors. In particular, we apply different levels of each type of bonus for With-Profits Income units bought or added in different periods.

The yearly statement we send you will include information about the current bonus rates for your bond.

How do you decide the bonuses?

Regular bonuses and final bonuses have different purposes, and we decide them differently.

Regular bonus

We apply regular bonuses by adding new, 'bonus', With-Profits Income units to your bond each month.

When deciding on a rate of regular bonus for a group of units we look at all relevant aspects of the past, present and future together.

For instance, if we expect investment returns from the core assets to fall, we will tend to reduce the level of regular bonuses. If the fair shares of units are more than £1, we will tend to increase the level for several years to bring the fair value down closer to £1. In the opposite situations, the reverse would apply to the level.

Overall, we intend regular bonuses to provide a return that does not change sharply from year to year. In other words we will aim to smooth out changes. However, over many years regular bonuses will inevitably rise or fall to fully reflect changes in the returns available on new investments.

Final bonus

There are a number of factors we consider when we decide final bonuses for a group of With-Profits Income units. We use those factors to set a 'target' payout for the units.

We pay a final bonus if the £1 nominal value we have guaranteed to pay is less than this target level. We aim to 'top up' what investors get from their With-Profits Income units to this target level.

The main factor we consider when setting target levels is the current 'fair shares' for the relevant units. We expect the levels of fair shares for With-Profits Income

to vary less than for our other types of with-profits.

Overall, we aim to make average payouts over a few years equal to average fair shares. The extra that we sometimes pay out because of guarantees would be on top of this.

Final bonuses can sometimes change significantly, even within a few months."

The following is taken from a typical recent "Guide to our with-profits fund using one of the current range of pension plans" issued at the pre-sale stage by Scottish Widows since October 2001. The equivalent guides issued since that date for life assurance policies other than Flexible Options Bonds are quite similar.

"Introduction"

"Our approach to managing our with-profits fund can change from time to time. It will probably not be exactly the same for all types of plan. We'll write to you if we make a change to our approach that might have a significant effect on your plan."

"How does it work?"

The fund

Your money, after any initial charges, is pooled with many other investors' money in our with-profits fund. When you invest, we credit with-profits units to your policy. A with-profits unit is not an equal share of our with-profits fund, as we explain later. It simply helps us to describe the guarantees that we give you and to work out what you get back."

"The units in the with-profits fund do not all have the same (or even similar) value. Instead, we decide what you'll get back from your investment by adding bonuses and, in certain circumstances (see 'What if I decide to move out of with-profits?') making 'market value reductions'. We have wide discretion in deciding bonuses and more limited discretion in deciding market value reductions.

In this way we can provide the smoothing and guarantees that are described in the following paragraphs."

"Your group

When we refer from now on to 'the fund' in this guide, we're not referring to the whole of the with-profits fund. Instead, we're referring to the part of the with-profits fund that we use to help us decide what you and other investors in 'your group' will get back. The group you'll be in will depend on the type of policy that you have and when you started it. When we refer to the 'with-profits fund', we mean the with-profits fund as a whole."

"Fair shares

We aim to maintain a fair level of payouts to everyone investing in the with-profits fund.

To help us do this, we track 'fair shares' of the with-profits fund for sample with-profits units. We track fair shares separately for the different groups of investors, including your group. We track them separately for units that were started at different times.

When deciding what a fair share would be, we look at:

- the amounts invested in those with-profits units;
- the past investment performance of the fund;
- the charges we have made;
- the with-profits fund's profits and losses from guarantees and smoothing;

- taxation.

We use these fair shares to help us decide the bonuses to pay to different investors and the market value reductions to apply. The way this works for each of these is described later in this guide."

"Smoothing

With-profits investing includes a special feature called 'smoothing'. It can increase or reduce what you get back from your plan. We use smoothing wherever the guarantee applies. It may also apply if you choose to move out of with-profits in other circumstances.

The main result of smoothing is to reduce the effect of recent stock market fluctuations on what you get back. However, this won't lessen the effects of longer-term changes in the stockmarket on your return."

"What affects how much I might get?

Investment

The biggest factors determining how much you'll get are:

- the amounts you invest;
- when you invest them;
- what we gain or lose from our investment of the fund.

The investment performance will depend on, among other things, how much of the fund is invested in each of the different types of asset."

"Other factors

Other important factors that will or may apply are as follows:

- the charges which we make to your policy;
- the guarantees that we make to you;
- the smoothing of investment returns;
- taxation;
- the guarantees and payments that we make to other with-profits investors – any extra above fair share that other investors get on average, could reduce what you get back from your policy."

"What are the bonuses?

There are two types of bonus which we add to your with-profits units. Between them they determine what you will be able to get back - but only when the guarantees apply. They are:

- regular bonuses, which are added daily throughout each year as permanent increases in the guarantees that apply to your with-profits units, and
- final bonuses, which we may add on top of those guaranteed amounts when you move out of with-profits or you die.

We usually decide levels of regular and final bonus twice a year, but we may change them at any other time as well. Future bonus rates are not guaranteed.

We apply different levels of final bonus for with-profits units bought in different periods. We apply different levels of each type of bonus for different groups of investors.

The yearly statements we send you will include information about the current

bonus rate for your group."

"How do you decide the bonuses?"

Regular bonuses and final bonuses have different purposes, and we decide them differently."

"Regular bonus

Over time, the regular bonuses increase the guarantees of what you'll get back from your with-profits units if you move out of with-profits. But only when the guarantees apply.

When deciding on rates of regular bonus, we look at all relevant aspects of the past, present and future together. Of these, our judgement about how assets will perform in the future is the most important. For example, if we expect investment returns to fall we're likely to reduce the rates of regular bonuses. This would happen even if actual returns in recent years have been higher. The reductions might be made in several stages.

We usually aim to limit rates of regular bonus, so that the guarantees that result are likely to remain significantly below fair share payouts in normal circumstances. If we didn't do this, we would have to invest more of the with-profits fund in lower-risk assets. This would mean we'd expect to achieve a lower long-term return on your with-profits investment."

"Final bonus

There are a number of factors we consider when we decide final bonuses for a group of with-profits units. We use them to set a 'target' payout for the units.

We pay a final bonus if the amount we have already guaranteed to pay is less than this target level. We aim to 'top up' what investors get from their with-profits units to this target level.

The main factors we consider when setting target levels are:

- the fair share of the with-profits fund for the relevant with profits units;
- the adjustment we make for the smoothing of recent investment returns;
- the investment returns we expect for the coming months;
- a small reduction we make, to help pay for the extra payments we expect to make from time to time because of guarantees."

'Final bonuses can sometimes change very significantly, even within a few months, in spite of smoothing.' "

Advertisements and brochures issued for those with-profits policies transferred from the Society to Scottish Widows that are currently in force dealt with the principles for (and other aspects of) the distribution of bonus in terms similar to those in one or other of the following extracts.

The following is taken from one of the Society's brochures for the With Profits Bond, a class of business that provides unitised with-profits benefits:-

"Your units will share in Scottish Widows' profits, and in particular the contribution made by With Profits Bonds. We will examine the investment returns achieved and the likely investment earnings in the future and decide how much can be added to your bond as bonuses. Regular bonuses are declared in the form of a daily increase in unit prices.

In addition to the increases in the face value of your units, a terminal bonus may be added when you cash in some or all of your units. Rates of terminal bonus will

be reviewed regularly, and will reflect the value of the underlying investments.

Not only does this bonus system ensure that holders of With Profits Bonds obtain a fair return in relation to our investment experience, it also helps to smooth out the effects of short-term fluctuations in stockmarket values."

The following are extracts from a personal pension (Personal Pension Plus) brochure of 1992 issued by the Society, and are typical of wording used for many conventional with-profits policy classes then and in the previous 15 or so years (although in the earlier years the wording reflected our former practice of declaring reversionary bonuses less frequently than yearly).

"Surplus generally of a revenue nature is allotted as bonuses each year. The bonus declared is added to the guaranteed cash sum and existing bonus."

"A terminal bonus may be allotted in addition when benefits become payable or when they are switched to a property-linked basis. Terminal bonus consists mainly of surplus of a capital nature ... The terminal bonus scale is normally reviewed every 6 months and may vary from one period to another according to financial and economic conditions at the time ... "

The distinction (in the extracts above and below) between surplus of a revenue nature and surplus of a capital nature no longer forms part of our methods.

The following is from a leaflet of 1969 for with-profits endowment assurances issued by the Society:

"With-profits policies share in the Society's profits which are allotted on the compound reversionary plan, i.e. bonuses are declared on the sum assured and existing bonuses and are payable with the sum assured.

Future bonuses will depend on profits earned.

In addition to the ordinary bonuses a scale of terminal bonuses has been in operation since 1st January 1969. The rate of terminal bonus will be reviewed every six months and will depend on the general level of Stock Exchange prices at the time."

(e) The following are extracts from Scottish Widows' 30 June 2002 With-Profits Guide :

From Section B:

"The With Profits Fund contains the assets to provide the benefits under conventional with-profits policies, the with-profits investment element of unitised with-profits policies, and certain non-profit policies allocated to this fund. Two memorandum accounts, called the Additional Account and the Retained Account, are maintained in the With Profits Fund. To the extent not needed to meet certain contingencies and purposes, the amount of those memorandum accounts will be paid out over time as general additions to final (or "terminal") bonuses and surrender values for with-profits policies transferred to Scottish Widows from the Society ("transferred with-profits policies"). Those contingencies and purposes include the costs of additional annuity payments under transferred policies with guaranteed annuity rate options. Following a recent change in our bonus practice relating to guaranteed annuity options, relatively little of the Additional Account is expected to be available for distribution as general additions to final bonuses and surrender values for the transferred policies, and no such additions are currently planned. Even if the Additional Account were to be insufficient to meet all of the calls on it, no costs arising from the change in bonus practice for guaranteed annuity options would be charged to the fair shares (see Section C) of with-profits

policies."

From Section C:

"We aim to maintain a fair level of payouts to everyone investing in the With Profits Fund. To help us do this, we track fair shares of the With Profits Fund for sample with-profits policies and the with-profits units of policies. We track fair shares separately for the different classes of business. We track them separately for units and policies that were started at different times.

The guarantees that are made to some investors can affect payouts for others. Any extra above fair share paid to some investors as a result of the application of guarantees on maturity (and certain other events) could reduce future payouts for others. We aim to contain the extent and impact of such payments over fair shares by controlling the rate at which guarantees build up (see Section F) and through the use of the small final reductions as explained in Section J and the process for Flexible Options Bonds described in Section F. For policies transferred from the Society the costs of guarantees (where greater than these small reductions), together with the costs referred to in Section B in connection with guaranteed annuity rate options, are charged to the Additional Account. They therefore reduce the amount likely to be available for distributions as additions to final bonuses and surrender values for such policies (see also Section B). The arrangements made on demutualisation, including the setting up of the Additional Account, mean that these costs for transferred policies are very unlikely to affect payouts from policies started after the demutualisation. None of the policies that have started since demutualisation contain guaranteed annuity rate options."

From Section F:

"With-Profits policies other than Group Pensionplaner

"The balance between regular bonuses and final bonuses is an important one, as it determines the level of guarantees granted. If this level is pitched too high, in other words if too high a proportion of the overall investment return that is earned on the relevant assets is required to provide the guaranteed benefits, the investment strategy could become more constrained towards assets which are a better match for the guarantees, even if in the long run this would be likely to mean lower investment returns and lower payouts for policyholders.

Therefore we believe that it is important to strike a sensible balance between our freedom to invest the assets of the With Profits Fund more widely to secure better returns on the one hand and the level of guarantees on the other hand."

"Flexible Options Bond

Two new unitised with-profits investment options ('funds') are being launched in July 2002 and are available under the new Flexible Options Bond. They are referred to as the With-Profits Growth Fund and With-Profits Income Fund. They will be managed to a considerable extent separately from the other unitised with-profits business.

For both funds we provide for the guarantees that apply to the units using a process which involves regular deductions from the fair shares for units and the 'core assets' that back them. In each case we transfer these deductions to a Guarantee Account within the relevant fund as part of that process. Profits and losses from this process will affect fair shares for continuing units in the relevant fund."

From Section J:

"Reductions for guarantees

The fair shares of assets for maturing policies may sometimes fall short of the maturity values already guaranteed by regular bonuses.

For policies other than Flexible Options Bonds, small reductions are therefore allowed for in determining final bonus rates in "good" times to pay for guaranteed

cash benefit levels in "bad" times. Our aim when making these reductions is that they should balance out, over many years if necessary, with extra amounts that we pay out above fair shares where guarantees increase the cash benefits that we pay. Taken together, the reductions and these extra amounts are a form of smoothing, in addition to the smoothing of short-term stockmarket fluctuations.

The process for providing for the guarantees in Flexible Options Bonds is different, although it too involves reductions (but from fair shares). The process is outlined in Section F."

"Miscellaneous profits and losses

The With Profits Fund of Scottish Widows earns profits (or makes losses) from miscellaneous sources including from non-profit business and other liabilities allocated to it. The With Profits Fund also bears any costs incurred in honouring guaranteed levels of benefit given under with-profits policies. Profits or losses may arise to the extent that the small reductions mentioned above may prove, over time, to be greater or less than the actual costs of guarantees. For Flexible Options Bonds there will be equivalent profits and losses from the process of providing for guarantees.

These miscellaneous profits and losses may increase or reduce the benefits under with-profits policies. Some of them apply only to the type of policy which gave rise to them, or to policies of types which share certain characteristics. In particular, each of the new 'funds' offered under the Flexible Options Bond is unlikely to share in the profits and losses of other parts of the With Profits Fund, and vice versa."

"Business transferred from the Society

The business transferred from the Society is operated in accordance with the requirements of the Scheme under which the transfer took place. For with-profits business sold after the transfer, bonus policies and asset mixes may be similar to those for any business of the same class sold prior to the transfer. Nevertheless, the terms of the Scheme may under certain circumstances result in the level of bonuses (excluding contributions from the Additional Account and Retained Account) or the asset mix for transferred business differing from that for equivalent business sold after the transfer. Significant changes in market practice could also affect the operation of transferred and other business differently."

(f) The Scheme of transfer includes the following:

"18.1 The Shareholders' Fund or the Non Participating Fund, as the board of SW may direct, shall be entitled to one ninth of the aggregate of

- (a) the cost of all bonuses allocated to Conventional With Profits Policies after the Effective Date , and
- (b) all other amounts of surplus..... which are allocated to Conventional With Profits Policies as bonus, reduction, rebate or suspension of premium or otherwise,

save for any Terminal Bonuses or other amounts paid pursuant to Paragraphs 19 or 20.

18.2 Except as stated in this Scheme, no part of any surplus arising in the With Profits Fund may be applied in any way other than as bonus to, or reduction, rebate or suspension of premiums to, or otherwise applied for the benefit of, holders of Policies allocated or reassured to the With Profits Fund."

The Policyholder Circular, issued to members of the Society before the demutualisation and transfer, also dealt with these issues. It also dealt with the following.

The Scheme of Transfer requires bonuses on policies transferred from the Society to be determined in accordance with certain 'Principles of Financial Management'. The following are extracts from these Principles.

"2(d) The actuarial principles adopted by the Board of SW in determining bonuses payable on the Transferred With Profits Policies shall be such as shall satisfy policyholders' reasonable expectations in accordance with the bonus philosophy adopted by the Scottish Widows [i.e. the Society here] prior to the Effective Date [of the transfer] and having regard to the effects of the implementation of this Scheme. These expectations shall be determined, inter alia, by the experience of the With Profits Fund. The principles adopted in determining the appropriate bonus shall not be changed as a direct result of the implementation of this Scheme.

(e) Asset Share records shall be maintained and referred to in setting Terminal Bonus rates in order to ensure equity between different groups of holders of Transferred With Profits Policies. The aggregate asset shares as at the Effective date shall be those determined in accordance with Schedule 4. Thereafter, those asset shares shall be accumulated in a manner consistent with Scottish Widows' asset share methodology immediately prior to the Effective Date, by reference to the financial performance and experience of the Transferred With Profits Policies, the assets backing the Asset Shares of those Policies and (consistent with paragraph 4 of this Schedule 2) Policies from time to time allocated to the With Profits Fund that are not With Profits Policies, provided that

(f) The bonus philosophy of Scottish Widows has developed over a number of years and it is expected that the bonus philosophy of SW will continue to develop in future. The existence of these principles should not be regarded as constraining the board of SW on the advice of the SW Appointed Actuary from making appropriate changes to its bonus philosophy (including its Asset Share methodology) in future.

(g) Subject to such smoothing as is consistent with policyholders' reasonable expectations, payouts at maturity and the value of benefits on vesting on Transferred With Profits Policies shall in aggregate, allowing for Scottish Widows' bonus policy, be targeted on Asset Share (after deducting charges as are made from time to time, consistent with policyholders' reasonable expectations, for guarantees) with the addition of any enhancement to reflect the distribution of the Additional Account and the Retained Account."

(2)(a) How the with-profits fund is defined

The With Profits Fund was established by the Scheme of Transfer from the Society. It is a sub-fund of the Long Term Fund of Scottish Widows. The credits and debits that can be made to the With Profits Fund are detailed in Paragraphs 32 and 33 of the Scheme.

The Scheme allocated all policies transferred from the Society which were conventional with profits policies, group pensionplan contracts, or contracts which may have contained a guaranteed annuity or guaranteed commutation option, to the With Profits Fund. All other transferred policies not allocated to Scottish Widows Annuities Ltd were allocated to the Non Participating Fund of Scottish Widows, although for policies that have accumulating with-profits benefits such benefits are reassured to the With Profits Fund. All with-profits benefits under policies effected since the date of the transfer are reassured to the With Profits Fund.

An initial amount of assets, calculated in accordance with Paragraph 15 of the Scheme, was allocated to the With Profits Fund at 3 March 2000, the effective date of transfer. Broadly speaking the value of those assets was equal to the asset shares of the with-profits policies allocated to the fund, plus the reserves for the non-profit policies and other liabilities

allocated to the fund, plus an Additional Account and a Retained Account. The assets allocated to the Additional Account included assets with a value equal to the estimated cost to the With Profits Fund of making the shareholder transfers provided for under Paragraph 18 of the Scheme (see (1)(f) above).

With effect from the same date the policy liabilities were allocated along with the policies. Certain other liabilities, detailed in Paragraph 16 of the Scheme and generally relating to obligations of the Society prior to the transfer, were also allocated to the With Profits Fund.

The credits and debits which can be made to the With Profits Fund are detailed in Paragraphs 32 and 33 of the Scheme. All investment gains, earnings, income and profits, and all costs (other than amounts payable in accordance with the investment management of the fund) and losses, arising from the assets allocated to the With Profits Fund are to be retained in that fund. These paragraphs relate to all of the With Profits Fund, but there are differences in their effect as between the part relating to the policies transferred from the Society and the part relating to new business written since the effective date. For transferred policies the amounts charged to the With Profits Fund for administration and investment management are calculated in accordance with Paragraphs 29 and 31 of the Scheme. For policies effected after the effective date Paragraph 33.1(s) requires such amounts to be in accordance with policyholders' reasonable expectations.

(b) Relevant non-profits insurance business

No non-profit insurance policies issued by Scottish Widows, or any profits on non-profit insurance policies issued by Scottish Widows, are attributed to the With Profits Fund. However, non-profit annuity benefits provided on the vesting of with-profits policies can be provided from the With Profits Fund.

As stated above, certain non-profit policies transferred from the Society were allocated to the With Profits Fund at the effective date. These policies are shown separately in Form 51 and represent 3% of the reserves in the With Profits Fund.

In addition, the With Profits Fund is entitled to receive surplus arising in the Non Participating Fund in respect of transferred policies allocated to the Non Participating Fund, up to a limit calculated in accordance with the Scheme. However, each payment to the With Profits Fund of such profits is offset by the repayment by the With Profits Fund of the equivalent part of a contingent loan made to it on 3 March 2000.

(c) Investment of with-profits fund

Assets within the With Profits Fund are invested in accordance with the Principles of Financial Management referred to in (1)(f) above.

The following are extracts from Paragraph 2(b) and part of 2(c) of those Principles.

"The investment policy of the With Profits Fund shall be determined by the board of SW on the advice of the SW Appointed Actuary. The investment policy shall have regard to the nature of the liabilities of the With Profits Fund and shall seek to optimise the investment return earned on the investments of the With Profits Fund whilst recognising the need to safeguard the financial security of the With Profits Fund."

"The investment policy for the assets or notional assets backing the Asset Shares of the Transferred With Profits Policies, the Additional Account and the Retained Account (such investment policy to be determined separately for the assets or notional assets backing the Asset Shares and each account) and the bonus philosophy in respect of the Transferred With Profits Policies:

- (i) shall be determined as if the Transferred With Profits Policies and the assets or notional assets backing the Asset Shares of such policies, the Retained Account and the Additional Account, together with assets equal

in value to the amount of the Support Account but in relation to the Support Account only to the extent that there are surplus assets in the Non Participating Fund or any other sub fund of the Long Term Fund except for the With Profits Fund with a Regulatory Value equal to the amount of such account for the time being, comprised a Notional Mutual Company not required to maintain the required minimum margin of solvency and for this purpose the Support Account shall be assumed to be invested in assets of the same mix as those representing the Asset Shares of the Transferred With Profits Policies;

- (ii) shall have regard to the reasonable expectations of the holders of Transferred With Profits Policies (as modified by the Scheme); and
- (iii) shall recognise that the Support Account is a memorandum account which, in this context, exists only to support the investment policy and bonus policy for Transferred With Profits Policies."

The following are extracts from Scottish Widows' 30 June 2002 With-Profits Guide.:

From Section D

Investments

"Scottish Widows' investment strategy for most of its With Profits Fund other than the parts relating to the two with-profits investment options under the newly-introduced Flexible Options Bond is to invest in a balanced mix of equity shares of good-quality companies both at home and overseas, in high-quality properties and in fixed-interest securities. Our aim is to secure a competitive investment return for each major class of policy consistent with security and the levels of guaranteed minimum benefits. The level of investment freedom available to allow pursuit of this strategy will depend on the relationship between the levels of guaranteed minimum benefits and the investment return actually earned on the assets held in respect of the business concerned.....

Equity shares and property investments together have constituted the largest proportion of the assets backing the with-profits business for many years. Investment policy tended to be cautious between 1998 and 2000, with a particular change in emphasis in 1998 towards fixed-interest securities rather than equities in both the UK and overseas to reflect our view of the market outlook at the time. During 2001, we gradually reversed this position, increasing the property weighting and moving back into equities."

From Section F

Flexible Options Bonds

"Two new unitised with-profits investment options ('funds') are being launched in July 2002 and are available under the new Flexible Options Bond. They are referred to as the With-Profits Growth Fund and the With-Profits Income Fund. They will be managed to a considerable extent separately from the other unitised with-profits business."

"For both funds we provide for the guarantees that apply to the units using a process which involves regular deductions from the 'fair shares' for units and the 'core assets' that back them. In each case we transfer these deductions to a Guarantee Account within the relevant fund as part of that process. Profits and losses from this process will affect fair shares for continuing units in the relevant fund.

The current investment strategy for the core assets of the With-Profits Growth Fund is for in the region of 85% of the core assets to be in a combination of equity shares at home and overseas and in high-quality properties. We may change the balance of these core assets with the aim of getting the best long-term performance or to help to make sure that this fund can always meet its obligations.

The strategy for the core assets of the With-Profits Income Fund is to invest mainly in a variety of fixed-interest bonds, together with some property.

We use hedging techniques in managing the Guarantee Accounts. We keep the hedging contracts under constant review and are likely to adjust them frequently."

From Section J

Business transferred from the Society

"For with-profits business sold after the transfer, bonus policies and asset mixes may be similar to those for any business of the same class sold prior to the transfer. Nevertheless, the terms of the Scheme may under certain circumstances result in the level of bonuses (excluding contributions from the Additional Account and Retained Account) or the asset mix for transferred business differing from that for equivalent business sold after the transfer."

The mix of the part of the With-Profits Fund relating to with-profits contracts other than Pensionplaner and the Flexible Options Bond changed considerably during 2002. For contracts not transferred from the Society, the percentage in equities and property fell from 78% at the start of the year to 53% at the end. For transferred contracts, where the investments include the assets forming the Additional and Retained Accounts, the equivalent percentages were 73% and 49%.

(d) Level of surplus or free reserves

Except to the extent provided for in the Scheme of transfer, Scottish Widows does not have a policy of maintaining a specific level of surplus or free reserves in the With Profits Fund. It does, however, aim to preserve investment freedom for the With Profits Fund and to ensure that there is an adequate level of capital support. In general, such support is provided by the Non Participating Fund. For the ongoing management of the With Profits Fund the Scheme specifies

- in Paragraphs 32 and 33 the amounts that are to be credited to the With Profits Fund and the amounts which may be debited to it,
- in Paragraph 24, the assets in the Non Participating Fund that are to be made available from time to time to support that part of the With Profits Fund so as to satisfy a "statutory valuation test" and a "PRE test", and
- in the Principles of Financial Management, the assets held within the With Profits Fund that are to be attributed to the part of the fund that relates to transferred policies.

See also (2)(a) above.

(e)(i) Asset shares

Unitised with-profits policies

Scottish Widows uses an asset share methodology as a guide to help it to determine bonus rates for with-profits units under these policies. We calculate asset shares for typical units.

When calculating asset shares for units in the With-Profits Growth Fund under Flexible Options Bonds we take into account

- the amounts invested in those units;
- the past investment performance of the core assets (of the part of the With Profits Fund that relates to the With-Profits Growth Fund);
- the regular deductions that we have made from asset shares as part of the process of providing for the guarantees we make to With-Profits Growth investors;
- the With-Profits Growth Fund's profits and losses from the process of providing for

- guarantees;
- the With-Profits Growth Fund's profits and losses from smoothing;
- the charges we have made;
- taxation.

When calculating asset shares for units in the With-Profits Income Fund under Flexible Options Bonds we take into account

- the amounts invested in those units (being, in the case of bonus units, the regular bonuses that gave rise to them);
- the past investment performance of the core assets (of the part of the With Profits Fund that relates to the With-Profits Income Fund);
- how much of that performance has already been reflected in the addition of bonus units to the Bond;
- the regular deductions that we have made from asset shares as part of the process of providing for the guarantees we make to With-Profits Income investors;
- the With-Profits Income Fund's profits and losses from the process of providing for guarantees;
- the charges we have made;
- taxation.

When calculating asset shares for the other unitised with-profits policies (other than unitised with-profits annuities in payment) we currently take into account

- the amounts invested in those with-profits units;
- the past investment performance of the part of the With Profits Fund that relates to those units;
- the charges we have made;
- in the case of policies issued by Scottish Widows, the profits and losses that we have made from guarantees and smoothing under such policies;
- taxation.

At present the With Profits Fund's profits and losses from

(i) the transferred non-profit policies allocated to the With Profits Fund and from guarantees and

(ii) smoothing in respect of transferred with-profits policies

result in credits and debits to the Additional Account and do not directly affect the asset shares relating to transferred with-profits policies. This could change in future, but no costs arising from the change in principles described in 14(1)(b) and announced on 31 January 2002 will be charged to asset shares.

Rates of final (terminal) bonus for units in the With-Profits Growth Fund under Flexible Options Bonds are determined using an 'Overall Yield' for each group of units. We express this Overall Yield as a level yearly rate of increase or reduction. The main factors we consider when setting Overall Yields are:

- the amounts originally invested in the relevant units;
- how long the units have been held;
- the current asset shares for the units;
- the adjustment we make for the smoothing of recent investment returns (see (ii) below);
- the investment return we expect for the coming months.

Then we apply the relevant Overall Yield to the price at which each unit was bought. We allow for the exact period of years and days between when the unit was bought and the date of the payout.

We pay a final bonus if the amount we have already guaranteed to pay is less than the result of applying the Overall Yield.

See also the relevant extracts in 14(1)(d) above.

Rates of final (terminal) bonus for a group of units in the With-Profits Income Fund under Flexible Options Bonds are determined by reference to a 'target' payout. The main factor we consider when setting target levels is the current asset shares for the relevant units. We pay a final bonus if the £1 nominal value we have guaranteed to pay is less than this target level. See also the relevant extracts in 14(1)(d) above.

Rates of final (terminal) bonus for the other unitised with-profits policies are determined having regard to the difference between target unit values based on these unit asset shares and the corresponding face value of units as already increased by regular bonuses. These rates of final bonus are used to determine the actual proceeds of maturing policies. When setting the target levels the main factors are

- the asset shares for the relevant with-profits units;
- the adjustment we make for the smoothing of recent investment returns (see (ii) below);
- the investment return we expect for the coming months;
- a small reduction that we make to help pay for the extra payments we expect to make from time to time because of guarantees.

See also the relevant extracts in 14(1)(d) above.

In respect of transferred with-profits policies we also aim to distribute as additional final (terminal) bonus any excess of the Additional Account over the amount required to cover certain contingencies that may arise, but only at a rate that will ensure that a prudent amount is retained in respect of potential for amounts to be debited to support smoothing and other explicit items under the Scheme. The Retained Account is intended to be distributed in broad proportion to asset shares at the date of the transfer.

Conventional with-profits policies

The information above for transferred unitised with-profits policies applies to conventional with-profits policies transferred from the Society except that the references to units and specimen units should be taken to be references to policies and specimen policies instead. For policies sold prior to 1999 the final (terminal) bonus rates are adjusted to ensure a smooth non-decreasing progression by year of entry. No new conventional with-profits policies have been issued by Scottish Widows since 3 March 2000, but increments may be made to certain policies.

(e)(ii) Smoothing

Units in the With-Profits Growth Fund under Flexible Options Bonds

We apply smoothing (where guarantees apply) by adjusting the asset share levels when setting the Overall Yields referred to in (i) above. We replace the investment return over a 'smoothing period' by an averaged investment return. We include in the average an estimate of future investment growth. At present the actual returns in the average are from approximately the most recent 24 months for units that are at least that old. When averaging we may give more weight to stock-market levels in the more recent months.

When conditions are more difficult we may have to change our method of smoothing to make sure that it operates fairly for all With-Profits Growth investors. Currently we don't have any limits for the amount by which smoothing increases or reduces payouts.

Overall, we aim for the average effect of smoothing to balance out over many years.

Units in the With-Profits Income Fund under Flexible Options Bonds

We do not apply smoothing when setting rates of final (terminal) bonus for units in this fund.

Unitised with-profits policies excluding Flexible Options Bonds

We apply smoothing (where guarantees apply) by adjusting the asset share levels when setting the target levels referred to in (i) above. We replace the investment return over the previous months by an averaged investment return. At present the period of averaging is normally 24 months. When averaging we give more weight to the more recent months.

When carrying out the averaging we adjust past and future stockmarket levels by comparing them with a "normal" rate of investment growth that we assume.

When conditions are more difficult we may have to change our method of smoothing to make sure that it operates fairly for all investors in the with-profits fund. Currently we don't have any limits for the amount by which smoothing increases or reduces payouts, but would give special consideration to the extent of smoothing if it exceeded 15%.

Our aim when making the small reductions referred to in (i) above is that they should balance out, over many years if necessary, certain extra amounts that we pay out. These extra amounts are the extra that we pay out over fair-share levels to investors when guarantees increase what we pay. So, when taken together, the reductions and those extra amounts are another form of smoothing. At present we are deducting most when deciding the fair-share levels for units that have been held for only short periods. The size of the reductions will change from time to time.

Overall, we aim for the average effect of smoothing to balance out over many years.

Conventional with-profits policies

The information above for transferred unitised with-profits policies applies to conventional with-profits policies except that the references to units should be taken to be references to policies instead. No new conventional with-profits policies have been issued by Scottish Widows.

(e) (iii) Pattern of allocation of discretionary benefits

Units in the With-Profits Growth Fund under Flexible Options Bonds

During the lifetime of each policy we usually aim to limit rates of regular bonus so that the guarantees that result are likely to remain below 'fair share' (asset share) payouts. If we didn't limit them, we would have to make larger deductions from fair shares to help the With-Profits Growth Fund pay for the extra guarantees. Or more of the core assets might have to be in lower risk assets.

On surrender (or on a switch out of with-profits benefits) there is no minimum guarantee of what we would pay. In particular, if markets are low enough it could be less than was originally invested. How much we pay for each with-profits unit will depend on

- the regular bonuses already added, plus
- any final bonus that we add, minus
- any market value reduction that we decide on.

We'll try to limit our use of market value reductions if we can do this while protecting those who continue with their With-Profits Growth units. However, we will always apply a market value reduction where the result of applying the relevant Overall Yield is less than a unit's current 'bid' price. (Overall yield is explained in 14(2)(e)(i) above.)

When deciding market value reductions, we might not use the 'smoothing' that is reflected in the Overall Yields, or we might use only partial smoothing. This is to protect continuing

investors from the an excessive cost of providing smoothing for those moving out of With-Profits Growth.

We can introduce different market value reductions for with-profits units bought in different periods.

If we introduce or increase a market value reduction for a group of units to take average payouts below the result of applying Overall Yields, we'll check it against fair-share levels. We'll make sure it doesn't reduce the average payout for the group of units below their average fair share.

Our aim is to maintain a fair level of future payouts to everyone investing in the With-Profits Growth Fund.

Units in the With-Profits Income Fund under Flexible Options Bonds

We apply regular bonuses by adding new, bonus, units in the With-Profits Income Fund to the bonds. When deciding on a rate of regular bonus for a group of units we look at all the relevant aspects of the past, present and future together. For instance, if we expect investment returns from the core assets of this fund to fall, we will tend to reduce the level of regular bonuses. If the fair shares of units are more than £1, we will tend to increase the level for several years to bring the fair value down closer to £1. In the opposite situations, the reverse would apply to the level.

Overall, we intend regular bonuses to provide a return that does not change sharply from year to year. In other words we will try to smooth out changes. However, over many years regular bonuses will inevitably rise or fall to fully reflect changes in the returns available on new investments.

On surrender (or on a switch out of with-profits benefits) there is no minimum guarantee of what we would pay. In particular, if markets are low enough it could be less than was originally invested. How much we pay for each with-profits unit will depend on

- the £1 nominal value of the unit, plus
- any final bonus that we add, minus
- any market value reduction that we decide on.

We will apply market value reductions at any time if we believe it to be necessary to maintain a fair level of payouts to those who continue with their With-Profits Income units.

We can introduce different market value reductions for with-profits units bought in different periods.

Market value reductions are likely to be quite common for With-Profits Income units. This is because we try to adjust levels of regular bonus so as to keep the fair-share levels not too far above nominal values. This increases the changes of them being below nominal values.

When we introduce or increase a market value reduction for a group of units, we'll check it against fair-share levels. We'll make sure it doesn't reduce the average payout for the group of units below their average fair share.

Our aim when deciding on market value reductions is to maintain a fair level of future payouts to everyone investing in the With-Profits Income Fund.

Unitised with-profits policies excluding Flexible Options Bonds

During the lifetime of each policy we aim to offer an increasing level of guaranteed maturity benefits by means of reversionary bonuses (expressed as unit price increases)

while at the same time retaining a sensible balance between the level of such guarantees on the one hand and our freedom to invest more widely to secure better returns for policyholders on the other hand.

On surrender (or on a switch out of with-profits benefits) there is no minimum guarantee of what we would pay. In particular, if markets are low enough it could be less than was originally invested. We're unlikely to use smoothing when deciding market value reductions. How much we pay for each with-profits unit will depend on

- the regular bonuses already added, plus
- any final bonus that we add, minus
- any market value reduction that we decide on.

We may apply market value reductions at any time if we believe it to be necessary. Depending on the circumstances we might or might not reduce or eliminate rates of final bonus at the same time as we introduce market value reductions. We can introduce different market value reductions for with-profits units bought in different periods. Our aim is to maintain a fair level of future payouts to everyone investing in the With Profits Fund.

Conventional with-profits policies

During the lifetime of each policy we aim to offer an increasing level of guaranteed maturity benefits by means of **reversionary** bonuses (expressed as increases in the amount of benefits payable when the policy matures) while at the same time retaining a sensible balance between the level of such guarantees on the one hand and our freedom to invest more widely to secure better returns for policyholders on the other hand.

Rates of reversionary bonus may change from one year to the next, but do not fluctuate sharply up and down.

Surrender values are not guaranteed. We're unlikely to allow for a material level of smoothing when deciding surrender values. A methodology similar to that for maturities is used to ensure that surrender values are fair in relation to the underlying asset shares and are consistent with ultimate maturity values.

There is no differentiation in the rate of final bonus added when different options are exercised. However, where a policy provides the option of a pension or a cash sum at maturity, with a fixed relationship between the amount of the cash and the pension, the rates of bonus declared between 1 January 1999 and 30 January 2002 had regard to the amount of the pension. A change in practice (see (1)(b) above) was announced on 31 January 2002 with effect from 1 January 1999.

No new conventional with-profits policies have been issued by Scottish Widows.

(e)(iv) Fairness

Unitised with-profits policies

Fairness is maintained among policyholders by the procedures outlined in the sections above.

The company is not entitled to any share of surplus from with-profits policies that are unitised with-profits policies. The Scheme of transfer limits the charges that the company can make to the With Profits Fund in respect of such policies.

Conventional with-profits policies

Fairness is maintained among policyholders by the procedures outlined in the sections above. Certain policy types traditionally share the same final bonus rates. In such cases the rates reflect the average target payout for the different policy types. We monitor the resulting payouts relative to the smoothed asset shares for each policy type.

The company is entitled to a share of surplus from with-profits policies that are conventional with-profits policies (see the extract from Paragraph 18.1 of the Scheme of Transfer in (1)(f) above). Transfers are in accordance with this.

The Scheme limits the charges that the company can make to the With Profits Fund in respect of such policies.

(e) (v) Other

The Scheme of Transfer set aside a specific amount of assets to support policies transferred from the Society, including a substantial Additional Account which may enhance benefits on these policies and/or meet contingencies that may arise. Therefore profits, losses, and contingencies arising in respect of this business will, in broad terms, be reflected in bonus distributions for that business.

Bonus distributions in respect of policies written since the transfer primarily reflect the experience underlying that business.

- (f)** The actual proportions of profits distributed to policy holders on the one hand and shareholders on the other hand have been in accordance with Paragraph 18 of the Scheme of Transfer (see (1)(f) above).

(3) Methods

See (2) above

(4) Differences in principles or bonus policies

Different assets of the With Profits Fund may be hypothecated to different parts of the fund relating to different groups of policies.

See also (1) to (3) above.

(5) Categories of with-profits policy not covered

The details in (2) and (3) above cover all types of with-profits contract, including those transferred from the Society, that are currently in force, with the exception of

- Unitised with-profits annuities in payment
- With-profits Group Pensionplaner
- Group with-profits conventional annuities in payment.
- Miscellaneous small classes of annuities and deferred annuities.

15 BONUSES ALLOCATED

The following bonuses have been declared for 2002 in respect of policies in force as at 1 January 2003.

For individual with-profits contracts a reversionary bonus of 0.5% of basic guaranteed

benefit and 0.5% of existing bonus for all life-fund policies and for pension-fund benefits effected prior to 15 February 1999, and of 1.0% of basic guaranteed benefit and 2.0% of existing bonus for pension-fund benefits effected on or after 15 February 1999.

For Group Pensionplaner business no cash bonus will be made in respect of scheme years starting in 2003.

For unitised with-profits contracts the rates of increase in unit prices throughout 2002 were:

<u>Product Category</u>	<u>bonus rate per annum</u>
Flexible Investment Bond	4.00%
SWI Units Sterling Fund (reassurance)	4.50%
SWI Units Euro or US Dollar Fund (reassurance)	4.25%
Jersey With-Profits Bond	3.50%
Flexible Options Bond – Growth Fund	4.00%
Flexible Options Bond – Income Fund*	4.75%
Other Life-Fund Policies	3.00%
Pension-Fund Policies	4.00%

* Regular bonus is taken as income (which may be reinvested as new units) rather than increasing the unit price.

For each of the above categories of contract:

- (a) The rates of bonus declared were not dependent on the original term of the contract .
- (b) The rates of bonus declared were not dependent on the age of the life assured.
- (c) The rates of bonus were not dependent on the date of each previous premium payment.
- (d) Not applicable.

16 BONUSES ON CLAIMS

- (a)to(d) The practice regarding bonus payments (in addition to those for which the company has become contractually liable) to be made on claims arising in the period up to the next actuarial investigation are as follows.

Scottish Widows reserves the right to amend the rates of interim bonus and the rates and conditions of final (terminal) and vesting bonus at any time without giving advance notice.

Interim Bonuses

Interim bonuses are allowed for claims arising or annuities becoming payable under individual conventional with-profits contracts in respect of premiums paid or policy anniversaries passed in 2003, in the same manner as allocated bonuses. The current rates of interim bonus until further notice are 0.5% of basic guaranteed benefit and 0.5% of existing bonus for all life-fund policies and for pension-fund benefits effected prior to 15 February 1999, and 1.0% of basic guaranteed benefit and 2.0% of existing bonus for pension-fund benefits effected on or after 15 February 1999.

Rates of Unit Price Increase

The rates of increase in the price of units under unitised with-profits contracts with effect from 1 January 2003 are as follows:

<u>Product Category</u>	<u>bonus rate per annum</u>
Flexible Investment Bond	2.50%
SWI Units Sterling Fund (reassurance)	3.00%
SWI Units Euro or US Dollar Fund (reassurance)	2.75%
Jersey With-Profits Bond	2.00%
Flexible Options Bond –	
Growth Fund – all units	3.00%
Income Fund* – units purchased in 2 nd half 2002	5.00%
Income Fund* – units purchased in 1 st half 2003	4.75%
Other Life-Fund Policies	1.50%
Pension-Fund Policies	2.50%

* Regular bonus is taken as income (which may be reinvested as new units) rather than increasing the unit price.

Terminal Bonuses

Final bonuses are payable under individual with-profits contracts, other than those to which vesting bonus or overall yield applies (see below). Specimen rates of final bonus currently applicable to maturity or death claims arising or annuities becoming payable on or after 1 January 2003 until further notice are as follows:-

(i) Conventional With-Profits

<u>Year of Entry as a with-profits policy</u>	<u>Final Bonus as a percentage of basic guaranteed benefit and reversionary bonus</u>	
	<u>Life Assurance and General Annuity Fund</u>	<u>Pension Fund</u>
1954 or earlier	188	171
1955	186	171
1960	145	171
1965	109	150
1970	95	114
1975	80	68*
1980	43	20*
1985	18	11*
1990	13	11*
1995	3	6*
2000	n/a	1#

* For single premium Pension Fund contracts, the rates of final bonus for 1975, 1980, 1985, 1990 and 1995 years of entry for the period from 1 January 2003 are 97%, 81%, 33%, 12%, and 7% respectively.

For retirement deferrals and switches effected in 2000 the applicable rate is 28% on the effected benefit plus 59% on any benefit arising from subsequent regular premiums.

(ii) Unitised With-Profits

Final bonus as a percentage of bid price of unit

<u>Year of purchase of unit</u>	<u>Life Assurance and General</u>		<u>Pension Fund</u>	<u>Overseas Fund</u>
	<u>Annuity Fund</u>			
	<u>With Profits Bond</u>	<u>Other policies</u>		
1988	-	-	20	-
1989	-	-	10	-
1990	-	-	10	-
1991	-	-	18	-
1992	-	-	15	-
1993	-	-	5	-
1994	-	1	5	-
1995	1	1	6	-
1996	1	1	1	-
1997	1	1	1	1
1998	1	1	1	1
1999	1	1	1	1
2000 (Jan-June)	1	1	1	1
2000 (July-Dec)	n/a	0	1	n/a

The rates apply only to transferred policies. Units in respect of policies starting after 3 March 2000 do not currently give rise to final bonus

(iii) Group Pension Schemes

Cash amounts of final bonus are payable on pensions commencing under with-profits group pension schemes, being calculated as a percentage of the annual pensions for members and as a reduced percentage of the annual pensions for spouses in respect of members retiring and payable by deduction from the premium for the scheme year following that in which the members' pensions are entered upon. For members retiring during the period from 1 January 2003 until further notice, specimen rates of final bonus are as follows:-

Final Bonus as a percentage of Pension

<u>Year of entry as a scheme member (the date the contract became with-profits, if later)</u>	<u>Employees' Pensions</u>	<u>Spouses' Pension</u>
1959 or earlier	495	149
1960	400	120
1965	185	56
1970	105	32
1975	20	6
1980	0	0
1985	0	0
1990	0	0
1995	0	0
2000	0	0

Vesting Bonuses

Vesting bonuses are payable under individual with-profits personal pension contracts issued under section 226 Income and Corporation Taxes Act 1970 prior to 1 January 1975.

These bonuses are added to the pension when it commences to be payable, or in the case of a widow's reversionary annuity when the husband's pension commences if earlier, and are calculated as a percentage of the pension and reversionary bonus becoming payable. No vesting bonus is payable in respect of the fixed cash sum payable under the original terms of certain of these contracts, and no separate final bonus is payable in respect of benefits for which vesting bonus is payable.

Specimen rates of vesting bonus currently applicable to pensions becoming payable on or after 1 January 2003 until further notice are as follows:-

<u>Pension Age</u>	<u>Vesting Bonus as a percentage of pension and reversionary bonus</u>	
	<u>Males</u>	<u>Females</u>
60	25	30
65	15	25
70	10	20

Top-Up Bonuses for Unitised With-Profits Annuities

Top-up bonuses are payable on instalments of Unitised With-Profits Annuities. Specimen rates of top-up bonus currently applicable to annuity payments due from Unitised With-Profits Annuity contracts on or after 1 January 2003 until further notice are as follows.

<u>Year of Entry</u>	<u>Top-Up Bonus as a Percentage of Face Value of Reference Units (*)</u>
1995	6
1996	1
1997	1
1998	1
1999	1
2000	1

* For certain contracts annuity payments are based on a proportion of reference units. The top-up bonus payable is based on that proportion.

The rates apply only to transferred policies. Rates for policies started after 3 March 2000 are currently nil.

Overall Yield for Flexible Option Bond Policies Invested in the Growth Fund

Final bonuses for these policies are calculated as the difference between the face value of units increase by the annual rate of overall yield and the face value of units increased by the previously accumulated regular bonus. If this amount is negative then a market value reduction equal to the absolute value of the result of the calculation is applied to the contract (except on certain events detailed in the policy provisions). The overall yields to apply to units encashed on or after 1 January 2003 are:

<u>Period of Unit Purchase</u>	<u>Overall Yield per annum as a percentage of unit face value</u>
2 nd half 2002	4.25%
1 st half 2003	5.00%

17 CHANGES IN BUSINESS

See Form 46.

18 NEW BUSINESS

See Form 47.

19 ASSETS

(1) See Forms 48 and 49.

(2) - (4) The amounts recorded in Form 48 would have changed broadly in line with the adjustments shown in (d), (f) and (g) of the statement required by Rule 9.29 (Additional Information on Derivative Contracts). The aggregate yield shown on Form 48 is likely to have increased by no more than 0.02%.

20 VALUATION SUMMARIES

See Forms 51 to 56.

21 RISK-ADJUSTED YIELD ON ASSETS

(1) See Form 57.

(2) Deductions were made from individual yields on fixed interest stocks for default risk. They were calculated from historic data on defaults and recoveries, separately for different credit rating assessments, then doubled to constitute prudent allowance for the risk. In addition, the resulting yield on each fixed interest stock was restricted to a maximum of the long-term gilt yield defined in rule 5.11(9) plus one and a half percentage points. No adjustment was made to the yields on government bonds with a AAA rating or supranational stocks which are government backed.

Interest rates on short-term deposits were rounded down slightly for the risk of default.

(3) Equity shares where information at the valuation date indicated a possible reduction in earnings were adjusted according to that information. In addition, for all equity shares the yield calculated in accordance with Rule 5.11 (5A) was subject to a limit of the long term gilt yield defined in Rule 5.11 (9) plus one percentage point.

For land and properties, the yield on each holding was restricted to a maximum of the long-term gilt yield defined in rule 5.11(9) plus three percentage points. In addition to this, the resulting yield on these assets was reduced where appropriate to reflect estimates of the extent to which rental income may be at risk owing to tenant default, temporary breaks in income from tenant turnover, reversion to rack level or from potential redevelopment.

22 VALUATION RESULT AND DISTRIBUTION OF SURPLUS

See Form 58.

23 REQUIRED MINIMUM MARGIN

See Form 60.

Form 61 has not been completed since there is no Supplementary Accident and Sickness Insurance in force.

Long term insurance business : Summary of changes in ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Non-linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units		UK/OS	NL/LN
		R46	199549	GL		day	month	year	£000		UK	NL
		Life assurance and general annuity		Pensions business		Permanent health		Other business				
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums			
		1	2	3	4	5	6	7	8			
In force at beginning of year	11	1322841	453000	743640	304608	45581	9244					
New business and increases	12	181855	53540	54384	32990	29440	9946					
Net transfers and other alterations 'on'	13											
Total 'on' (12+13)	19	181855	53540	54384	32990	29440	9946					
Deaths	21	4092	1202	1332	406	20	2					
Other insured events	22	147	90			30	10					
Maturities	23	22411	12346	12322	4254							
Surrenders	24	51030	24913	10695	4616	3309	1077					
Forfeitures	25	13753	3990	685	268	2111	624					
Conversions to paid-up policies for reduced benefits	26		1407		39255							
Net transfers, expiries and other alterations 'off'	27	69138	20782	158	26040	1123	192					
Total 'off' (21 to 27)	29	160571	64730	25192	74839	6593	1905					
In force at end of year (11+19-29)	39	1344125	441810	772832	262759	68428	17285					

Long term insurance business : Summary of changes in ordinary long term businessName of insurer **Scottish Widows plc**

Global business

United Kingdom business

Linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units	UK/OS	NL/LN
						day	month	year			
		R46	199549	GL	31	12	2002	£000	UK	LN	
		Life assurance and general annuity		Pensions business		Permanent health		Other business			
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums		
		1	2	3	4	5	6	7	8		
In force at beginning of year	11	115566	38279	291414	286841						
New business and increases	12	57598	10129	116620	155546						
Net transfers and other alterations 'on'	13			3375							
Total 'on' (12+13)	19	57598	10129	119995	155546						
Deaths	21	814	67	308	254						
Other insured events	22	13	15								
Maturities	23	2446	561	2387	843						
Surrenders	24	4964	2355	5411	2443						
Forfeitures	25	219	152								
Conversions to paid-up policies for reduced benefits	26		661		39107						
Net transfers, expiries and other alterations 'off'	27		909		11802						
Total 'off' (21 to 27)	29	8456	4720	8106	54449						
In force at end of year (11+19-29)	39	164708	43688	403303	387938						

Long term insurance business : Summary of changes in ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Overseas business

Non-linked

Financial year ended **31st December 2002**

		Company registration number		GL/UK/CM		Period ended			Units		UK/OS		NL/LN			
						day	month	year								
		R46		199549		GL		31	12	2002	£000		OS		NL	
		Life assurance and general annuity		Pensions business		Permanent health		Other business								
		No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums	No of contracts	Annual premiums							
		1	2	3	4	5	6	7	8							
In force at beginning of year		11	3582													
New business and increases		12	883													
Net transfers and other alterations 'on'		13														
Total 'on' (12+13)		19	883													
Deaths		21	12													
Other insured events		22														
Maturities		23														
Surrenders		24	104													
Forfeitures		25														
Conversions to paid-up policies for reduced benefits		26														
Net transfers, expiries and other alterations 'off'		27														
Total 'off' (21 to 27)		29	116													
In force at end of year (11+19-29)		39	4349													

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Company registration number	GL/UK/CM	Period ended			Units
		day	month	year	
R47	199549	GL	31	12	2002
					£000

Type of insurance	Single premium contracts			Regular premium contracts		
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit
1	2	3	4	5	6	7
UK DIRECT WRITTEN INSURANCE BUSINESS						
Life Assurance & General Annuity Insurance Business						
Accumulating With-Profits Policies						
Flexible Investment Bond	16884	334065	342741			
Flexible Investment Bond (SP increments)		11138	11545			
Flexible Options Bond - Income	1586	48581	50217			
Flexible Options Bond - Income (SP increments)		129	133			
Flexible Options Bond - Growth	1202	29390	30380			
Flexible Options Bond - Growth (SP increments)		78	80			
House Purchase Savings Plan					168	
Regular Savings Plan					1775	
Lifetime Protection Plan					10	
				970		
				5		
Sub total: Accumulating With-Profits Policies	19672	423381	435096	976	1953	
Non-Linked Non-Profit Policies						
Term assurance						
Annuity in payment	356	3583	457 pa	160852	51587	10861166
Sub total: Non-Linked Non-Profit Policies	356	3583	457 pa	160852	51587	10861166
Index Linked Contracts						
Guaranteed Investment Bond	45815	543740	545843			

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended 31st December 2002

Type of insurance			R47			199549			GL			2002			£000		
			Single premium contracts			Regular premium contracts											
			No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit									
1	2	3	4	5	6	7											
Annuity in payment	1	14	1 pa														
Sub total: Index Linked Contracts	45816	543754	545843 1 pa														
Other Linked Contracts																	
Whole life assurance (SP increments)		392	376														
Investment Bond (SP increments)		45	45														
Flexible Investment Bond	5196	230121	243896														
Flexible Investment Bond (SP increments)		9879	10467														
Flexible Options Bond	4798	176278	182621														
Flexible Options Bond (SP increments)		697	724														
House Purchase Savings Plan						303	9662										
Regular Savings Plan					1784	9806	198065										
Lifetime Protection Plan					4	6	1230										
Endowment insurance (FHP increments)						14	88										
Sub total: Other Linked Contracts	9994	417412	438129	1788	10129	209045											
Total: Life Assurance & General Annuity Insurance Business	75838	1388130	1419068 458 pa	163615	63669	11070211											

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Company registration number	Period ended				Units
	GL/UK/CM	day	month	year	
R47	199549	GL	31	12	2002
					£000

Type of insurance	Single premium contracts			Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1	2	3	4	5	6	7	
Pension Insurance Business							
Accumulating With-Profits Policies	87	3737			687	6045	
Individual Unithised Pensions	1421	15631			5690	12731	
Individual Unithised Pensions (SP increments)		118191					
Pensionbuilder		37626			7848	11756	
Pensionbuilder (SP increments)	2648	20585					
Individual Pensions Solution	972	13965					
Individual Pensions Solution (SP increments)		25603					
Annuity in payment			2030 pa				
Sub total: Accumulating With-Profits Policies	5128	235338	2030 pa	14225	30532		
Non-Linked With-Profits Policies							
Deferred annuity		22641			2019	18906 omb	
Deferred annuity (SP increments)		4060	717 pa		49	39 pa	
Group pension					10	20 pa	
Group contingent pension							
Sub total: Non-Linked With-Profits Policies		26701	717 pa		2078	59 pa	
Non-Linked Non-Profit Policies							
Annuity in payment	33707	556392	22809 omb			18906 omb	
Term assurance			39603 pa		436	105581	

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Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Company registration number	GL/UK/CM			Period ended			Units
	day	month	year	day	month	year	
R47	199549	GL		31	12	2002	£000

Type of insurance	Single premium contracts			Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1	2	3	4	5	6	7	
Group life							
Group contingent pension							58
Contingent annuity							8 pa
							14 pa
Sub total: Non-Linked Non-Profit Policies	33707	556392	39503 pa	893	439	105639	22 pa
Index Linked Contracts							
Annuity in payment	1834	35427	2037 pa				
Sub total: Index Linked Contracts	1834	35427	2037 pa				
Other Linked Contracts							
Deferred annuity		17535			940		
Deferred annuity (SP increments)	143	7131					
Individual Utilised Pensions		29825		1371	17053		
Individual Utilised Pensions (SP increments)	680	90299					
Income Drawdown Plan	109	22828					
Phased Retirement Plan		1112					
Phased Retirement Plan (SP increments)	833	97734					
Trustee Investment Bond		9243					
Trustee Investment Bond (SP increments)	621	20013	1761 pa				
Annuity in payment	5335	173749		30489	65597		
Individual Pensions Solution							

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Form 47
(Sheet 5)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Type of insurance	Company registration number		GLUK/CM		Period ended			Units
			GLUK/CM		day	month	year	
	R47	199549	GL	31	12	2002	£000	
Regular premium contracts								
	Single premium contracts			Regular premium contracts				
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit		
1	2	3	4	5	6	7		
Individual Pensions Solution (SP increments)								
Stakeholder Pensions	22596	62903 130001 103489		52603	71956			
Stakeholder Pensions (SP increments)								
Sub total: Other Linked Contracts	30317	765862	1761 pa	84463	165546			
Total: Pension Insurance Business	70986	1619720	46148 pa 22809 omb	99581	188596	105839 81 pa 18906 omb		

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Form 47
(Sheet 6)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Company registration number	GL/UK/CM	Period ended			Units	
		day	month	year		
R47	199549	GL	31	12	2002	£000

Type of insurance	Single premium contracts			Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1	2	3	4	5	6	7	
Permanent Health Insurance Business							
Non-Linked With-Profits Policies					80	4013 pa	
Group permanent health							
Sub total: Non-Linked With-Profits Policies					80	4013 pa	
Non-Linked Non-Profit Policies							
Care Plan	84	1207	825 pa	362	437	3792 pa	
Critical Illness Plan				12548	4000	499808	
Income Protection Plan				16441	5509	110519 pa	
Pension Payment Cover Plan				5		9 pa	
Sub total: Non-Linked Non-Profit Policies	84	1207	825 pa	29356	9946	499808	
Total: Permanent Health Insurance Business	84	1207	825 pa	29356	10026	114320 pa	
						499808	
Total: UK Direct Written Insurance Business	146908	3009067	1419068	292552	262290	11675658	
			47431 pa			118414 pa	
			22809 omb			18906 omb	

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Company registration number	GLUK/CM	Period ended			Units
		day	month	year	
R47	199549	GL	31	2002	£000

Type of insurance	Single premium contracts			Regular premium contracts			
	No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1	2	3	4	5	6	7	
UK REINSURANCE ACCEPTED							
Pension Insurance Business							
Non-Linked Non-Profit Policies	431	3010	220 pa				
Annuity in payment							
Sub total: Non-Linked Non-Profit Policies	431	3010	220 pa				
Index Linked Contracts	6	49	3 pa				
Annuity in payment							
Sub total: Index Linked Contracts	6	49	3 pa				
Total: Pension Insurance Business	437	3059	223 pa				
Total: UK Reinsurance Accepted	437	3059	223 pa				

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Form 47
(Sheet 8)

Long term insurance business : Analysis of new ordinary long term business

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

Financial year ended	31st December 2002	Company registration number	GL/UK/CM	Period ended			Units	
				day	month	year		
		R47	199549	GL	31	12	2002	£000
Type of insurance		Single premium contracts			Regular premium contracts			
		No of contracts	Premiums	Sums assured, annuities per annum or other measures of benefit	No of contracts	Annual premiums	Sums assured, annuities per annum or other measures of benefit	
1		2	3	4	5	6	7	
OVERSEAS REINSURANCE ACCEPTED								
Life Assurance & General Annuity Insurance Business								
Accumulating With-Profits Policies		883	79170	79170				
SWI International Investment Bond								
Sub total: Accumulating With-Profits Policies		883	79170	79170				
Total: Life Assurance & General Annuity Insurance Business		883	79170	79170				
Total: Overseas Reinsurance Accepted		883	79170	79170				

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Scottish Widows plc**

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
				day	month	year		
		R48	199549	GL	31	12	2002	£000
								10
Type of asset			Value of admissible assets as shown on Form 13 1	Expected income from admissible assets 2			Yield % 3	
Land and buildings		11	1174130	67971			5.79	
Fixed interest securities	Approved securities	12	5052420	269408			4.38	
	Other	13	2383951	146350			5.82	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities	14	1157508	83120			5.12	
	Other	15	680611	50195			7.37	
Equity shares and holdings in collective investment schemes		16	8601215	290846			4.70	
Loans secured by mortgages		17	3957	198			5.00	
All other assets	Producing income	18	272518	24439			8.97	
	Not producing income	19	665713					
Total (11 to 19)		29	19992023	932527			4.83	

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **With Profit Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R48	199549	GL	31	12	2002	£000	11
Type of asset			Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3		
Land and buildings			11	1057547		61222		5.79	
Fixed interest securities	Approved securities		12	4389752		232405		4.40	
	Other		13	2098838		128686		5.83	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities		14	1155390		83095		5.12	
	Other		15	611924		45153		7.37	
Equity shares and holdings in collective investment schemes			16	7326061		247281		4.75	
Loans secured by mortgages			17						
All other assets	Producing income		18	235357		21581		9.17	
	Not producing income		19	666715					
Total (11 to 19)			29	17541584		819423		4.85	

Long term insurance business : Expected income from admissible assets not held to match liabilities in respect of linked benefitsName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **Non Participating Fund**

		Company registration number	GL/UK/CM	Period ended			Units	Category of assets	
		R48	199549	GL	31 day	12 month	2002 year	£000	12
Type of asset				Value of admissible assets as shown on Form 13 1		Expected income from admissible assets 2		Yield % 3	
Land and buildings			11	116583		6749		5.79	
Fixed interest securities	Approved securities		12	662667		37003		4.27	
	Other		13	285113		17665		5.73	
Variable interest and variable yield securities (excluding items shown at line 16)	Approved securities		14	2118		25		2.14	
	Other		15	68687		5041		7.33	
Equity shares and holdings in collective investment schemes			16	1275154		43566		4.40	
Loans secured by mortgages			17	3957		198		5.00	
All other assets	Producing income		18	37162		2858		7.69	
	Not producing income		19	406158					
Total (11 to 19)			29	2857599		113105		4.05	

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Form 49

Long term insurance business : Analysis of admissible fixed interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**

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

Financial year ended		31st December 2002		Company registration number		GL/UK/CM		Period ended			Units		Category of assets	
Category of assets		Total long term business assets						day month year						
						</								

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **With Profit Fund**

Redemption period in years	GL/UK/CM	Company registration number		Period ended			Units		Category of assets
		R49	199549	GL	day	month	year	£000	
		Gross redemption yield %	Value of admissible higher yielding assets		Value of admissible assets as shown on Form 13		Gross redemption yield %	Value of admissible higher yielding assets	
		2	3		4		5	6	
11		3.66							
12		4.25	5473		26663		1.34		
13		4.50		Variable interest and variable yield approved securities excluding equities	13362		2.13		
14	Fixed interest approved securities	4.48			7652		2.17		
15		4.56			5881		2.16		
16		4.67			27984		2.14		
17		4.65	70		1073848		5.37		
18		6.09							
19		4.40	5543		1155390		5.12		
21									
22		5.64	49485	Other variable interest and variable yield securities excluding equities					
23		5.77	49485						
24	Other fixed interest securities	5.89	34696		2716		3.90		
25		5.72	4148						
26		5.91	38844						
27		5.95	758						
28		6.44	4678		609208		7.39		
29		5.83	182094		611924		7.37		
Total (21 to 28)									

Long term insurance business : Analysis of admissible fixed interest and variable interest and variable yield securities not held to match liabilities in respect of linked benefits

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Category of assets **Non Participating Fund**

Financial year ended		31st December 2002		GL/UK/CM		Period ended			Units		Category of assets	
Category of assets		Non Participating Fund				day month year						

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**Company
registration
numberPeriod ended
day month year

GL/UK/CM

Units

UK/OS

Type of
businessCategory of
surplusCategory of surplus **With Profit Fund**

R51

199549

GL

31

12

2002

£000

UK

L&GA

11

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
DIRECT WRITTEN INSURANCE BUSINESS											
With-Profits Policies											
Whole life assurance	3.75	(a)	19291	491318	9832	5085	0.483	240582	124039	60831	179751
Endowment insurance	3.75	(a)	56959	553206	14294	9124	0.362	464186	45877	25459	438727
Low Cost Endowment assurance	3.75	(a)	177807	2415673	97526	63048	0.354	1909288	648621	413464	1495824
Versatile Endowment Plan	3.75	(a)	172048	2271596	109718	68831	0.373	1333738	963343	304859	1028879
Miscellaneous assurance			3033	7338	4			235	23	(173)	408
Miscellaneous annuity			2837	1172 pa				12344	1	(1618)	13962
Sub total: With-Profits Policies			431975	5739131 1172 pa	231374	146088		3960373	1781904	802822	3157551
Non-Profit Policies											
Miscellaneous assurance			517	39765	59	1		13791	4	(35)	13826
Miscellaneous annuity			2022	362 pa	2	1		5929	4	(97)	6026
Sub total: Non-Profit Policies			2539	39765 362 pa	61	2		19720	8	(132)	19852
Sub total: Direct Written Insurance Business			434514	5778896 1534 pa	231435	146090		3980093	1781912	802690	3177403
REASSURANCE ACCEPTED											

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Form 51
(Sheet 2)

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business** Company registration numberCategory of surplus **With Profit Fund**

Type of business	Company registration number													UK/OS	Type of business	Category of surplus
	Life Assurance & General Annuity Insurance Business															
	GLUUK/CM															
Category of surplus	Period ended													Units	Value of annual premiums	Amount of mathematical reserves
	day month year															
With Profit Fund	R51	199549	GL	31	12	2002	£000	UK	L&GA	11						
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses		Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses		Office premiums	Net premiums			
	Rate of interest	Mortality or morbidity table														
1	2	3	4	5	6	7	8	9	10	11	12					
With-Profits Policies																
Whole life assurance	3.75	(a)	38	1545	11	5	0.545	845	142	57	788					
Endowment insurance	3.75	(a)	3	261	2	1	0.500	180	5	5	175					
Low Cost Endowment assurance	3.75	(a)	3	64	4	2	0.500	57	17	9	48					
Sub total: With-Profits Policies			44	1870	17	8		1082	164	71	1011					
Non-Profit Policies			1	99042	205			102			102					
Miscellaneous assurance																
Sub total: Non-Profit Policies			1	99042	205			102			102					
Sub total: Reassurance Accepted			45	100912	222	8		1184	164	71	1113					
REASSURANCE CEDED																
With-Profits Policies																
Whole life assurance	3.75	(a)	673	42986	718	355	0.506	20826	8544	3939	16887					
Endowment insurance	3.75	(a)	131	3577	57	41	0.281	2505	436	307	2198					
Low Cost Endowment assurance	3.75	(a)	275	4653	210	146	0.305	4009	992	653	3356					
Versatile Endowment Plan	3.75	(a)	90	9848	52	32	0.385	6456	220	138	6318					
Miscellaneous assurance			1	1				1								
Miscellaneous annuity			1													

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business

Life Assurance & General Annuity Insurance Business

Company
registration
number

Category of surplus

With Profit Fund

GL/UK/CM

Period ended
day month year

Units

Type of
businessCategory
of surplus

Category of surplus													With Profit Fund												
Type of insurance or name of contract				Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves											
Rate of interest		Mortality or morbidity table		Office premiums	Net premiums			Office premiums	Net premiums																
1				2	3	4	5	6	7	8	9	10	11	12											
Sub total: With-Profits Policies						1171	61065	1037	574		33797	10192	5037	28760											
Non-Profit Policies						2	18014	25			134			134											
Miscellaneous assurance											4			4											
Miscellaneous annuity																									
Sub total: Non-Profit Policies						2	18014	25			17			17											
Sub total: Reassurance Ceded						1173	79079	1062	574		33814	10192	5037	28777											
Net total: Life Assurance & General Annuity Insurance Business						434559	5800729 1534 pa	230595	145524		3947463	1771884	797724	3149739											

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit Fund**

Type of business	Pension Insurance Business	Company registration number	GLUK/CM		Period ended			Units	UK/OS	Type of business	Category of surplus
			day		month		year				
			R51	199549	GL	31					
Category of surplus	With Profit Fund							£000	UK	Pens	11
Type of insurance or name of contract	Valuation basis	No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
1	Rate of interest Mortality or morbidity table	2 3	4	Office premiums	Net premiums	7	8	9	Office premiums	Net premiums	12
DIRECT WRITTEN INSURANCE BUSINESS											
With-Profits Policies											
Miscellaneous assurance			1800	16842	20	11		4325	74	(63)	4388
Personal Pension Plus	4.45	(b)	91403	2964133 ...	56599	50044	0.116	2781210	421407	309948	2471262
Executive Pension Plan	4.45	(b)	33754	1566277 ...	28359	24100	0.150	1386422	207350	128838	1257584
Other Deferred Annuity (with GAO)	4.45	(b)	5856	177179 omb	1673	1482	0.114	175352	11035	3718	171634
Other Deferred Annuity	4.45	(b)	21158	62759 pa	2343	2055	0.123	512421	19312	970	511451
Group Pensions in payment	4.75	(e)		28000 omb				91420			91420
Miscellaneous annuity			4846	7498 pa	34	12		56889	96	(966)	57855
Group Deferred Pensions	4.25	(e)	161	10180 omb	4624			150965			150965
Group Contingent Pensions	(c)	(e)	75	10311 pa	1165			41771			41771
Sub total: With-Profits Policies			159053	16842 97508 pa 4745769 omb	94817	77704		5200775	689274	442445	4758330
Non-Profits Policies											
Miscellaneous assurance			194	647650	1249			625		(1)	626
Other Deferred Annuity (with GAO)	4.25	(b)	769	11390 omb				12583		(116)	12699
Other Deferred Annuity	4.25	(b)	8982	10808 pa				139509		(1229)	140738

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit Fund**

Type of business	Pension Insurance Business				Company registration number	GL/UK/CM			Period ended			Units	UK/OS	Type of business	Category of surplus
Category of surplus	With Profit Fund				R51	199549	GL	31	12	2002	£000	UK	Pens	11	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves			
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums	Net premiums							
1	2	3	4	5	6	7	8	9	10	11	12				
Group Pensions in payment	4.75	(e)	5449	20200 pa	2307	1		268304	5	(547)	268304				
Miscellaneous annuity				52633 pa				111818			112365				
				6963 omb											
Sub total: Non-Profit Policies			15394	647650	3556	1		532839	5	(1893)	534732				
				83641 pa											
				18363 omb											
Sub total: Direct Written Insurance Business			174447	664492	98373	77705		5733614	659279	440552	5293062				
				181149 pa											
				4764122 omb											
REASSURANCE CEDED															
With-Profits Policies															
Miscellaneous assurance			3	142				2			2				
Executive Pension Plan	4.45	(b)	1	20 omb				30			30				
Other Deferred Annuity (with GAO)	4.45	(b)	1	82 omb		1		112	1		112				
Other Deferred Annuity	4.45	(b)	3	15 pa				207		(3)	210				
				42 omb											
Group Pensions in payment	4.75	(e)	1	51 pa				305			305				
Miscellaneous annuity				1 pa				2			2				

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Form 51
(Sheet 6)

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit Fund**

Type of business	Pension Insurance Business				Company registration number	GL/UK/CM		Period ended			Units	UK/OS	Type of business	Category of surplus
Category of surplus	With Profit Fund				R51	199549	GL	31	12	2002	£000	UK	Pens	11
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves		
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums	Net premiums						
1	2	3	4	5	6	7	8	9	10	11	12			
Sub total: With-Profits Policies			9	142 67 pa 144 omb	1	1		658	1	(3)	661			
Non-Profit Policies				17545	68			34			34			
Miscellaneous assurance				551 pa				5113			5113			
Group Pensions in payment	4.75	(e)	4	41 pa				248		1	247			
Miscellaneous annuity														
Sub total: Non-Profit Policies			4	17545 592 pa	68			5395		1	5394			
Sub total: Reassurance Ceded			13	17687 659 pa 144 omb	69	1		6053	1	(2)	6055			
Net total: Pension Insurance Business			174447	646805 180490 pa 4763978 omb	98304	77704		5727661	659278	440554	5287007			

Category of surplus
With Profit Fund170

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **With Profit Fund**

Type of business	Permanent Health Insurance Business										Company registration number	GLUK/CM			Period ended			Units	UK/OS	Type of business	Category of surplus
Category of surplus	With Profit Fund										R51	199549	GL	31	12	2002	£000	UK	PHI	11	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves									
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	Office premiums reserved for expenses and profits	Net premiums		Office premiums	Net premiums										
1	2	3	4	5	6	7	8	9	10	11	12										
Sub total: Reassurance Ceded				7464 pa	194			2346				2346									
Net total: Permanent Health Insurance Business			116	31601 pa	752			10541				10541									
Net total: United Kingdom Insurance Business			609122	6447534 213625 pa 4763978 omb	329651	223228		9685565	2431162	1238278		8447287									

Category
of surplus

Category of surplus		With Profit Fund										
		R51	199549	GL	31	12	2002	£000	OS	L&GA	11	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including reversionary bonuses	Value of annual premiums			Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums		
1	2	3	4	5	6	7	8	9	10	11	12	
DIRECT WRITTEN INSURANCE BUSINESS												
With-Profits Policies	3.75	(a)	8	61				44			44	
Whole life assurance												
Sub total: With-Profits Policies			8	61				44			44	
Sub total: Direct Written Insurance Business			8	61				44			44	
Net total: Life Assurance & General Annuity Insurance Business			8	61				44			44	
Net total: Overseas Insurance Business			8	61				44			44	

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Company registration number

Period ended
day month year

GLUK/CM

Units

UK/OS

Type of business

Category of surplus

Category of surplus Transferred business in the Non Participating Fund

R51 199549 GL 31 12 2002 £000 UK L&GA 12

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12
DIRECT WRITTEN INSURANCE BUSINESS											
Non-Profit Policies											
Whole life assurance	3.40	(a)	17869	51590	537	376	0.300	23923	7432	4221	19702
Endowment insurance	3.40	(a)	664	2006	40	35	0.125	1731	139	103	1628
Term assurance	3.40	(f)	321141	22013027	66695	570		523713	621089	465878	57835
Miscellaneous assurance			7039	1433447	1267			6088	8104	3694	2394
Reversionary annuity	(g)	(d)	261	179 pa				635			635
Other annuity in payment	3.40	(d)	12460	20298 pa				115325			115325
Sub total: Non-Profit Policies			359434	23500070 20477 pa	68539	981		671415	636764	473896	197519
Sub total: Direct Written Insurance Business			359434	23500070 20477 pa	68539	981		671415	636764	473896	197519
REASSURANCE ACCEPTED											
Non-Profit Policies											
Whole life assurance	3.40	(a)	11	37				32		(1)	33
Term assurance	3.40	(f)	10	1023	1			26	12	7	19
Miscellaneous assurance			8	884	2			14			14
Sub total: Non-Profit Policies			29	1944	3			72	12	6	66

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business

Life Assurance & General Annuity Insurance Business

Company
registration
numberGLUKCM
Period ended
day month year

Units

Type of
businessCategory
of surplus

Transferred business in the Non Participating Fund																					
Category of surplus		R51		199549		GL		31		12		2002		£000		UK		L&GA		12	
Type of insurance or name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves									
		Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums										
1		2	3	4	5	6	7	8	9	10	11	12									
Sub total: Reassurance Accepted				29	1944	3			72	12	6		66								
REASSURANCE CEDED																					
Non-Profit Policies																					
Whole life assurance		3.40	(a)	66	236	5	4	0.200	151	23	27		124								
Endowment insurance		3.40	(a)	1	5				5		1		4								
Term assurance		3.40	(f)	283801	7408016	10092			176297	99495	158418		17879								
Miscellaneous assurance				5921	153819	87	39		689	880	447		242								
Other annuity in payment		3.40	(d)	9	2 pa				11				11								
Sub total: Non-Profit Policies				289798	7562076 2 pa	10184	43		177153	100398	158893		18260								
Sub total: Reassurance Ceded				289798	7562076 2 pa	10184	43		177153	100398	158893		18260								
Net total: Life Assurance & General Annuity Insurance Business				359463	15939938 20475 pa	58358	938		494334	536378	315009		179325								

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**

Category of surplus Transferred business in the Non Participating Fund

Transferred business in the Non Participating Fund																						
Category of surplus		R51		199549		GL		31		2002		£000		UK		Pens		12		Amount of mathematical reserves		
Type of insurance or name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves									
						Office premiums	Net premiums				Office premiums	Net premiums										
1		2	3	4	5	6	7	8	9	10	11	12										
DIRECT WRITTEN INSURANCE BUSINESS																						
Non-Profit Policies																						
Term assurance		4.00	(f)	16858	1018860	4011			25522	32632	21208	4314										
Miscellaneous assurance				10567	444841	1927			1126		(1)	1127										
Other Deferred annuity		5.05	(b)	2056	2448 pa	2	2	(0.039)	20862	2	(845)	21707										
Reversionary annuity		5.05	(d)	7353	6026 pa				23963			23963										
Annuity in payment		5.05	(d)	29317	41771 pa				582275			582275										
Group Pensions in payment		5.05	(e)		1174 pa	246	244		21495	1858	547	21495										
Miscellaneous annuity				6418	3914 pa				12890			12343										
					5161 omb																	
Sub total: Non-Profit Policies				72569	1463701	6186	246		688133	34492	20909	667224										
					55333 pa																	
					5161 omb																	
Sub total: Direct Written Insurance Business																						
				72569	1463701	6186	246		688133	34492	20909	667224										
					55333 pa																	
					5161 omb																	
REASSURANCE ACCEPTED																						
Non-Profit Policies																						
Term assurance		4.00	(f)	1	20																	

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**Company
registration
numberPeriod ended
day month year

GL/UK/CM

Units

UK/OS

Type of
businessCategory
of surplus

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits			Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums	12	8	9		Office premiums	Net premiums	
1	2	3	4	5	6	7	12	8	9	£000	UK	Pens	12
Reversionary annuity	5.05	(d)	7	4 pa					15				15
Annuity in payment	5.05	(d)	60	39 pa					729				729
Sub total: Non-Profit Policies			68	20 43 pa					744				744
Sub total: Reassurance Accepted			68	20 43 pa					744				744
REASSURANCE CEDED													
Non-Profit Policies													
Term assurance	4.00	(f)	16859	1018880	3209				25522		26105	21533	3989
Miscellaneous assurance			10546	444808	1542				1083			(1)	1084
Other Deferred annuity	5.05	(b)	2056	2448 pa	2	2	(0.039)		20862		2	(845)	21707
Reversionary annuity	5.05	(d)	7360	6030 pa					23978				23978
Annuity in payment	5.05	(d)	29377	41810 pa					583004				583004
Group Pensions in payment	5.05	(e)	6418	1174 pa					21495			547	21495
Miscellaneous annuity				3914 pa	246	244			12890		1858		12343
				5161 omb									
Sub total: Non-Profit Policies			72616	1463688 55376 pa 5161 omb	4999	246			688834		27966	21234	667600

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Form 51
(Sheet 14)

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**

Type of business	Pension Insurance Business										Company registration number	GL/UK/CM		Period ended			Units	UK/OS	Type of business	Category of surplus	
Category of surplus	Transferred business in the Non Participating Fund										R51	199549	GL	31	12	2002	£000	UK	Pens		12
	Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums									Amount of mathematical reserves		
	Rate of interest	Mortality or morbidity table								Office premiums	Net premiums			Office premiums	Net premiums						
1	2	3	4	5	6	7	8	9	10	11	12										
Sub total: Reassurance Ceded			72616	1463688 55376 pa 5161 omb	4999	246		688834	27965	21234	667600										
Net total: Pension Insurance Business			72637	33	1187			43	6527	(325)	368										

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**Company
registration
numberPeriod ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Transferred business in the Non Participating Fund																					
Category of surplus		R51		199549		GL		31		12		2002		£000		UK		PHI		12	
Type of insurance or name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		8	9	Value of annual premiums		Amount of mathematical reserves							
		Rate of interest	Mortality or morbidity table			Office premiums	Net premiums					Office premiums	Net premiums								
1		2	3	4	5	6	7					10	11	12							
DIRECT WRITTEN INSURANCE BUSINESS																					
Non-Profit Policies																					
Care Plan				502	5053 pa	390					5451			5451							
Disability Income Plan				1491	16466 pa	492					2529			2529							
Critical Illness Plan		3.40	(f)	586	36558	177					1784	1951	1650	134							
Miscellaneous				18161	4281 pa	527					7198			7198							
Sub total: Non-Profit Policies				20740	36558 25800 pa	1586					16962	1951	1650	15312							
Sub total: Direct Written Insurance Business				20740	36558 25800 pa	1586					16962	1951	1650	15312							
REASSURANCE CEDED																					
Non-Profit Policies																					
Care Plan				502	2527 pa	98					415			415							
Disability Income Plan				1491	8233 pa	71					587			587							
Critical Illness Plan		3.40	(f)	586	24445	22					1187	245	1060	127							
Miscellaneous				44	182 pa	5					48			48							
Sub total: Non-Profit Policies				2623	24445 10942 pa	196					2237	245	1060	1177							

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**

Type of business	Permanent Health Insurance Business										Company registration number	GLUK/CM		Period ended			Units	UK/OS	Type of business	Category of surplus
Category of surplus	Transferred business in the Non Participating Fund										R51	199549	GL	31	12	2002	£000	UK	PHI	12
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses		Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses										
1	Rate of interest	Mortality or morbidity table		4	5	6	7	8	9		10	11	12							
Sub total: Reassurance Ceded			2623	24445 10942 pa	196			2237	245	1060	1177									
Net total: Permanent Health Insurance Business			20740	12113 14858 pa	1390			14725	1706	590	14135									
Net total: United Kingdom Insurance Business			452840	15952084 35333 pa	60935	938		509102	544611	315274	193828									

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

Name of insurer **Scottish Widows plc**

Global business

Overseas business

Financial year ended **31st December 2002**

Type of business

Life Assurance & General Annuity Insurance Business

Company
registration
numberPeriod ended
day month year

GL/UK/CM

Units

UK/OS

Type of
businessCategory
of surplus

Category of surplus		Transferred business in the Non Participating Fund										R51		199549		GL		31		12		2002		£000		OS		L&GA		12																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
Type of insurance or name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																
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Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**

Type of business

Life Assurance & General Annuity Insurance Business

Company
registration
numberPeriod ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Category of surplus Other business in the Non Participating Fund

Category of surplus															Other business in the Non Participating Fund																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
Type of Insurance or name of contract															Valuation basis		No of contracts	R51	199549	GL		31	12	2002	£000	UK		L&GA	13																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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Long term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profit policies)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Other business in the Non Participating Fund**

Type of business	Pension Insurance Business				Company registration number	GL/UK/CM	Period ended				Units	UK/OS	Type of business		Category of surplus				
Category of surplus	Other business in the Non Participating Fund						R51	199549	GL	day			month	year		UK	Pens		
	Type of insurance or name of contract	Valuation basis		No of contracts						Amount of sums assured or annuities per annum, including vested reversionary bonuses								Amount of annual premiums	
		Rate of interest	Mortality or morbidity table						Office premiums		Net premiums				Office premiums	Net premiums	Amount of mathematical reserves		
1		2	3	4	5	6	7	8	9	10	11	12	2002	£000		13			
DIRECT WRITTEN INSURANCE BUSINESS																			
Non-Profit Policies																			
Term assurance		4.00	(f)	10375	1106422	3727			41484	39752	28211					13273			
Miscellaneous assurance				624	25954	67			34							34			
Reversionary annuity		5.05	(d)	6458	3826 pa				14652							14652			
Annuity in payment		5.05	(d)	39500	26050 pa				381922							381922			
Sub total: Non-Profit Policies																			
				56957	1132376 29876 pa	3794			438092	39752	28211					409881			
Sub total: Direct Written Insurance Business																			
				56957	1132376 29876 pa	3794			438092	39752	28211					409881			
REASSURANCE ACCEPTED																			
Non-Profit Policies																			
Reversionary annuity		5.05	(d)	53	22 pa				59							59			
Annuity in payment		5.05	(d)	950	571 pa				10821							10821			
Sub total: Non-Profit Policies																			
				1003	593 pa				10880							10880			
Sub total: Reassurance Accepted																			
				1003	593 pa				10880							10880			

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Other business in the Non Participating Fund**

Category of surplus															Other business in the Non Participating Fund													
Type of insurance or name of contract															Valuation basis		No of contracts	R51	199549	GL	31	12	2002	£000	UK	Pens		Amount of mathematical reserves
															Rate of interest	Mortality or morbidity table										Office premiums	Net premiums	
1															2	3	4	5	6	7	8	9	10	11	12			
REASSURANCE CEDED																												
Non-Profit Policies																												
Term assurance															4.00	(b)	10375	1106422	2982				41484	31802	28360	13124		
Miscellaneous assurance																	624	25954	54				34			34		
Reversionary annuity															5.05	(d)	6511	3848 pa				14711			14711			
Annuity in payment															5.05	(d)	40450	26621 pa				392743			392743			
Sub total: Non-Profit Policies																	57960	1132376 30469 pa	3036			448972	31802	28360	420612			
Sub total: Reassurance Ceded																	57960	1132376 30469 pa	3036			448972	31802	28360	420612			
Net total: Pension Insurance Business																	57960		768				7950	(149)	149			

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Other business in the Non Participating Fund**Company
registration
numberGL/UK/CM
Period ended
day month year

Units

UK/os

Type of
businessCategory
of surplus

Other business in the Non Participating Fund													Category of surplus	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves			
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums			Office premiums	Net premiums				
1	2	3	4	5	6	7	8	9	10	11	12	13		
DIRECT WRITTEN INSURANCE BUSINESS														
Non-Profit Policies														
Care Plan			1030	10398 pa	929			9064				9064		
Disability Income Plan			1068	15780 pa	398			658				658		
Critical Illness Plan	3.40	(i)	23518	918479	7093			49777	81299	49374		403		
Income Protection Plan			22013	147540 pa	7276			14791				14791		
Pension Payment Cover Plan			5	9 pa				200				200		
Miscellaneous														
Sub total: Non-Profit Policies														
			47634	918479 173727 pa	15696			74490	81299	49374		25116		
Sub total: Direct Written Insurance Business														
			47634	918479 173727 pa	15696			74490	81299	49374		25116		
REASSURANCE CEDED														
Non-Profit Policies														
Care Plan			1030	5199 pa	258			746				746		
Disability Income Plan			1068	7890 pa	89			152				152		
Critical Illness Plan	3.40	(i)	23518	826631	718			44705	33619	44524		181		
Income Protection Plan			22013	73770 pa	3638			7396				7396		

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

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Permanent Health Insurance Business**Category of surplus **Other business in the Non Participating Fund**

Company registration number	GL/UK/CM	Period ended		Units	UK/OS	Type of business	Category of surplus		
		day	month					year	
R51	199549	GL	31	12	2002	£000	UK	PHI	13

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses	Amount of annual premiums		Proportion of office premiums reserved for expenses and profits		Value of sums assured or annuities per annum, including vested reversionary bonuses	Value of annual premiums		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table			Office premiums	Net premiums				Office premiums	Net premiums	
1	2	3	4	5	6	7	8	9	10	11	12	13
Sub total: Non-Profit Policies			47629	826631 86859 pa	4703			52999	33619	44524	8475	
Sub total: Reassurance Ceded			47629	826631 86859 pa	4703			52999	33619	44524	8475	
Net total: Permanent Health Insurance Business			47634	91848 86868 pa	10993			21491	47680	4850	16641	
Net total: United Kingdom Insurance Business			428700	2253063 87760 pa	96255			130818	589955	82944	47874	

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Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Category of surplus			With Profit Fund										R52		1995/9		GL		31		12		2002		£000		UK		L&GA		11	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities				Amount of mathematical reserves															
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees																			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																		
DIRECT WRITTEN INSURANCE BUSINESS																																
Endowment Insurance	3.34	(a)	143	616	616	616	105			494	557			557																	557	
House Purchase Savings Plan	3.34	(a)	24587	115241	115241	115241	27939			92521	92986			92986																	92986	
Regular Savings Plan	3.34	(a)	22781	67633	67633	67633	18071			54689	57132			57132																	57132	
Lifetime Protection Plan	3.34	(a)	759	6407	6407	6407	1452			5153	5153			5153																	5153	
Unitised With Profits Bond	3.50	(a)	138812	2956527	2956527	2956527				2297227	2545638			2545638																	2545638	
Flexible Investment Bond	3.50	(a)	37159	863400	863400	863400				733900	749268			749268																	749268	
Flexible Options Bond - Growth	3.25	(a)	1202	30460	30460	30460				30460	30460			30460																	30460	
Flexible Options Bond - Income	3.75	(a)	1586	50350	50350	50350				50350	50350			50350																	50350	
Sub total: Direct Written Insurance Business			227029	4090634	4090634	4090634	47667			3264794	3531544			3531544																	3531544	
Net total: Life Assurance & General Annuity Insurance Business			227029	4090634	4090634	4090634	47667			3264794	3531544			3531544																	3531544	

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Form 52
(Sheet 2)

Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit Fund**

Company registration number	GL/UK/CM	Period ended			Units		UK/OS	Type of business	Category of surplus
		day	month	year	£000				
R52	199549	GL	31	12	2002	2002	UK	Pens	11

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
DIRECT WRITTEN INSURANCE BUSINESS														
Pensionbuilder	4.00	(b)	328108	4155284	4155284	4921547	87801			3670974	3716780			3716780
Individual Unithised Pensions	4.00	(b)	102669	726238	726238	726238	57914			567478	576149			576149
Individual Pensions Solution	4.00	(b)	21212	71110	71110	71110	18036			61913	63476			63476
Unithised Annuities	4.50	(c)	16452							469617	479587			479587
Sub total: Direct Written Insurance Business			468441	4952632	4952632	5718896	163761			4769982	4836992			4836992
REASSURANCE ACCEPTED														
RSA Unithised Pensions	4.00	(b)	1	3499	3499	5472				3499	4055			4055
Sub total: Reassurance Accepted			1	3499	3499	5472				3499	4055			4055
Net total: Pension Insurance Business			468442	4956131	4956131	5724367	163761			4773481	4840047			4840047
Net total: United Kingdom Insurance Business			596471	9046765	9046765	8864384	211318			8038276	8371591			8371591

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Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

Overseas business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Category of surplus																With Profit Fund						R52				199549		GL		31		12		2002		£000		OS		L&GA		11	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves																												
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment guarantees																														
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																													
DIRECT WRITTEN INSURANCE BUSINESS Jersey With Profits Bond	4.00	(a)	3468	306706	306706	306706				236991	256914			256914																													
Sub total: Direct Written Insurance Business			3468	306706	306706	306706				236991	256914			256914																													
REASSURANCE ACCEPTED SSWI International Investment Bond			872	88033	88033					84693	92435			92435																													
Sub total: Reassurance Accepted			872	88033	88033					84693	92435			92435																													
Net total: Life Assurance & General Annuity Insurance Business			4340	394739	394739	394739				321684	349349			349349																													
Net total: Overseas Insurance Business			4340	394739	394739	394739				321684	349349			349349																													

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Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Company registration number

Period ended

Units

Type of business

Category of surplus

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits			Liability in respect of current benefits including vested bonuses			Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums	31	12	2002	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
DIRECT WRITTEN INSURANCE BUSINESS																	
Endowment Insurance	3.40	(a)	143	6	6												1233
House Purchase Savings Plan	3.40	(a)	24494											1233			600
Regular Savings Plan	3.40	(a)	19990											600			378
Lifetime Protection Plan	3.40	(a)	714											378			313
Unutilised With Profits Bond	3.40	(a)	75924	16344	16344									313			
Sub total: Direct Written Insurance Business			121265	16350	16350									2524			2524
Net total: Life Assurance & General Annuity Insurance Business			121265	16350	16350									2524			2524

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Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**Company
registration
numberPeriod ended
day month yearType of
businessCategory of
surplus

Category of surplus				Transferred business in the Non Participating Fund										R52		199549		GL		31		12		2002		£000		UK		Pens		12	
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses			Other liabilities			Amount of mathematical reserves																
	Rate of Interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees																				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																			
DIRECT WRITTEN INSURANCE BUSINESS																																	
Pensionbuilder	4.25	(b)	312242									48666		48666																			
Individual Unifised Pensions	4.25	(b)	87415									35391		35391																			
Sub total: Direct Written Insurance Business			399667									84057		84057																			
Net total: Pension Insurance Business			399667									84057		84057																			
Net total: United Kingdom Insurance Business			620922	16350	16350							86681		86681																			

Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

Overseas business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**

Type of business	Life Assurance & General Annuity Insurance Business										Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Type of business	Category of surplus
	Transferred business in the Non Participating Fund																		
	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses									
Rate of interest	Mortality or morbidity table	Guaranteed on death		Current on death	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees							
Category of surplus	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
DIRECT WRITTEN INSURANCE BUSINESS Jersey With Profits Bond	4.25	(a)		1783	1275		1275												
Sub total: Direct Written Insurance Business				1783	1275		1275												
Net total: Life Assurance & General Annuity Insurance Business				1783	1275		1275												
Net total: Overseas Insurance Business				1783	1275		1275												

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Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Business																			
Category of surplus			Other business in the Non Participating Fund																
Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses			Other liabilities		Amount of mathematical reserves				
	Rate of interest	Mortality or morbidity table		2	3	4	5	6		7	8	9	10	11		12	13	14	15
1																			
DIRECT WRITTEN INSURANCE BUSINESS																			
House Purchase Savings Plan	3.40	(a)			93											12	12		
Regular Savings Plan	3.40	(a)			2790											448	448		
Lifetime Protection Plan	3.40	(a)			45											14	14		
Utilised With Profits Bond	3.40	(a)			62888	13322	13322									80	80		
Flexible Investment Bond	3.40	(a)			37159	8634	8634									1960	1960		
Flexible Options Bond - Growth	3.40	(a)			1202	305	305									(58)	(58)		
Flexible Options Bond - Income	3.40	(a)			1586	504	504									(1968)	(1968)		
Sub total: Direct Written Insurance Business					105763	22765	22765									488	488		
Net total: Life Assurance & General Annuity Insurance Business					105763	22765	22765									488	488		

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Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Other business in the Non Participating Fund**

Company registration number **199549** GLUK/CM **R52**

Period ended **2002** year **2002** month **12** day **31**

Units **£000** UK/OS **UK** Type of business **Pens** Category of surplus **13**

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Proportion of office premiums reserved for expenses and profits	Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
DIRECT WRITTEN INSURANCE BUSINESS															
Pensionbuilder	4.25	(b)	15866									9473		9473	
Individual Utilised Pensions	4.25	(b)	15254									10863		10863	
Individual Pensions Solution	4.00	(b)	21212									9511		9511	
Sub total: Direct Written Insurance Business			52332									29847		29847	
REASSURANCE CEDED															
Individual Pensions Solution	4.00	(b)	21212									9511		9511	
Sub total: Reassurance Ceded			21212									9511		9511	
Net total: Pension Insurance Business			52332									20336		20336	
Net total: United Kingdom Insurance Business			158095	22765	22765							20824		20824	

Long term insurance business : Valuation summary of accumulating with-profit policies

Name of insurer **Scottish Widows plc**

Global business

Overseas business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**Company
registration
numberCategory of surplus **Other business in the Non Participating Fund**Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Type of insurance or name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			R52	Amount of annual premiums		GL/UK/CM	Period ended		Liability in respect of current benefits including vested bonuses		Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death	Guaranteed on maturity		Office premiums	Net premiums		31 day	12 month	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
DIRECT WRITTEN INSURANCE BUSINESS Jersey With Profits Bond	4.25	(a)	1685	1803	1803	1803									2		2
Sub total: Direct Written Insurance Business			1685	1803	1803	1803									2		2
Net total: Life Assurance & General Annuity Insurance Business			1685	1803	1803	1803									2		2
Net total: Overseas Insurance Business			1685	1803	1803	1803									2		2

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Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**

Life Assurance & General Annuity Insurance Business																							
Type of business	Transferred business in the Non Participating Fund										Company registration number			GL/UK/CM		Period ended		Units	UK/OS	Type of business	Category of surplus		
	Category of surplus										R53	199549	GL	day month year		£000	UK					L&GA	12
	Name of contract	Rate of interest	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses		Amount of annual premiums		Category of unit link				Unit liability									
	2		Mortality or morbidity table	3	4	5	6	7	8	9	10	11	12	13	14	15							
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																							
Investor Policy First Series	3.40	(a)		1893	5639	25494	5639	136			Internal	24643	24643	375		25018							
Investor Policy Second Series with Maturity Guarantee	3.40	(a)		465	1455	4612	1455	47			Internal	4356	4356	26		4382							
Investor Policy Second Series without Maturity Guarantee	3.40	(a)		986	3466	7569		127			Internal	6909	6909	62		6971							
Investor Policy Third Series	3.40	(a)		5488	18634	23097		1233			Internal	20614	20614			20614							
Investor Plan Ten	3.40	(a)		370	404	11215		44			Internal	10915	10915	36		10951							
Capital Investment Bond	3.40	(a)		21986		359029					Internal	350601	350601	3539		354140							
Maximum Investment Bond (WL) Privilege Extension Plan (IO)	3.40	(a)		4777	32623	89478		1876			Internal	83774	83774	245		84019							
Maximum Investment Bond (EA) Privilege Extension Plan (DO/RO)	3.40	(a)		4407	19934	62721		2704			Internal	62441	62441	52		62493							
Maximum Growth Bond	3.40	(a)		361	1147	3504		81			Internal	3452	3452	35		3487							
Flexible Home Plan	3.40	(a)		10929	409153	409153		8616			Internal	62050	62050	3271		65321							
House Purchase Savings Plan	3.40	(b)		7796	1327139	1337729		9062			Internal	27866	27866	1536		29402							
Regular Savings Plan	3.40	(b)		4668	201364	206756		3795			Internal	12555	12555	662		13217							
Lifetime Protection Plan	3.40	(b)		386	118423	118941		442			Internal	1656	1656	318		1974							
Investment Bond	3.40	(b)		1096		22027					Internal	21809	21809	273		22082							

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Transferred business in the Non Participating Fund																					
Category of surplus		R53		199549		GL		31		12		2002		£000		UK		L&GA		Amount of mathematical reserves	
Name of contract	Valuation basis	No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability			Other liabilities			Amount of mathematical reserves						
			Rate of interest	Mortality or morbidity table	Mortality and expenses	Options and guarantees other than investment performance guarantees															
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15							
Investment Performance Guarantees	3.40	(a)										30		30							
Miscellaneous												1624		1624							
Sub total: Non-Profit Policies			65608	2139381	2681325	7094	28163			693641	693641	12084		706725							
Sub total: Direct Written Insurance Business			65608	2139381	2681325	7094	28163			693641	693641	12084		706725							
REASSURANCE CEDED																					
Non-Profit Policies																					
Capital Investment Bond	3.40	(a)			353532				Internal	350003	350003			350003							
Maximum Investment Bond (WL) Privilege Extension Plan (IO)	3.40	(a)			83631		1817		Internal	83631	83631			83631							
Maximum Investment Bond (EA) Privilege Extension Plan (DO/IO)	3.40	(a)			62335		2649		Internal	62335	62335			62335							
Maximum Growth Bond	3.40	(a)			3446		81		Internal	3446	3446			3446							
Flexible Home Plan	3.40	(a)			133735		8078		Internal	61944	61944			61944							
House Purchase Savings Plan	3.40	(b)			82730		8794		Internal	27818	27818			27818							
Regular Savings Plan	3.40	(b)			19902		3713		Internal	12534	12534			12534							
Lifetime Protection Plan	3.40	(b)			7950		427		Internal	1653	1653			1653							
Investment Bond	3.40	(b)			22027				Internal	21772	21772	1624		21772							
Miscellaneous														1624							

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Category of surplus			Transferred business in the Non Participating Fund										R53		199549		GL		31		12		2002		£000		UK		L&GA		12	
Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums				Category of unit link		Unit liability			Other liabilities			Amount of mathematical reserves												
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees																				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15																		
Sub total: Non-Profit Policies					769288		25559			626136	625136	1624		626760																		
Sub total: Reassurance Ceded					769288		25559			626136	625136	1624		626760																		
Net total: Life Assurance & General Annuity Insurance Business			65608	2139381	1912037	7094	2604			68605	68505	10460		78965																		

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**

Pension Insurance Business										Company registration number		GL/UK/CM		Period ended			Units		UK/OS		Type of business		Category of surplus									
Transferred business in the Non Participating Fund										R53		199549		GL		31		12		2002		£000		UK		Pens		12				
Valuation basis										No of contracts		Amount of sums assured or annuities per annum, including vested reversionary bonuses		Amount of annual premiums		Category of unit link		Unit liability		Other liabilities						Amount of mathematical reserves						
Rate of interest										Mortality or morbidity table		Guaranteed on death		Current on death/current payable per annum		Guaranteed on maturity		Office premiums		Net premiums		Current benefit value		Discounted value		Mortality and expenses		Options and guarantees other than investment performance guarantees				
2										3		5		6		7		8		9		10		11		12		13		14		15
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																																
Personal Pension Investment Bond										(c)		1868		51435				786				Internal		51435		51435						51435
Personal Pension Plus										(c)		38167		553071				19232				Internal		553071		553071						553071
Executive Pension Investment Plan										(c)		1426		47958				972				Internal		47958		47958						47958
Executive Pension Plan										(c)		9263		215575				9298				Internal		215575		215575		1752				217327
Pensions Investment Bond										(c)		190		13568								Internal		13568		13568		3				13571
Individual Unithised Pensions										(d)		73892		119472				50148				Internal		418115		418115		36353				454468
Income Drawdown Plan										(d)		540		49964								Internal		49964		49964		1837				51801
Phased Retirement Plan										(d)		96		14207								Internal		14207		14207		305				14512
Trustee Investment Bond										(d)		162		9771								Internal		9771		9771		46				9817
Unithised Annuities										(e)		1105		2215 pa								Internal		25623		25623		795				26418
Sub total: Non-Profit Policies												126709		119472		2164425		80436						1399287		1399287		41091				1440378
Sub total: Direct Written Insurance Business												126709		119472		2164425		80436						1399287		1399287		41091				1440378
REASSURANCE CEDED																																

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**

Pension Insurance Business																			
Type of business		Company registration number										Period ended		Units		Type of business		Category of surplus	
Category of surplus		Transferred business in the Non Participating Fund										GLUK/CM		day month year		UK/OS		Amount of mathematical reserves	
Name of contract	Rate of interest	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link		Unit liability		Other liabilities			Pens	12	
		Mortality or morbidity table	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
Non-Profit Policies																			
Personal Pension Investment Bond	4.25	(c)			51337		770		Internal	51337	51337						51337		
Personal Pension Plus	4.25	(c)			552017		18643		Internal	552017	552017						552017		
Executive Pension Investment Plan	4.25	(c)			47867		954		Internal	47867	47867						47867		
Executive Pension Plan	4.25	(c)			215164		9020		Internal	215164	215164						215164		
Pensions Investment Bond	4.25	(c)			13542				Internal	13542	13542						13542		
Individual Unithised Pensions	4.25	(d)		119472	1208080		48096		Internal	417319	417319	3					417322		
Income Drawdown Plan	4.25	(d)			49869				Internal	49869	49869						49869		
Phased Retirement Plan	4.25	(d)			14180				Internal	14180	14180						14180		
Trustee Investment Bond	4.25	(b)			9752				Internal	9752	9752						9752		
Unithised Annuities	4.25	(e)			2215 pa				Internal	25574	25574						25574		
Sub total: Non-Profit Policies				119472	2161808		77483			1396621	1396621	3					1396624		
Sub total: Reassurance Ceded				119472	2161808		77483			1396621	1396621	3					1396624		
Net total: Pension Insurance Business			126709		2617		2953			2666	2666	41088					43754		

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Form 53
(Sheet 6)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Transferred business in the Non Participating Fund**Company
registration
numberPeriod ended
day month year

Units

UK/OS

Type of
businessCategory of
surplus

Category of surplus				Transferred business in the Non Participating Fund										Pens			UK		12	
Name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Category of unit link	Unit liability			Other liabilities		Amount of mathematical reserves			
					Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees						
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15					
Net total: United Kingdom Insurance Business				192317	2139381	1914654	7094	5557			71171	71171	61648		122719					

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended

31st December 2002Type of business **Life Assurance & General Annuity Insurance Business**Category of surplus **Other business in the Non Participating Fund**Company
registration
number

GLUK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

business																
Category of surplus			Other business in the Non Participating Fund													
Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability			Other liabilities		Amount of mathematical reserves	
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																
House Purchase Savings Plan	3.40	(b)	149	13920	13955		289		Internal	423	423	30		453		
Regular Savings Plan	3.40	(b)	3369	309939	311312		14862		Internal	11857	11857	860		12717		
Lifetime Protection Plan	3.40	(b)	74	25696	25703		374		Internal	409	409	43		452		
Investment Bond	3.40	(b)	303		8430				Internal	8347	8347	63		8410		
Flexible Investment Bond	3.40	(b)	11874		388794				Internal	384945	384945	1177		386122		
Flexible Options Bond	3.40	(b)	4798		165333				Internal	163696	163696	(3088)		160608		
Miscellaneous												1489		1489		
Sub total: Non-Profit Policies			20567	349555	913527		16525			569677	569677	574		570261		
Sub total: Direct Written Insurance Business			20567	349555	913527		16525			569677	569677	574		570261		
REASSURANCE CEDED Non-Profit Policies																
House Purchase Savings Plan	3.40	(b)			1543		280		Internal	425	425			425		
Regular Savings Plan	3.40	(b)			54675		14540		Internal	11922	11922			11922		
Lifetime Protection Plan	3.40	(b)			3831		361		Internal	411	411			411		
Investment Bond	3.40	(b)			8430				Internal	8392	8392			8392		

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Form 53
(Sheet 8)

Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Other business in the Non Participating Fund																		
Category of surplus			R53															
			199549		GL		31		2002		£000		UK		L&GA		13	
Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Category of unit link	Unit liability			Other liabilities		Amount of mathematical reserves			
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees					
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
Flexible Investment Bond	3.40	(b)			388794				Internal	387042	387042			387042				
Flexible Options Bond	3.40	(b)			165333				Internal	164588	164588	1489		164588				
Miscellaneous														1489				
Sub total: Non-Profit Policies					622606		15181			572780	572780	1489		574269				
Sub total: Reassurance Ceded					622606		15181			572780	572780	1489		574269				
Net total: Life Assurance & General Annuity Insurance Business			20667	349555	290921		344			(3103)	(3103)	(915)		(4018)				

Long term insurance business : Valuation summary of property linked contracts
 Name of insurer
 Global business
 United Kingdom business
 Financial year ended
 Type of business
 Category of surplus

Form 53
 (Sheet 9)

31st December 2002
 Pension Insurance Business

Name of contract		Other business in the Non Participating Fund										GL/UK/CM		Period ended			Units			UKOS			Type of business			Category of surplus
		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Category of unit link	Unit liability			Other liabilities											
		Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees												
															1	2	3	4	5	6	7	8	9	10	11	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15												
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																										
Individual Unisex Pensions	4.25	(d)	43283	23123	241760		55313		Internal	158887	126435	26140		185027												
Income Drawdown Plan	4.25	(d)	1199		126435				Internal	126435	32064	4285		130720												
Phased Retirement Plan	4.25	(d)	192		32064				Internal	132657	132657	530		32594												
Trustee Investment Bond Solution	4.00	(d)	1177		132657		140509		Internal	405151	405151	521		133176												
Individual Pensions	4.00	(d)	86181	7332	483722				Internal	376003	376003	55007		480158												
Stakeholder Pensions	4.00	(d)	139256		376003				Internal	49692	49692	65926		441929												
Unisex Annuities	4.25	(e)	1710		3812 pa				Internal	1280889	1280889	1484		51176												
Sub total: Non-Profit Policies			272998	30455	1392641		307502			1280889	1280889	163893		1434782												
Sub total: Direct Written Insurance Business			272998	30455	1392641		307502			1280889	1280889	163893		1434782												
REASSURANCE CEDED Non-Profit Policies																										
Individual Unisex Pensions	4.25	(d)							Internal	161357	161357			161360												
Income Drawdown Plan	4.25	(d)		23123	244230				Internal	128401	128401			128401												
Phased Retirement Plan	4.25	(d)			128401				Internal	32563	32563			32563												

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Long term insurance business : Valuation summary of property linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**

Category of surplus		Other business in the Non Participating Fund														UK		Pens		13	
Name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums			Category of unit link	Unit liability			Other liabilities		Amount of mathematical reserves				
					Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees							
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15						
Trustee Investment Bond	4.25	(d)				134720				Internal	134720	134720			134720						
Individual Pensions Solution	4.00	(d)			7332	483722		111680		Internal	405151	405151	54828		459979						
Stakeholder Pensions	4.00	(d)				376003		140509		Internal	376003	376003	65926		441929						
Unitised Annuities	4.25	(e)				3812 pa					50465	50465			50465						
Sub total: Non-Profit Policies					30455	1399639 3812 pa		305214			1288660	1288660	120767		1409417						
Sub total: Reassurance Ceded					30455	1399639 3812 pa		305214			1288660	1288660	120767		1409417						
Net total: Pension Insurance Business				272998		(6998)		2288			(7771)	(7771)	33136		26365						
Net total: United Kingdom Insurance Business				293555	349555	283923		2632			(10874)	(10874)	32221		21347						

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**

Category of surplus																	With Profit Fund									
Name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums		Name of index link	Investment liability			Other liabilities			Amount of mathematical reserves								
					Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees												
1	2	3	4	5	6	7	8	9	10	11	12	2002	£000	UK	L&GA	11										
DIRECT WRITTEN INSURANCE BUSINESS With-Profits Policies																										
Miscellaneous annuity					1 pa				RPI	7	7	1				8										
Sub total: With-Profits Policies					1 pa					7	7	1				8										
Non-Profits Policies					1 pa				RPI	4	4					4										
Miscellaneous annuity					1 pa					4	4					4										
Sub total: Non-Profits Policies					1 pa																					
Sub total: Direct Written Insurance Business					2 pa					11	11	1				12										
Net total: Life Assurance & General Annuity Insurance Business					2 pa					11	11	1				12										

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **With Profit Fund**Company
registration
number

GL/JUK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums			Name of index link		Investment liability			Other liabilities		Amount of mathematical reserves
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums				Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees		
1	2	3	4	5	6	7	8	9		10		11	12	13	14	15	
DIRECT WRITTEN INSURANCE BUSINESS With-Profits Policies																	
Group Pensions in payment	4.29	(a)			800 pa					RPI		10698	10698	76		10774	
Group Contingent Pensions	4.29	(a)			289 pa					RPI		1797	1797	41		1838	
Sub total: With-Profits Policies					1089 pa							12495	12495	117		12512	
Non-Profits Policies																	
Group Pensions in Payment	4.29	(a)			2882 pa					RPI		38367	38367	228		38595	
Group Contingency Pensions	4.29	(a)			666 pa					RPI		3853	3853	57		3910	
Sub total: Non-Profits Policies					3548 pa							42220	42220	285		42505	
Sub total: Direct Written Insurance Business					4637 pa							54715	54715	402		55117	
REASSURANCE CEDED																	
With-Profits Policies																	
Group Pensions in payment	4.29	(a)			16 pa					RPI		160	160	1		161	
Sub total: With-Profits Policies					16 pa							160	160	1		161	

Name of insurer

United Kingdom business

Financial year ended 31st December 2002

Type of business Pension Insurance Business

Category of surplus
With Profit Fund207

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer Scottish Widows plc

Global business

United Kingdom business

Financial year ended 31st December 2002

Type of business Life Assurance & General Annuity Insurance Business

Company
registration
number

GL/UK/CM

Period ended
day month year

Units

UK/OS

Type of
businessCategory
of surplus

Transferred business in the Non Participating Fund																
Category of surplus			R54													
Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link	Investment liability			Other liabilities		Amount of mathematical reserves	
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums		Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment guarantees			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																
Annuity in payment	(c)	(b)	22		377 pa				RPI	8791	8791	73		8864		
Reversionary annuity	(c)	(b)	3		1 pa				RPI	4	4			4		
Sub total: Non-Profit Policies			25		378 pa					8795	8795	73		8868		
Sub total: Direct Written Insurance Business			25		378 pa					8795	8795	73		8868		
Net total: Life Assurance & General Annuity Insurance Business			25		378 pa					8795	8795	73		8868		

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**

Category of surplus		Transferred business in the Non Participating Fund															R54		199549		GL		31		12		2002		£000		UK		Pens		12																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																											
Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses				Amount of annual premiums			Name of index link	Investment liability			Other liabilities			Amount of mathematical reserves																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value	Discounted value		Mortality and expenses	Options and guarantees other than investment performance guarantees																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Company
registration
number

GL/UK/CM

Units

UK/OS

Type of
businessCategory
of surplus

Transferred business in the Non Participating Fund																			
Category of surplus		R54																	
		199549		GL		31		12		2002		£000		UK		Pens		12	
Name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums			Name of index link	Investment liability		Other liabilities			Amount of mathematical reserves		
					Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value		Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees					
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15				
Non-Profit Policies																			
Annuity in payment	4.63	(b)		2400		2367 pa				RPI	41789	41789	370		42159				
Group Pensions in payment	4.63	(a)				460 pa				RPI	8671	8671	44		8715				
Reversionary annuity	4.63	(b)		900		576 pa				RPI	2512	2512	124		2636				
Group Contingent Pensions	4.63	(a)				255 pa				RPI	1684	1684	32		1716				
Sub total: Non-Profit Policies				3300		3658 pa					54656	54656	570		55226				
Sub total: Reassurance Ceded				3300		3658 pa					54656	54656	570		55226				
Net total: Pension Insurance Business				3300															
Net total: United Kingdom Insurance Business				3325		378 pa					8795	8795	73		8868				

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Life Assurance & General Annuity Insurance Business**Category of surplus **Other business in the Non Participating Fund**

Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link			Investment liability		Other liabilities		Category of surplus
	Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums				Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
DIRECT WRITTEN INSURANCE BUSINESS Non-Profit Policies																
Guaranteed Stockmarket Bond (Capped version)	3.40	(d)	5431	74952	74952	74952			FTSE-100	66022	66022	2126				58148
Guaranteed Stockmarket Bond (Participation version)	3.40	(d)	18104	220665	220665	220665			FTSE-100	191100	191100	7575				198675
Guaranteed Investment Bond	3.40	(d)	54972	647399	647399	647399			FTSE-100	587712	587712	24008				611720
Annuities in Payment	3.43	(b)	1		19 pa				RPI	367	367	3				370
Sub total: Non-Profit Policies			78508	943016	943016	943016				845201	845201	33712				878913
Sub total: Direct Written Insurance Business			78508	943016	943016	943016				845201	845201	33712				878913
Net total: Life Assurance & General Annuity Insurance Business			78508	943016	943016	943016				845201	845201	33712				878913

Long term insurance business : Valuation summary of index linked contracts

Name of insurer Scottish Widows plc

Global business

United Kingdom business

Financial year ended 31st December 2002

Type of business Pension Insurance Business

Category of surplus		Other business In the Non Participating Fund																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
Name of contract		Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link	Investment liability		Other liabilities		Pens	UK	£000	2002	2001	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	9

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Long term insurance business : Valuation summary of index linked contracts

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Type of business **Pension Insurance Business**Category of surplus **Other business in the Non Participating Fund**

Pension Insurance Business																					
Type of business	Other business in the Non Participating Fund										Company registration number										
Category of surplus	Name of contract	Valuation basis		No of contracts	Amount of sums assured or annuities per annum, including vested reversionary bonuses			Amount of annual premiums		Name of index link		Investment liability		Other liabilities		Type of business	UK/OS	Units	Period ended day month year	GL/UK/CM	Category of surplus
		Rate of interest	Mortality or morbidity table		Guaranteed on death	Current on death/current payable per annum	Guaranteed on maturity	Office premiums	Net premiums	Current benefit value	Discounted value	Mortality and expenses	Options and guarantees other than investment performance guarantees								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15						
	Sub total: Non-Profit Policies			486		576 pa					9601	9601	139		9740						
	Sub total: Reassurance Ceded			486		576 pa					9601	9601	139		9740						
	Net total: Pension Insurance Business			486																	
	Net total: United Kingdom Insurance Business			78994	943016	943016 19 pa	943016				845201	845201	33712		878913						

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 1)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ended 31 March 2002														
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL	31	12	2002	£000	UK	14	Value of surplus units or directly held assets (7-8+9)		
													Value of units or directly held assets deemed allocated to contracts	
													Gross	Reinsurance ceded
1	2	3	4	5	6	7	8	9	10					
Investor Policy	Series 1	12.302224	2003120	24643				24643	24643					
Investor Policy	Series 2	10.958817	1909241	20923				20923	20923					
Investor Policy	Series 3	10.004140	2054649	20555				20555	20555					
Sub total: Investor Policy				66121				66121	66121					
Investor Policy Cash	Series 2	4.349913	288958	1257				1257	1257					
Investor Policy Cash	Series 3	4.019552	14763	59				59	59					
Sub total: Investor Policy Cash				1316				1316	1316					
Assurance Mixed Fund	Ordinary	5.899220							472660	473193		533		
Sub total: Assurance Mixed Fund									472660	473193		533		
Assurance International Fund	Ordinary	4.536733							38843	38948		105		
Sub total: Assurance International Fund									38843	38948		105		
Assurance UK Equity Fund	Ordinary	7.285734							63850	63873		23		
Sub total: Assurance UK Equity Fund									63850	63873		23		
Assurance Fixed-Interest Fund	Ordinary	6.258396							42143	42150		7		
Sub total: Assurance Fixed-Interest Fund									42143	42150		7		

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Form 55

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 2)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55													199549	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL	31	12	2002	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)									
										Gross	Reinsurance ceded										
1	2	3	4	5	6	7	8	9	10												
Assurance Cash Fund	Ordinary	3.136004								43829	43919	90									
Sub total: Assurance Cash Fund										43829	43919	90									
Assurance Indexed-Stock Fund	Ordinary	3.216501								3053	3057	4									
Sub total: Assurance Indexed-Stock Fund										3053	3057	4									
Assurance SafetyPlus Fund	Ordinary	0.264447								9685	9783	98									
Sub total: Assurance SafetyPlus Fund										9685	9783	98									
Assurance UK Equity Index Fund	Ordinary	0.959833								4938	4961	23									
Sub total: Assurance UK Equity Index Fund										4938	4961	23									
Assurance European Fund	Ordinary	0.807805								8598	8613	15									
Sub total: Assurance European Fund										8598	8613	15									
Assurance Japanese Fund	Ordinary	0.781931								584	605	21									
Sub total: Assurance Japanese Fund										584	605	21									
Assurance North American Fund	Ordinary	0.711567								1258	1291	33									
Sub total: Assurance North American Fund										1258	1291	33									

(Sheet 3)

Internal linked fund

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Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 4)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55											199549	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL	31	12	2002	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)								
									Gross	Reinsurance ceded									
1	2	3	4	5	6	7	8	9	10										
Sub total: Assurance Frank Russell Balanced Portfolio Fund										18200	18057	(143)							
Assurance Frank Russell Progress Portfolio Fund	Ordinary	0.780339								8027	8075	48							
Sub total: Assurance Frank Russell Progress Portfolio Fund										8027	8075	48							
Assurance Frank Russell Opportunities Portfolio Fund	Ordinary	0.735093								4006	4048	42							
Sub total: Assurance Frank Russell Opportunities Portfolio Fund										4006	4048	42							
Assurance Hargreaves Lansdown (HL) Ultimate Managed Fund	Ordinary	0.695047								1358	1366	8							
Sub total: Assurance Hargreaves Lansdown (HL) Ultimate Managed Fund										1358	1366	8							
Assurance Newton Managed Fund	Ordinary	0.824355								18016	18020	4							
Sub total: Assurance Newton Managed Fund										18016	18020	4							
Assurance Schroder Managed Fund	Ordinary	0.713493								2561	2556	(5)							
Sub total: Assurance Schroder Managed Fund										2561	2556	(5)							
Assurance INVESCO Perpetual Balanced Managed Fund	Ordinary	0.843934								5886	5943	57							

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 5)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Non Participating Fund																			
Category of surplus		Company registration number			GL/UK/CM		Period ended			Units		Category of surplus							
Internal linked fund		R55		199549		GL		31 12 2002		£000		UK 14							
Name of fund link or directly held asset		Name of unit type		Valuation price per unit or asset		Total actual number of units in force or directly held assets		Value of total actual units in force or directly held assets		Value of actual units held by other internal linked funds		Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)		Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)			
1		2		3		4		5		6		7		8		9		10	
Sub total: Assurance INVESCO Perpetual Balanced Managed Fund						4		5		6		7		8		9		10	
Assurance Gartmore Managed Fund		Ordinary		0.680068										5886		5943		57	
Sub total: Assurance Gartmore Managed Fund														3719		3747		28	
Assurance Merrill Lynch Managed Fund		Ordinary		0.690451										3719		3747		28	
Sub total: Assurance Merrill Lynch Managed Fund														1548		1537		(11)	
Assurance JPMF (JP Morgan Fleming) Managed Fund		Ordinary		0.670901										1548		1537		(11)	
Sub total: Assurance JPMF (JP Morgan Fleming) Managed Fund														1505		1496		(9)	
Assurance Fidelity Managed Fund		Ordinary		0.794936										1505		1496		(9)	
Sub total: Assurance Fidelity Managed Fund														6199		6210		11	
Assurance Threadneedle European Select Growth Fund		Ordinary		0.886410										6199		6210		11	
Sub total: Assurance Threadneedle European Select Growth Fund														553		566		13	
Assurance Threadneedle American Select Growth Fund		Ordinary		0.754507										553		566		13	
Sub total: Assurance Threadneedle American Select Growth Fund														299		315		16	
Assurance Threadneedle American Select Growth Fund		Ordinary		0.754507										299		315		16	
Sub total: Assurance Threadneedle American Select Growth Fund														299		315		16	

(Sheet 6)

United Kingdom business

Financial year ended
31st December 2002

Category of surplus	Non Participating Fund
Surplus from operations	
Surplus from non-recurring transactions	
Surplus from discontinued operations	
Surplus from other sources	
Total surplus	

internal linked fund

	R55	199549	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (3-6)	Value of units or directly held assets deemed allocated to contracts	Gross	Reinsurance ceded	Value of surplus units or directly held assets (7-8+9)
1	2	3	4	5	6	7	8	9		10
Assurance Threadneedle Global Select Growth Fund Sub total: Assurance Threadneedle Global Select Growth Fund	Ordinary	0.798746					408	410		2
Assurance Threadneedle UK Corporate Bond Fund Sub total: Assurance Threadneedle UK Corporate Bond Fund	Ordinary	0.969040					6048	6071		23
Assurance SocGen UK Growth Fund Sub total: Assurance SocGen UK Growth Fund	Ordinary	0.794148					172	174		2
Assurance SocGen European Growth Fund Sub total: Assurance SocGen European Growth Fund	Ordinary	0.808411					282	299		17
Assurance SocGen Technology Fund Sub total: Assurance SocGen Technology Fund	Ordinary	0.677383					86	92		6
Assurance DWS UK Growth Fund Sub total: Assurance DWS UK Growth Fund	Ordinary	0.890268					379	382		3
Assurance DWS European Smaller Companies Fund	Ordinary	0.811954					16	23		7

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 7)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year																	
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	199549	GL	31	12	2002	£000	UK	14	ILH					
													Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)
															Gross	Reinsurance ceded	
1	2	3	4	5	6	7	8	9	10								
Sub total: Assurance DWS European Smaller Companies Fund												7					
Assurance DWS American Growth Fund	Ordinary	0.742306										5					
Sub total: Assurance DWS American Growth Fund												5					
Assurance DWS Japan Growth Fund	Ordinary	0.771509										21					
Sub total: Assurance DWS Japan Growth Fund												21					
Assurance DWS Stockmarket Managed Fund	Ordinary	0.869314										5					
Sub total: Assurance DWS Stockmarket Managed Fund												5					
Assurance Artemis UK Growth Fund	Ordinary	0.902527										36					
Sub total: Assurance Artemis UK Growth Fund												36					
Assurance Artemis UK Smaller Companies Fund	Ordinary	0.961835										1					
Sub total: Assurance Artemis UK Smaller Companies Fund												1					
Assurance Newton Income Fund	Ordinary	0.875968										36					
Sub total: Assurance Newton Income Fund												36					

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Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 8)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55													
199549													
GL													
31													
12													
2002													
£000													
UK													
14													
ILH													
Value of surplus units or directly held assets (7-8+9)													
Value of units or directly held assets deemed allocated to contracts													
Gross													
Reinsurance ceded													
Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)													
8													
9													
10													
23													
23													
10													
10													
5													
5													
207													
207													
390													
393													
516													
525													
516													
525													
9													
9													

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	Value of surplus units or directly held assets (7-8+9)
1	2	3	4	5	6	7	8	10
Assurance Newton Higher Income Fund	Ordinary	0.964266					2075	2098
Sub total: Assurance Newton Higher Income Fund							2075	2098
Assurance Newton Continental European Fund	Ordinary	0.833122					61	71
Sub total: Assurance Newton Continental European Fund							61	71
Assurance Newton International Growth Fund	Ordinary	0.792478					170	175
Sub total: Assurance Newton International Growth Fund							170	175
Assurance Newton Oriental Fund	Ordinary	0.971072					207	207
Sub total: Assurance Newton Oriental Fund							207	207
Assurance Newton International Bond Fund	Ordinary	1.008853					390	393
Sub total: Assurance Newton International Bond Fund							390	393
Assurance Newton Stockmarket Managed Fund	Ordinary	0.856796					516	525
Sub total: Assurance Newton Stockmarket Managed Fund							516	525

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 9)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Part 2: Details of the assets held by the company																
Name of fund link or directly held asset	R55	199549	GL	31	12	2002	£000	UK	14	ILH						
Name of fund link or directly held asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	Value of surplus units or directly held assets (7-8+9)										
1	2	3	4	5	6	7	8	9	10							
Assurance Schroder UK Equity Fund	Ordinary	0.851486					407	414	7							
Sub total: Assurance Schroder UK Equity Fund							407	414	7							
Assurance Schroder UK Smaller Companies Fund	Ordinary	0.918363					77	86	9							
Sub total: Assurance Schroder UK Smaller Companies Fund							77	86	9							
Assurance Schroder European Fund	Ordinary	0.894898					98	104	6							
Sub total: Assurance Schroder European Fund							98	104	6							
Assurance Schroder Tokyo Fund	Ordinary	0.800121					29	44	15							
Sub total: Assurance Schroder Tokyo Fund							29	44	15							
Assurance Schroder US Smaller Companies Fund	Ordinary	0.827694					194	202	8							
Sub total: Assurance Schroder US Smaller Companies Fund							194	202	8							
Assurance Schroder Pacific Fund	Ordinary	1.006487					138	141	3							
Sub total: Assurance Schroder Pacific Fund							138	141	3							
Assurance Schroder Medical Discovery Fund	Ordinary	0.721137					328	326	(2)							

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 10)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ended 31 March 2002																	
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	199549	GL	31	12	2002	£000	UK	14	ILH					
													Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	
																5	6
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			
Sub total: Assurance Schroder Medical Discovery Fund																	
Assurance Schroder Gilt and Fixed Interest Fund	Ordinary	0.999830															
Sub total: Assurance Schroder Gilt and Fixed Interest Fund																	
Assurance INVESCO Perpetual UK Key Trends Fund	Ordinary	0.762671															
Sub total: Assurance INVESCO Perpetual UK Key Trends Fund																	
Assurance INVESCO Perpetual High Income Fund	Ordinary	0.999028															
Sub total: Assurance INVESCO Perpetual High Income Fund																	
Assurance INVESCO Perpetual European Growth Fund	Ordinary	0.754687															
Sub total: Assurance INVESCO Perpetual European Growth Fund																	
Assurance INVESCO Perpetual European Smaller Companies Fund	Ordinary	0.855130															
Sub total: Assurance INVESCO Perpetual European Smaller Companies Fund																	
Assurance INVESCO Perpetual US Growth Fund	Ordinary	0.588134															

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 11)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ended 31 March 2002												
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	199549	GL	31	12	2002	£000	UK	14	ILH
				R55								

(Sheet 12)

Internal linked fund

	R55	1995/49	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and excluding those held by other internal linked funds (3-6)	Value of units or directly held assets deemed allocated to contracts	Gross	Reinsurance ceded	Value of surplus units or directly held assets (7-8+9)
1	2	3	4	5	6	7	8	9	10	
Sub total: Assurance Merrill Lynch European Growth Fund										5
Assurance Merrill Lynch American Opportunities Fund	Ordinary	0.771389								5
Sub total: Assurance Merrill Lynch American Opportunities Fund										5
Assurance Merrill Lynch Global Titans Fund	Ordinary	0.808271								1
Sub total: Assurance Merrill Lynch Global Titans Fund										1
Assurance Merrill Lynch Emerging Markets Fund	Ordinary	0.948251								8
Sub total: Assurance Merrill Lynch Emerging Markets Fund										8
Assurance Fidelity UK Growth Fund	Ordinary	0.822681								13
Sub total: Assurance Fidelity UK Growth Fund										13
Assurance Fidelity American Special Situations Fund	Ordinary	0.981324								65
Sub total: Assurance Fidelity American Special Situations Fund										65
Assurance Fidelity European Fund	Ordinary	1.012091								47

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 13)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ending 31 March 2003												
R55		199549		GL	31	12	2002	£000	UK	14	ILH	
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts			Value of surplus units or directly held assets (7-8+9)		
							Gross	Reinsurance ceded				
1	2	3	4	5	6	7	8	9	10			
Sub total: Assurance Fidelity European Fund							2149	2196	47			
Assurance Fidelity American Fund	Ordinary	0.898439					1775	1818	43			
Sub total: Assurance Fidelity American Fund							1775	1818	43			
Assurance Fidelity Special Situations Fund	Ordinary	0.878273					304	307	3			
Sub total: Assurance Fidelity Special Situations Fund							304	307	3			
Assurance Fidelity Japan Fund	Ordinary	0.731429					19	24	5			
Sub total: Assurance Fidelity Japan Fund							19	24	5			
Assurance Fidelity South-east Asia Fund	Ordinary	0.895974					332	337	5			
Sub total: Assurance Fidelity South-east Asia Fund							332	337	5			
Assurance Fidelity International Fund	Ordinary	0.769973					390	415	25			
Sub total: Assurance Fidelity International Fund							390	415	25			
Pension Mixed Fund	Ordinary	7.991818					865398	866900	1502			
Pension Mixed Fund	Initial	2.709131					46419	46419				
Pension Mixed Fund	Pre-Stakeholder	0.709532					71592	71592				

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Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 14)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Non Participating Fund											
Category of surplus	Company registration number	GL/UK/CM	Period ended				Units	UK/OS	Category of surplus	IL/DH	
			day		month						year
			31	12	2002	£000					
Internal linked fund											
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	Gross	Reinsurance ceded	Value of surplus units or directly held assets (7-8+9)	
1	2	3	4	5	6	7	8	9	10	10	
Pension Mixed Fund	Stakeholder	0.709558					52080	1035489	52080	1502	
Sub total: Pension Mixed Fund									1036991		
Pension International Fund	Ordinary	6.196471					79056	79056	79166	110	
Pension International Fund	Initial	1.714670					2596	2596	2596		
Pension International Fund	Pre-Stakeholder	0.545089					4130	4130	4130		
Sub total: Pension International Fund							85782	85782	85892	110	
Pension UK Equity Fund	Ordinary	9.502128					167999	167999	168021	22	
Pension UK Equity Fund	Initial	2.632392					5762	5762	5762		
Pension UK Equity Fund	Pre-Stakeholder	0.651357					15748	15748	15748		
Pension UK Equity Fund	Stakeholder	0.651376					4307	4307	4307		
Sub total: Pension UK Equity Fund							193816	193816	193838	22	
Pension Fixed-Interest Fund	Ordinary	10.813562					53962	53962	53967	5	
Pension Fixed-Interest Fund	Initial	2.996587					634	634	634		
Pension Fixed-Interest Fund	Pre-Stakeholder	1.182374					15930	15930	15930		
Pension Fixed-Interest Fund	Stakeholder	1.182424					7700	7700	7700		
Sub total: Pension Fixed-Interest Fund							78226	78226	78231	5	

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 15)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ending 31 March 2002																
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		14	UK	Value of surplus units or directly held assets (7-8+9)	ILH				
							5	6					7	8	9	10
1	2	3	4	5	6	7	8	9	10							
Pension Cash Fund	Ordinary	5.193020					60116	58738			(1378)					
Pension Cash Fund	Initial	1.437293					693	693								
Pension Cash Fund	Stakeholder	1.057637					34504	34504								
Sub total: Pension Cash Fund							95313	93935			(1378)					
Pension Indexed-Stock Fund	Ordinary	4.080110					6196	6199			3					
Pension Indexed-Stock Fund	Initial	1.181655					151	151								
Pension Indexed-Stock Fund	Pre-Stakeholder	1.070763					1436	1436								
Sub total: Pension Indexed-Stock Fund							7783	7786			3					
Pension Building Society Fund	Ordinary	1.522438					76497	76809			312					
Pension Building Society Fund	Pre-Stakeholder	1.100330					66432	66432								
Sub total: Pension Building Society Fund							142929	143241			312					
Pension SafetyPlus Fund	Ordinary	0.292550					41430	41652			222					
Pension SafetyPlus Fund	Pre-Stakeholder	0.890258					1513	1513								
Pension SafetyPlus Fund	Stakeholder	0.890294					3414	3414								
Sub total: Pension SafetyPlus Fund							46357	46579			222					
Pension UK Equity Index Fund	Ordinary	1.011351					28708	28903			195					

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 16)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55													199549	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL	31	12	2002	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-8)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)									
										Gross	Reinsurance ceded										
1	2	3	4	5	6	7	8	9	10												
Pension UK Equity Index Fund	Pre-Stakeholder	0.640271								5991	5991	195									
Sub total: Pension UK Equity Index Fund										34699	34894										
Pension European Fund	Ordinary	0.822082								29402	29544	142									
Pension European Fund	Pre-Stakeholder	0.559467								6456	6456										
Pension European Fund	Stakeholder	0.559490								10073	10073										
Sub total: Pension European Fund										45931	46073	142									
Pension Japanese Fund	Ordinary	0.784193								3612	3620	8									
Pension Japanese Fund	Pre-Stakeholder	0.481083								1039	1039										
Pension Japanese Fund	Stakeholder	0.481103								295	295										
Sub total: Pension Japanese Fund										4946	4954	8									
Pension North American Fund	Ordinary	0.744676								6915	6911	(4)									
Pension North American Fund	Pre-Stakeholder	0.490637								3153	3153										
Pension North American Fund	Stakeholder	0.490657								1418	1418										
Sub total: Pension North American Fund										11486	11482	(4)									
Pension UBS Managed Fund	Ordinary	1.011888								(9)	15	24									
Pension UBS Managed Fund	Pre-Stakeholder	1.011888								4593	4593										

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 17)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Statement of Assets and Liabilities of the Company																
Name of fund link or directly held asset	1	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)						
								Gross	Reinsurance ceded							
											12	14				
R55	199549	GL	31	12	2002	£000	UK	14	ILH							

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 18)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Pension Funds													
R55				199549		GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)				
							Gross	Reinsurance ceded					
1	2	3	4	5	6	7	8	9	10				
Pension Global Equity Fund	Stakeholder	0.541024					2556	2556	225				
Sub total: Pension Global Equity Fund							23091	23316	225				
Pension UK All Share Tracker Fund	Ordinary	0.697149					1662	2661	799				
Pension UK All Share Tracker Fund	Pre-Stakeholder	0.737242					21704	21704					
Pension UK All Share Tracker Fund	Stakeholder	0.732262					25601	25601					
Sub total: Pension UK All Share Tracker Fund							49167	49966	799				
Pension UK Fixed-Interest Index Tracker Fund	Ordinary	1.033360					281	364	83				
Pension UK Fixed-Interest Index Tracker Fund	Pre-Stakeholder	1.085376					5084	5084					
Pension UK Fixed-Interest Index Tracker Fund	Stakeholder	1.085421					4419	4419					
Sub total: Pension UK Fixed-Interest Index Tracker Fund							9784	9867	83				
Pension International Equity Tracker Fund	Ordinary	0.755756					(52)	71	123				
Pension International Equity Tracker Fund	Pre-Stakeholder	0.794298					8392	8392					
Pension International Equity Tracker Fund	Stakeholder	0.794331					1090	1090					
Sub total: Pension International Equity Tracker Fund							9430	9553	123				

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 19)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Non Participating Fund													
Category of surplus		Company registration number		GL/UK/ICM		Period ended			Units		Category of surplus		
Internal linked fund						day month year			£000		UK		
		R55		199549		GL		31 12 2002		£000		UK	

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 20)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended

31st December 2002

Category of surplus

Non Participating Fund

Internal linked fund

Non Participating Fund																
Category of surplus	Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL/UK/CM			Period ended			Units	UK/OS	Category of surplus	ILDH	
						R55	199549	GL	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts					Value of surplus units or directly held assets (7-8+9)
Internal linked fund	1	2	3	4	5	6	7	8	9	10						
Pension Newton Managed Fund		Pre-Stakeholder	0.795909					13179	13179							
Pension Newton Managed Fund		Stakeholder	0.799421					77333	77333							
Sub total: Pension Newton Managed Fund								120502	121309						807	
Pension Schroder Managed Fund		Ordinary	0.689655					2222	2249						27	
Pension Schroder Managed Fund		Pre-Stakeholder	0.699523					1106	1106							
Pension Schroder Managed Fund		Stakeholder	0.701721					12274	12274							
Sub total: Pension Schroder Managed Fund								15602	15629						27	
Pension INVERSCO Perpetual Balanced Managed Fund		Ordinary	0.830399					6084	6126						42	
Pension INVERSCO Perpetual Balanced Managed Fund		Pre-Stakeholder	0.807331					2536	2536							
Sub total: Pension INVERSCO Perpetual Balanced Managed Fund								8620	8662						42	
Pension Gartmore Managed Fund		Ordinary	0.680587					3194	3216						22	
Pension Gartmore Managed Fund		Pre-Stakeholder	0.632065					763	763							
Sub total: Pension Gartmore Managed Fund								3957	3979						22	
Pension Merrill Lynch Managed Fund		Ordinary	0.649067					2109	2188						79	
Pension Merrill Lynch Managed Fund		Pre-Stakeholder	0.684742					663	663							

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 21)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ended 31 March 2003												
Name of fund link or directly held asset	R55	199549	GL	31	12	2002	£000	UK	14	ILH	Value of surplus units or directly held assets (7-8+9)	
											Value of units or directly held assets deemed allocated to contracts	
											Gross	Reinsurance ceded
1												10
Pension Merrill Lynch Managed Fund												
Sub total: Pension Merrill Lynch Managed Fund												79
Pension JPMF (JP Morgan Fleming) Managed Fund												36
Pension JPMF (JP Morgan Fleming) Managed Fund												36
Sub total: Pension JPMF (JP Morgan Fleming) Managed Fund												95
Pension Fidelity Managed Fund												95
Pension Fidelity Managed Fund												95
Sub total: Pension Fidelity Managed Fund												1
Pension Threadneedle European Select Growth Fund												1
Pension Threadneedle European Select Growth Fund												1
Sub total: Pension Threadneedle European Select Growth Fund												(8)
Pension Threadneedle American Select Growth Fund												(8)
Pension Threadneedle American Select Growth Fund												(8)
Sub total: Pension Threadneedle American Select Growth Fund												(8)

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 22)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended

31st December 2002

Category of surplus

Non Participating Fund

Internal linked fund

R55													199549	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL	31	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)										
									Gross	Reinsurance ceded											
1	2	3	4	5	6	7	8	9	10												
Pension Threadneedle Global Select Growth Fund	Ordinary	0.812070					208	199	(9)												
Pension Threadneedle Global Select Growth Fund	Pre-Stakeholder	0.853449					186	186													
Sub total: Pension Threadneedle Global Select Growth Fund							394	385	(9)												
Pension Threadneedle UK Corporate Bond Fund	Ordinary	0.976023					3246	3215	(31)												
Pension Threadneedle UK Corporate Bond Fund	Pre-Stakeholder	1.025756					743	743													
Sub total: Pension Threadneedle UK Corporate Bond Fund							3989	3958	(31)												
Pension SocGen UK Growth Fund	Ordinary	0.816981					316	319	3												
Pension SocGen UK Growth Fund	Pre-Stakeholder	0.858610					228	228													
Sub total: Pension SocGen UK Growth Fund							544	547	3												
Pension SocGen European Growth Fund	Ordinary	0.835492					339	340	1												
Pension SocGen European Growth Fund	Pre-Stakeholder	0.878065					209	209													
Sub total: Pension SocGen European Growth Fund							548	549	1												
Pension SocGen Technology Fund	Ordinary	0.696487					67	77	10												
Pension SocGen Technology Fund	Pre-Stakeholder	0.731977					239	239													

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 23)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55													199549		GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset	1	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)												
								Gross	Reinsurance ceded													
Sub total: Pension SocGen Technology Fund		2	3	4	5	6	7	8	9	10												
Pension DWS UK Growth Fund		Ordinary	0.894884					306		10												
Pension DWS UK Growth Fund		Pre-Stakeholder	0.940483					625		12												
Sub total: Pension DWS UK Growth Fund								298		12												
								923														
Pension DWS European Smaller Companies Fund		Ordinary	0.831441					25														
Pension DWS European Smaller Companies Fund		Pre-Stakeholder	0.873807					178														
Sub total: Pension DWS European Smaller Companies Fund								203														
Pension DWS American Growth Fund		Ordinary	0.771308					266														
Pension DWS American Growth Fund		Pre-Stakeholder	0.810610					199														
Sub total: Pension DWS American Growth Fund								465														
Pension DWS Japan Growth Fund		Ordinary	0.771432					36		1												
Pension DWS Japan Growth Fund		Pre-Stakeholder	0.810740					7		1												
Sub total: Pension DWS Japan Growth Fund								43		1												
Pension DWS Stockmarket Managed Fund		Ordinary	0.892387					275		9												

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Form 55

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 24)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55																			
199549		GL		31		12		2002		£000		UK		14		ILH			
Name of fund link or directly held asset		Name of unit type		Valuation price per unit or asset		Total actual number of units in force or directly held assets		Value of total actual units in force or directly held assets		Value of actual units held by other internal linked funds		Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)		Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)			
														Gross				Reinsurance ceded	
1		2		3		4		5		6		7		8		9		10	
Pension DWS Stockmarket Managed Fund		Pre-Stakeholder		0.937859										370		370		9	
Sub total: Pension DWS Stockmarket Managed Fund														645		654			
Pension Artemis UK Growth Fund		Ordinary		0.913670										1578		1598		20	
Pension Artemis UK Growth Fund		Pre-Stakeholder		0.960226										2289		2289		20	
Sub total: Pension Artemis UK Growth Fund														3867		3887			
Pension Artemis UK Smaller Companies Fund		Ordinary		0.994087										1218		1228		10	
Pension Artemis UK Smaller Companies Fund		Pre-Stakeholder		1.044740										1338		1338			
Sub total: Pension Artemis UK Smaller Companies Fund														2556		2566		10	
Pension Newton Income Fund		Ordinary		0.897716										1712		1631		(81)	
Pension Newton Income Fund		Pre-Stakeholder		0.943459										1274		1274		(81)	
Sub total: Pension Newton Income Fund														2986		2905			
Pension Newton Higher Income Fund		Ordinary		0.999515										2132		2133		1	
Pension Newton Higher Income Fund		Pre-Stakeholder		1.050445										1625		1625		1	
Sub total: Pension Newton Higher Income Fund														3757		3768			

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 25)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55													199549	GL	31	12	2002	£000	UK	14	ILH
Name of fund link or directly held asset		Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GL	31	12	2002	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)								
											Gross	Reinsurance ceded									
1	2	3	4	5	6	7	8	9	10												
Pension Newton Continental European Fund	Ordinary	0.868282					298					329	31								
Pension Newton Continental European Fund	Pre-Stakeholder	0.912525					124					124									
Sub total: Pension Newton Continental European Fund							422					453	31								
Pension Newton International Growth Fund	Ordinary	0.815963					246					259	13								
Pension Newton International Growth Fund	Pre-Stakeholder	0.857540					117					117									
Sub total: Pension Newton International Growth Fund							363					376	13								
Pension Newton Oriental Fund	Ordinary	1.030604					346					360	14								
Pension Newton Oriental Fund	Pre-Stakeholder	1.083118					521					521									
Sub total: Pension Newton Oriental Fund							867					881	14								
Pension Newton International Bond Fund	Ordinary	1.014483					619					673	54								
Pension Newton International Bond Fund	Pre-Stakeholder	1.066176					83					83									
Sub total: Pension Newton International Bond Fund							702					756	54								
Pension Newton Stockmarket Managed Fund	Ordinary	0.881046					500					519	19								
Pension Newton Stockmarket Managed Fund	Pre-Stakeholder	0.925946					189					189									

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 26)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or directly held assets	GLUK/CM	Period ended			Units	UKIOS	Category of surplus	IL/DH				
						day	month	year								
1	2	3	4	5	6	31	12	2002	£000	UK	14	14				
Company registration number R55 199549																
Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)																
Value of units or directly held assets deemed allocated to contracts																
Value of surplus units or directly held assets (7-8+9)																
Gross Reinsurance ceded																
10																
Sub total: Pension Newton Stockmarket Managed Fund									689	708		19				
Pension Schroder UK Equity Fund	Ordinary	0.853339							480	492		12				
Pension Schroder UK Equity Fund	Pre-Stakeholder	0.896820							227	227						
Sub total: Pension Schroder UK Equity Fund									707	719		12				
Pension Schroder UK Smaller Companies Fund	Ordinary	0.941356							189	176		(13)				
Pension Schroder UK Smaller Companies Fund	Pre-Stakeholder	0.989323							277	277						
Sub total: Pension Schroder UK Smaller Companies Fund									466	453		(13)				
Pension Schroder European Fund	Ordinary	0.926105							146	154		8				
Pension Schroder European Fund	Pre-Stakeholder	0.973295							104	104						
Sub total: Pension Schroder European Fund									250	258		8				
Pension Schroder Tokyo Fund	Ordinary	0.784562							90	95		5				
Pension Schroder Tokyo Fund	Pre-Stakeholder	0.824540							117	117						
Sub total: Pension Schroder Tokyo Fund									207	212		5				
Pension Schroder US Smaller Companies Fund	Ordinary	0.833751							256	260		4				

(Sheet 27)

Internal linked fund

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Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 28)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55													199549		GL		31		12		2002		£000		UK		14		ILH																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Name of fund link or directly held asset													Name of unit type		Valuation price per unit or asset		Total actual number of units in force or directly held assets		Value of total actual units in force or directly held assets		Value of actual units held by other internal linked funds		Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)		Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
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Sub total: Pension INVESCO Perpetual UK Key Trends Fund																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 29)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ended 31 March 2002														Year ended 31 March 2001					
R55		199549		GL		31		12		2002		£000		UK		14		ILH	
Name of fund link or directly held asset	1	Name of unit type	2	Valuation price per unit or asset	3	Total actual number of units in force or directly held assets	4	Value of total actual units in force or directly held assets	5	Value of actual units held by other internal linked funds	6	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		7	Value of surplus units or directly held assets (7-8+9)			
													Gross	Reinsurance ceded		8	9	10	
Pension INVERSCO Perpetual Japan Fund		Ordinary		0.713280										13		26		13	
Pension INVERSCO Perpetual Japan Fund		Pre-Stakeholder		0.749625										27		53		13	
Sub total: Pension INVERSCO Perpetual Japan Fund														40					
Pension INVERSCO Perpetual Corporate Bond Fund		Ordinary		0.998456										2084		2089		5	
Pension INVERSCO Perpetual Corporate Bond Fund		Pre-Stakeholder		1.049332										1179		1179			
Sub total: Pension INVERSCO Perpetual Corporate Bond Fund														3263		3268		5	
Pension INVERSCO Perpetual Global Bond Fund		Ordinary		1.020182										166		175		9	
Pension INVERSCO Perpetual Global Bond Fund		Pre-Stakeholder		1.072165										194		194			
Sub total: Pension INVERSCO Perpetual Global Bond Fund														360		369		9	
Pension Merrill Lynch UK Dynamic Fund		Ordinary		0.847155										88		92		4	
Pension Merrill Lynch UK Dynamic Fund		Pre-Stakeholder		0.890321										104		104		4	
Sub total: Pension Merrill Lynch UK Dynamic Fund														192		196		4	
Pension Merrill Lynch UK Smaller Companies Fund		Ordinary		0.813245										113		106		(7)	
Pension Merrill Lynch UK Smaller Companies Fund		Pre-Stakeholder		0.854684										162		162			

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Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 30)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Name of fund link or directly held asset		Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	Value of total actual units in force or held assets	Value of actual units held by other internal linked funds	Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)
1	2	3	4	5	6	7	8	Gross	Reinsurance ceded	10
R55	199549	GL	31	12	2002	£000	UK	14	ILH	
Sub total: Pension Merrill Lynch UK Smaller Companies Fund										
Pension Merrill Lynch European Growth Fund	Ordinary	0.846038					2	1		(1)
Pension Merrill Lynch European Growth Fund	Pre-Stakeholder	0.889148					13	13		
Sub total: Pension Merrill Lynch European Growth Fund							15	14		(1)
Pension Merrill Lynch American Opportunities Fund	Ordinary	0.794536					58	58		
Pension Merrill Lynch American Opportunities Fund	Pre-Stakeholder	0.835022					32	32		
Sub total: Pension Merrill Lynch American Opportunities Fund							90	90		
Pension Merrill Lynch Global Titans Fund	Ordinary	0.816300					13	14		1
Pension Merrill Lynch Global Titans Fund	Pre-Stakeholder	0.857894					227	227		
Sub total: Pension Merrill Lynch Global Titans Fund							240	241		1
Pension Merrill Lynch Emerging Markets Fund	Ordinary	0.982064					14	40		26
Pension Merrill Lynch Emerging Markets Fund	Pre-Stakeholder	1.032105					48	48		
Sub total: Pension Merrill Lynch Emerging Markets Fund							62	88		26

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 31)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

Year ended 31 March 2002																	
Name of fund link or directly held asset	Name of unit type	Valuation price per unit or asset	Total actual number of units in force or directly held assets	199549	GL	31	12	2002	£000	UK	14	ILH					
													Value of total actual units in force or directly held assets	Value of actual units held by other internal linked funds	Value of directly held assets and excluding those held by other internal linked funds (5-6)	Value of units or directly held assets deemed allocated to contracts	
																Gross	Reinsurance ceded
1	2	3	4	5	6	7	8	9	10								
Pension Fidelity UK Growth Fund	Ordinary	0.847736								401	416	15					
Pension Fidelity UK Growth Fund	Pre-Stakeholder	0.890932								244	244						
Sub total: Pension Fidelity UK Growth Fund										645	660	15					
Pension Fidelity Special Situations Fund	Ordinary	1.016629								5788	5828	40					
Pension Fidelity Special Situations Fund	Pre-Stakeholder	1.068431								5758	5758						
Sub total: Pension Fidelity Special Situations Fund										11546	11586	40					
Pension Fidelity European Fund	Ordinary	1.047901								2347	2373	26					
Pension Fidelity European Fund	Pre-Stakeholder	1.101297								3382	3382						
Sub total: Pension Fidelity European Fund										5729	5755	26					
Pension Fidelity American Fund	Ordinary	0.923173								3024	3047	23					
Pension Fidelity American Fund	Pre-Stakeholder	0.970213								3653	3653						
Sub total: Pension Fidelity American Fund										6677	6700	23					
Pension Fidelity American Special Situations Fund	Ordinary	0.900889								201	201						
Pension Fidelity American Special Situations Fund	Pre-Stakeholder	0.946794								508	508						
Sub total: Pension Fidelity American Special Situations Fund										709	709						

Long term insurance business : Analysis of units in internal linked funds and direct holdings of assets matching liabilities in respect of property linked benefits

(Sheet 32)

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Non Participating Fund**

Internal linked fund

R55															199549		GL		31		12		2002		£000		UK		14		ILH					
Name of fund link or directly held asset															Name of unit type		Valuation price per unit or asset		Total actual number of units in force or directly held assets		Value of actual units held in force or directly held assets		Value of total actual units in force or directly held assets		Value of actual units held by other internal linked funds		Value of directly held assets and actual units in force excluding those held by other internal linked funds (5-6)		Value of units or directly held assets deemed allocated to contracts		Value of surplus units or directly held assets (7-8+9)					
1															2		3		4		5		6		7		8		9		10					
Pension Fidelity Japan Fund															Ordinary		0.744843		4										45		53		8			
Pension Fidelity Japan Fund															Pre-Stakeholder		0.782796												152		152					
Sub total: Pension Fidelity Japan Fund																													197		205		8			
Pension Fidelity South-east Asia Fund															Ordinary		0.929220												150		156		6			
Pension Fidelity South-east Asia Fund															Pre-Stakeholder		0.976568												222		222					
Sub total: Pension Fidelity South-east Asia Fund																													372		378		6			
Pension Fidelity International Fund															Ordinary		0.782561												288		313		25			
Pension Fidelity International Fund															Pre-Stakeholder		0.822436												385		385					
Sub total: Pension Fidelity International Fund																													673		698		25			
Sub total:																																				
Pension Loan Fund															Ordinary		1.000000														74		74			
Sub total: Pension Loan Fund																															74		74			
Total: Non Participating Fund																					67437						67437		3943494		3883197		7140			

Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefitsName of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **With Profit Fund**

	Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of Surplus	
			day	month	year				
	R56	199549	GL	31	12	2002	£000	UK	11
Type of assets and liabilities			Name of index link			Value of assets or liabilities		Gross derivative value	
			1			2		3	
Variable interest - approved securities			RPI			48621			
Sub total assets						48621			
Sub total liabilities									
Sub total net assets						48621			

Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefits

Name of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Transferred business in the Non Participating Fund**

Company registration number	GL/UK/CM	Period ended			Units	UK/OS	Category of Surplus	
		day	month	year				
R56	199549	GL	31	12	2002	£000	UK	12
Type of assets and liabilities		Name of index link			Value of assets or liabilities		Gross derivative value	
		1			2		3	
Variable interest - approved securities		RPI			8795			
Sub total assets					8795			
Sub total liabilities								
Sub total net assets					8795			
Total assets					8795			
Total liabilities								
Net total assets					8795			

Long term insurance business : Analysis of assets and liabilities matching investment liabilities in respect of index linked benefitsName of insurer **Scottish Widows plc**

Global business

United Kingdom business

Financial year ended **31st December 2002**Category of surplus **Other business in the Non Participating Fund**

Company registration number		GL/UK/CM	Period ended			Units	UK/OS	Category of Surplus
			day	month	year			
R56	199549	GL	31	12	2002	£000	UK	13
Type of assets and liabilities		Name of index link			Value of assets or liabilities		Gross derivative value	
		1			2		3	
Variable interest - approved securities		RPI			367			
Sub total assets					367			
Sub total liabilities								
Sub total net assets					367			
Fixed interest - other		FTSE-100			844834		844834	
Sub total assets					844834			
Sub total liabilities								
Sub total net assets					844834			
Total assets					845201			
Total liabilities								
Net total assets					845201			

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(Sheet 1)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 3.34%

Global business

Type of business

Life Assurance and Annuity Insurance Business

Financial year ended 31st December 2002

With profits

With Profit Fund

Category of assets

Company
registration
numberValuation
rate of
interestStg/
NonStg

Units

Period ended
day month year

GL/UK/CM

R57

199549

GL

31

12

2002

£000

Stg

3.34

L&GA

WP

11

R57		199549	GL	31	12	2002	£000	Stg	3.34	L&GA	WP	11
Type of asset notionally allocated			The valuation					The resilience scenario				
			Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6				
					On original allocation 3	Increase or decrease 4	Total under resilience scenario 5					
Land and buildings			11									
Fixed interest securities			12	98463		4.40	101061		(33380)	67681		3.78
Other			13									
Variable interest and Variable yield securities (excluding items shown at line 16)			14									
Other			15	64		3.58	67		(25)	42		2.74
Equity shares and holdings in collective investment schemes			16	43453		3.84	37373		26924	64297		4.90
Loans secured by mortgages			17									
All other assets			18	1219		5.50	1048		654	1702		5.05
			19									
Total (11 to 19)			29	141199		4.24	139549		(5827)	133722		4.33
Gross valuation interest rate %			31			4.00						3.67
Net valuation interest rate % (where appropriate)			32			3.34						3.06
Mathematical reserve or other liability, net of reinsurance			33	141199						133722		

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Form 57
(Sheet 2)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 3.50%

Global business

Type of business

Life Assurance and Annuity Insurance Business

Financial year ended 31st December 2002

With profits

Category of assets

With Profit Fund

Company
registration
number

GLUK/CM

Period ended
day month yearValuation
rate of
interestStg/
NonStgL&GA/Pens/
PHI/Other

WP/NP

Category
of assets

R57	199549	GL	31	12	2002	£000	Stg	3.50	L&GA	WP	11
-----	--------	----	----	----	------	------	-----	------	------	----	----

Type of asset notionally allocated		The valuation			The resilience scenario			
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6	
				On original allocation 3	Increase or decrease 4	Total under resilience scenario 5		
Land and buildings	11	208141	6.29	166513	(157922)	8591	6.54	
Fixed interest securities	12	1421201	4.39	1477284	(377974)	1099310	3.78	
	13	750000	5.22	790306	179671	969977	4.61	
Variable interest and Variable yield securities (excluding items shown at line 16)	14				46093	46093	1.41	
	15	149729	6.77	119995	(113557)	6438	6.30	
Equity shares and holdings in collective investment schemes	16	747894	2.14	641927	385099	1027026	4.52	
Loans secured by mortgages	17							
All other assets	18	31270	6.12	26239	3006	29245	5.03	
	19				78812	78812		
Total (11 to 19)	29	3308235	4.31	3222264	43228	3265492	4.16	
Gross valuation interest rate %	31		4.20				4.05	
Net valuation interest rate % (where appropriate)	32		3.50				3.38	
Mathematical reserve or other liability, net of reinsurance	33	3308235				3265492		

Sterling liabilities

Valuation rate(s) of interest **3.75%**

Type of business

With profits

Life Assurance and Annuity Insurance Business

With Profit Fund

Company registration number	GL/JUK/CM	Period ended				Units	Stg/NonStg	Valuation rate of interest	L&G/Pens/PHI/Other	WPNP	Category of assets				
		day month year													
		GL	31	12	2002										
R57	199549	GL	31	12	2002	£000	Stg	3.75	L&G	WP	11				
The resilience scenario															
Type of asset notionally allocated	The valuation					Value of assets notionally allocated			Risk adjusted yield %						
	1					2		3		4		5		6	
	Value of asset notionally allocated					Risk adjusted yield %		On original allocation		Increase or decrease		Total under resilience scenario		Risk adjusted yield %	
Land and buildings															
	11														
Approved securities	12	808174				4.40	846692	222950	1069642			3.78			
Other	13	33838				5.22	35657	280048	315705			4.61			
Variable interest and Variable yield securities (excluding items shown at line 16)	14	41866				1.88	43995	(43995)							
Other	15	533				3.58	558	12	570			2.74			
Equity shares and holdings in collective investment schemes	16	2134847				4.98	1836155	(60119)	1776036			4.16			
Loans secured by mortgages	17														
Producing income	18	59885				5.50	51507	(17762)	33745			5.03			
Not producing income	19	52000					57659	(57659)							
Total (11 to 19)	29	3131143				4.72	2872223	323475	3195698			4.09			
Gross valuation interest rate %	31						4.50						3.98		
Net valuation interest rate % (where appropriate)	32						3.75						3.32		
Mathematical reserve or other liability, net of reinsurance	33	3131143					3195698								

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Form 57
(Sheet 4)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer **Scottish Widows plc**Valuation rate(s) of interest **4.00%**

Global business

Type of business

Life Assurance and Annuity Insurance Business

Financial year ended **31st December 2002**

With profits

Category of assets

With Profit Fund

Company registration number	GLUK/CM	Period ended				Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets
		day month year									
		GL	31	12	2002						
R57	199549	GL	31	12	2002	£000	Stg	4.00	L&GA	WP	11
The valuation											
The resilience scenario											
Type of asset notionally allocated	Value of asset notionally allocated		Risk adjusted yield %		Value of assets notionally allocated			Risk adjusted yield %			
	1		2		On original allocation	Increase or decrease	Total under resilience scenario	5		6	
	3		4		5		6				
	11		2668	6.29	2135	4447	6582	6.54			
	12		81651	4.40	85541	(20397)	65144	3.78			
	13					28500	28500	4.61			
	14										
	15		1962	6.70	1583	2893	4476	6.66			
	16		166207	3.87	157360	(23022)	134338	3.78			
	17										
	18		5499	5.95	5224	(621)	4603	5.06			
	19										
	29		257987	4.13	251843	(8200)	243643	4.03			
	31			4.00				3.93			
	32			4.00				3.93			
33		257987				243643					

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Form 57
(Sheet 5)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 4.00%

Global business

Type of business

Pension Insurance Business

Financial year ended 31st December 2002

With profits

With Profit Fund

Category of assets

Company
registration
number

GL/UK/CM

Period ended
day month year

Units

Stg/
NonStgValuation
rate of
interestL&GA/Pens/
PHI/Other

WP/NP

Category
of assets

R57		199549		GL	31	12	2002	£000	Stg	4.00	Pens	WP	11				
Type of asset notionally allocated				The valuation										The resilience scenario			
				Value of asset notionally allocated			Risk adjusted yield %			Value of assets notionally allocated				Risk adjusted yield %			
				1	2	3	4	5	6								
Land and buildings				11	301121	2.95	240897	(118785)	122112	0.50							
Fixed interest securities				12	960503	4.40	1006255	1154323	2160578	3.78							
Other				13	500000	5.22	526871	(500690)	26181	4.61							
Variable interest and Variable yield securities (excluding items shown at line 16)				14													
Other				15	70106	6.76	56241	(54911)	1330	2.74							
Equity shares and holdings in collective investment schemes				16	2449362	3.79	2266074	(565553)	1700521	2.57							
Loans secured by mortgages				17													
All other assets				18	79330	5.94	73674	(24085)	49589	4.95							
Not producing income				19				228599	228599								
Total (11 to 19)				29	4360422	4.12	4170012	118898	4288910	3.02							
Gross valuation interest rate %				31		4.00				2.95							
Net valuation interest rate % (where appropriate)				32		4.00				2.95							
Mathematical reserve or other liability, net of reinsurance				33	4360422				4288910								

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Form 57
(Sheet 6)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 4.25%

Global business

Type of business

Pension Insurance Business

Financial year ended 31st December 2002

With profits

With Profit Fund

Category of assets

Company
registration
numberValuation
rate of
interestCategory
of assets

R57		199549	GL	31	12	2002	£000	Stg	4.25	Pens	WP	11
Type of asset notionally allocated			The valuation					The resilience scenario				
			Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6				
					On original allocation 3	Increase or decrease 4	Total under resilience scenario 5					
Land and buildings			11	26685	6.29	21348	(21348)					
Fixed interest securities			12	69585	4.40	72902	183	73085	3.77			
Other			13	15000	5.22	15806	96561	112367	4.61			
Variable interest and Variable yield securities (excluding items shown at line 16)			14	40000	1.88	42035	(42035)					
Other			15	19132	6.78	15317	(15309)	8	2.74			
Equity shares and holdings in collective investment schemes			16	2831	6.96	2264	(2264)					
Loans secured by mortgages			17									
All other assets			18	1399	7.27	1119	(1119)		4.90			
Not producing income			19									
Total (11 to 19)			29	174632	4.51	170791	14669	185460	4.28			
Gross valuation interest rate %			31		4.25				4.00			
Net valuation interest rate % (where appropriate)			32		4.25				4.00			
Mathematical reserve or other liability, net of reinsurance			33	174632				185460				

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Form 57
(Sheet 7)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 4.25001%

Global business

Type of business

Pension Insurance Business

Financial year ended 31st December 2002

With profits

Category of assets

With Profit Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&G/PI/PHI/Other	WP/INP	Category of assets	
		day	month	year							
R57	199549	GL	31	12	2002	£000	Stg	4.25	Pens	WP	11
Type of asset notionally allocated		The valuation				The resilience scenario					
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6				
Land and buildings		11									
		12	215737	4.40	226019	(149087)	76932		3.78		
Fixed interest securities		13					141000	141000		4.61	
Variable interest and Variable yield securities (excluding items shown at line 16)		14									
		15	142	3.58	149	(102)	47		2.74		
Equity shares and holdings in collective investment schemes		16									
Loans secured by mortgages		17									
All other assets		18									
		19									
Total (11 to 19)		29	215879	4.40	226168	(8189)	217979		4.32		
Gross valuation interest rate %		31		4.25					4.21		
Net valuation interest rate % (where appropriate)		32		4.25					4.21		
Mathematical reserve or other liability, net of reinsurance		33	215879				217979				

Sterling liabilities

Valuation rate(s) of interest **4.45%**

Type of business

Pension Insurance Business

With profits

Category of assets
With Profit Fund

With Profit Fund

Category of assets

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets	
		day	month	year							
											31
R57	199549	GL	31	12	2002	£000	Stg	4.45	Pens	WP	11
Type of asset notionally allocated		The valuation				The resilience scenario					
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6				
				On original allocation 3	Increase or decrease 4	Total under resilience scenario 5					
Land and buildings		11	480325	6.29			384260	281559	665819	6.54	
Fixed interest securities	Approved securities	12	331567	4.37			333678	(333678)			
	Other	13	600000	5.22			632245	(372245)	260000		4.61
Variable interest and Variable yield securities (excluding items shown at line 16)	Approved securities	14	1073524	5.37			1267737	32000	1299737		4.78
	Other	15	343674	6.78			274970	173774	448744		6.70
Equity shares and holdings in collective investment schemes		16	1383093	3.89			1186519	471182	1657701		4.87
Loans secured by mortgages		17									
All other assets	Producing income	18	43749	6.52			36115	38905	75020		5.75
	Not producing income	19	171952				190666	(190666)			
Total (11 to 19)		29	4427884	4.82			4306190	100831	4407021		5.28
Gross valuation interest rate %		31		4.45							5.07
Net valuation interest rate % (where appropriate)		32		4.45							5.07
Mathematical reserve or other liability, net of reinsurance		33	4427884						4407021		

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Form 57
(Sheet 9)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 4.50%

Global business

Type of business

Pension Insurance Business

Financial year ended 31st December 2002

With profits

With Profit Fund

Category of assets

Company
registration
numberValuation
rate of
interestStg/
NonStgL&GA/Pens/
PHI/OtherCategory
of assets

WP/NP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

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2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

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2

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

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2

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

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3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

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4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

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4

3

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

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R57

199549

GL

31

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2002

£000

Stg

4.50

Pens

WP

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R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

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2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

4

3

2

1

R57

199549

GL

31

12

2002

£000

Stg

4.50

Pens

WP

11

6

5

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Form 57
(Sheet 10)

Long term insurance business : Matching rectangle

Sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest 4.75%

Global business

Type of business

Pension Insurance Business

Financial year ended 31st December 2002

With profits

With Profit Fund

Category of assets

Company
registration
numberValuation
rate of
interestL&G/A/Pens/
PHI/Other

WP/NP

Category
of assets

R57		199549		GL	31	12	2002	£000	Stg	4.75	Pens	WP	11	
Type of asset notionally allocated		The valuation							The resilience scenario					
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6							
				On original allocation 3	Increase or decrease 4	Total under resilience scenario 5								
Land and buildings		11												
Fixed interest securities		12	120189		4.40		125917		(79082)		46835		3.78	
Other		13	200000		5.22		210748		71252		282000		4.61	
Variable interest and Variable yield securities (excluding items shown at line 16)		14							7937		7937		1.41	
Other		15	79		3.58		83		(54)		29		2.74	
Equity shares and holdings in collective investment schemes		16												
Loans secured by mortgages		17												
All other assets		18												
Producing income		19												
Not producing income		19												
Total (11 to 19)		29	320268		4.91		336748		53		336801		4.42	
Gross valuation interest rate %		31			4.75								4.31	
Net valuation interest rate % (where appropriate)		32			4.75								4.31	
Mathematical reserve or other liability, net of reinsurance		33	320268								336801			

Sterling/Non sterling liabilities

Valuation rate(s) of interest **Balance**

Type of business

With profits/Non profit

Category of assets	With Profit Fund
Fixed Assets	100
Current Assets	100
Liabilities	200
Total	300

Company registration number	GL/UK/CM	Period ended			Units	Stg/ NonStg	Valuation rate of interest	L&GA/Pens/ PHI/Other	WP/NP	Category of assets
		day month year								
		31	12	2002						
R57	199549	GL			£000		98			11
Type of asset notionally allocated		The valuation			The resilience scenario					
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6			
Land and buildings	11	30631	6.00	24505	(13928)	10577	6.08			
	12	220076	4.39	229736	(110475)	119261	3.78			
Fixed interest securities	13				118557	118557	4.61			
Variable interest and Variable yield securities (excluding items shown at line 16)	14						6.66			
	15	20756	6.76	16639	(9982)	6657	4.43			
Equity shares and holdings in collective investment schemes	16	37625	4.61	32770	2025	34795				
Loans secured by mortgages	17									
All other assets	18	2492	6.62	2075	(650)	1425	5.57			
	19	412763		457684	(25821)	431863				
Total (11 to 19)	29	724343	2.04	763409	(40274)	723135	1.75			
Gross valuation interest rate %	31									
Net valuation interest rate % (where appropriate)	32									
Mathematical reserve or other liability, net of reinsurance	33	724343				723135				

Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Scottish Widows plc**Valuation rate(s) of interest **Total**

Global business

Type of business

Financial year ended **31st December 2002**

With profits/Non profit

Category of assets **With Profit Fund**Company
registration
numberValuation
rate of
interestStg/
NonStgL&GA/Pensi/
PHI/Other

WP/NP

Category
of assets

R57	199549	GL/JUK/CM			Period ended			Units	£000	99	11
		GL	31	12	day	month	year				

Type of asset notionally allocated		The valuation		The resilience scenario				
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6	
				On original allocation 3	Increase or decrease 4	Total under resilience scenario 5		
Land and buildings		11	1057547	5.33	846038		846038	5.66
Fixed interest securities		12	4389752	4.39	4572770	304321	4877091	3.78
		13	2098838	5.22	2211633	42654	2254287	4.61
Variable interest and Variable yield securities (excluding items shown at line 16)		14	1155390	5.12	1353766		1353766	4.65
		15	611924	6.77	490211		490211	6.67
Equity shares and holdings in collective investment schemes		16	7326061	4.06	6470670	265399	6736069	3.95
Loans secured by mortgages		17						
All other assets		18	235357	5.96	206019		206019	5.29
		19	666715		739274		739274	
Total (11 to 19)		29	17541584	4.39	16890381	612374	17502755	4.05
Gross valuation interest rate %		31						
Net valuation interest rate % (where appropriate)		32						
Mathematical reserve or other liability, net of reinsurance		33	17541584				17502755	

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Form 57
(Sheet 13)

Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer Scottish Widows plc

Valuation rate(s) of interest Balance

Global business

Type of business

Financial year ended 31st December 2002

With profits/Non profit

Category of assets Non Participating Fund

Company registration number	GL/UK/CM	Period ended			Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets
		day	month	year						
R57	199549	GL	31	12	2002	£000	98			12
The valuation										
The resilience scenario										
Type of asset notionally allocated	Value of asset notionally allocated		Risk adjusted yield %		Value of assets notionally allocated			Risk adjusted yield %		
	1		2		On original allocation			Total under resilience scenario		
					3			4		
								5		
								6		
Land and buildings										
Fixed interest securities	11									
	12	243088	4.27	253034	101055	354089	3.61			
Other	13	228069	5.24	240464	16739	257203	4.64			
Variable interest and Variable yield securities (excluding items shown at line 16)	14									
	15	154	3.59	160	638	798	2.99			
Equity shares and holdings in collective investment schemes	16	126678	1.60	108954	123448	232402	3.15			
Loans secured by mortgages	17				3957	3957	4.00			
All other assets	18	4751	5.06	4086	(30)	4056	5.97			
	19	406158		406158	(212689)	193469				
Total (11 to 19)	29	1008898	2.44	1012856	33118	1045974	3.10			
Gross valuation interest rate %	31									
Net valuation interest rate % (where appropriate)	32									
Mathematical reserve or other liability, net of reinsurance	33	1008898				1045974				

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Long term insurance business : Matching rectangle

Sterling/Non sterling liabilities

Name of insurer **Scottish Widows plc**Valuation rate(s) of interest **Total**

Global business

Type of business

Financial year ended **31st December 2002**

With profits/Non profit

Category of assets **Non Participating Fund**

Company registration number	GL/UK/CM	Period ended				Units	Stg/NonStg	Valuation rate of interest	L&GA/Pens/PHI/Other	WP/NP	Category of assets
		day month year									
		GL	31	12	2002						
R57	199549	GL	31	12	2002	£000		99			12
Type of asset notionally allocated		The valuation				The resilience scenario					
		Value of asset notionally allocated 1	Risk adjusted yield % 2	Value of assets notionally allocated			Risk adjusted yield % 6				
				On original allocation 3	Increase or decrease 4	Total under resilience scenario 5					
Land and buildings	11										
	12	243088	4.27		253034	101055		354089		3.61	
Fixed interest securities	13	228069	5.24		240464	16739		257203		4.64	
Variable interest and Variable yield securities (excluding items shown at line 16)	14										
	15	154	3.59		160	638		798		2.99	
Equity shares and holdings in collective investment schemes	16	126678	1.60		108954	123448		232402		3.15	
Loans secured by mortgages	17					3957		3957		4.00	
All other assets	18	4751	5.06		4086	(30)		4056		5.97	
	19	406158			406158	(212689)		193469			
Total (11 to 19)	29	1008898	2.44		1012856	33118		1045974		3.10	
Gross valuation interest rate %	31										
Net valuation interest rate % (where appropriate)	32										
Mathematical reserve or other liability, net of reinsurance	33	1008898						1045974			

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplusCategory of surplus **With Profit Fund**

Category of surplus		With Profit Fund			R58	199549	GL	31	12	2002	£000	11		
Valuation result	Fund carried forward					11	17264441							
	Bonus payments made to policyholders in anticipation of a surplus					12	512006							
	Transfers out of fund/ parts of fund	Transfer to non-technical account				13								
		Transfer to other funds/parts of funds				14	17000							
	Net transfer out of funds/parts of funds (13+14)					15	17000							
	Total (11+12+15)					16	17793447							
	Mathematical reserves for accumulating with profit policies					17	8720940							
	Mathematical reserves for other non linked contracts					18	8447331							
	Mathematical reserves for property linked contracts					19								
	Mathematical reserves for index linked contracts					20	49007							
Composition of surplus	Balance of surplus brought forward unappropriated from last valuation					31								
	Transfers into fund/part of fund	Transfer from non-technical account				32								
		Transfer from other funds/parts of fund				33	64024							
	Net transfer into fund/part of fund (32+33)					34	64024							
	Surplus arising since the last valuation					35	512145							
	Total (31+34+35)					39	576169							
	Bonus payments made to policyholders in anticipation of a surplus					41	512006							
	Allocated to policyholders by way of	Cash bonuses				42								
		Reversionary bonuses				43	47163							
		Other bonuses				44								
Premium reductions				45										
Distribution of surplus	Total allocated to policyholders (41 to 45)					46	559169							
	Net transfer out of fund/part of fund					47	17000							
	Total distributed surplus (46+47)					48	576169							
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated					49								
	Total (48+49)					59	576169							
	Percentage of distributed surplus allocated to policyholders of fund/part of fund					61	97.05							
	Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 2001)				62	96.64						
		Earlier	(year of valuation 2000)				63	94.72						
Earliest		(year of valuation 1999)				64								

Long term insurance business : Valuation result and distribution of surplus

Name of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplus

Category of surplus

Transferred business
in the Non
Participating Fund

R58

199549

GL

31

12

2002

£000

12

Valuation result	Fund carried forward		11	412000
	Bonus payments made to policyholders in anticipation of a surplus		12	
	Transfers out of fund/ parts of fund	Transfer to non-technical account	13	
		Transfer to other funds/parts of funds	14	64024
	Net transfer out of funds/parts of funds (13+14)		15	64024
	Total (11+12+15)		16	476024
	Mathematical reserves for accumulating with profit policies		17	86581
	Mathematical reserves for other non linked contracts		18	193832
	Mathematical reserves for property linked contracts		19	122719
	Mathematical reserves for index linked contracts		20	8868
	Total (17 to 20)		21	412000
	Surplus including contingency and other reserves held towards the solvency margin (deficiency) (16-21)		29	64024
	Composition of surplus	Balance of surplus brought forward unappropriated from last valuation		31
Transfers into fund/part of fund		Transfer from non-technical account	32	
		Transfer from other funds/parts of fund	33	
Net transfer into fund/part of fund (32+33)		34		
Surplus arising since the last valuation		35	64024	
Total (31+34+35)		39	64024	
Distribution of surplus	Bonus payments made to policyholders in anticipation of a surplus		41	
	Allocated to policyholders by way of	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	64024
	Total distributed surplus (46+47)		48	64024
	Balance of surplus (including contingency and other reserves held towards the solvency margin) carried forward unappropriated		49	
	Total (48+49)		59	64024
Percentage of distributed surplus allocated to policyholders of fund/part of fund			61	
Corresponding percentage at three immediately previous valuations	Latest	(year of valuation 2001)	62	
	Earlier	(year of valuation 2000)	63	
	Earliest	(year of valuation 1999)	64	

Long term insurance business : Valuation result and distribution of surplusName of insurer **Scottish Widows plc**

Global business

Financial year ended **31st December 2002**Company
registration
number

GL/UK/CM

Period ended

day month year

Units

Category
of surplus

Category of surplus

Other business in the
Non Participating
Fund

R58	199549	GL	31	12	2002	£000	13
					11	1150094	
Policyholders in anticipation of a surplus					12		
Transfer to non-technical account					13		
Transfer to other funds/parts of funds					14		
Parts of funds (13+14)					15		
					16	1150094	
Accumulating with profit policies					17	20826	
Other non linked contracts					18	47874	
Property linked contracts					19	21347	
Index linked contracts					20	878913	
					21	968960	
And other reserves held towards the (21)					29	181134	
Carried forward unappropriated from last valuation					31	64134	
Transfer from non-technical account					32		
Transfer from other funds/parts of fund					33	17000	
Fund (32+33)					34	17000	
At valuation					35	100000	
					39	181134	
Policyholders in anticipation of a surplus					41		
Cash bonuses					42		
Reversionary bonuses					43		
Other bonuses					44		
Premium reductions					45		
Total (41 to 45)					46		
Net transfer out of fund					47		
Total (46+47)					48		
Contingency and other reserves held carried forward unappropriated					49	181134	
					59	181134	
Policyholders of fund/part of fund					61		
2001)					62		
2000)					63		
1999)					64		

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Form 60

Long term insurance business : Required minimum margin

Name of insurer Scottish Widows plc

Global business

Company
registration
number

GLUK/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	4%	1%	The financial year	The previous year
		1	3	2	3	4	5	6							10	11	12	13	14
Mathematical reserves before deduction of reinsurance	Reserves before distribution of surplus	11	13278084	6534699	459851	3661855	10656405	45381								650000		24629870	23954108
	Reserves for bonus allocated to policyholders	12	23747	23565			23565											47312	119654
	Reserves after distribution of surplus	13	13301831	6558264	459851	3661855	10679970	45381								650000		24677182	24073762
	Reserves before distribution of surplus	14	11996018	6453845	17922	96714	6568481	33739								650000		19248238	20052808
Mathematical reserves after deduction of reinsurance	Reserves for bonus allocated to policyholders	15	23598	23565			23565											47163	119139
	Reserves after distribution of surplus	16	12019616	6477410	17922	96714	6592046	33739								650000		19295401	20171947
Ratio of 16 to 13 or 0.85 if greater (see Instruction 2)		17	0.903606				0.850000	0.850000								1.000000			
Required margin of solvency - first result = (line 13) * (line 17) * relevant factor		19	480785				226890	1543								26000		735218	766826
Non negative capital at risk after reinsurance (at contracts) (see Instruction 3)	Temporary assurances with required margin of solvency of 0.1%	21																	
	Temporary assurances with capital at risk before reinsurance of 0.15%	22	1735014															1735014	1909109
	All other assurances with required margin of solvency of 0.3%	23	52641527				2682654											55324181	50787649
	Total (21 to 23)	29	54376541				2682654											57059195	52696758
Non negative capital at risk after reinsurance (at contracts) (see Instruction 3)		31	24410892				2391500											26802392	28071051
Ratio of line 31 to line 29, or 0.50 if greater		32	0.500000				0.891468												
Required margin of solvency - second result (see Instruction 4)		39	80264				7175											87439	82732
Sum of first and second results (19+39)		49	561049				234085	1543								26000		822657	849558
Required margin of solvency for Accident & Sickness Insurance & Class V business		51																	
Total required margin of solvency for long term insurance business (49+51)		59																822657	849558
Minimum guarantee fund		61																506	497
Required minimum margin (greater of lines 59 and 61)		69																822657	849558

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***0902* Waiver and modification of rules**

The Financial Services Authority, on the application of the firm, made a direction on 27 December 2002 under section 148 of the Act. The effect of the direction is to allow the firm to take into account the implicit item in Form 9 of this return.

***1001* Statement of net assets - reconciliation to shareholder accounts**

	2002 £000
Net assets as per Annual Return	
Line 99 on Form 13 (Shareholder Fund)	1,306,654
Line 59 on Form 15	2,761
	<hr/> 1,303,893 <hr/>
Capital and Reserves as per shareholder accounts	<hr/> 3,634,000 <hr/>
Difference due to assets retained in the long term business fund in excess of the fund for future appropriations	<hr/> 2,330,107 <hr/>

***1301* Classification of investments – other than long term business**

The Shareholder Fund of the company held unlisted investments of £470m.

***1302* Value of hybrid securities – other than long term business**

No investments are held within the specified categories.

***1304* Offsetting – other than long term business**

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

***1305* Counterparty limits**

1311

The maximum counterparty limit permitted by the insurer's investment guidelines at 31 December 2002 was £1,069m. The maximum counterparty limit permitted for exposures other than with approved counterparties was £1,069m. Both limits apply to long term business assets and other than long term business assets combined. There were no occasions during the financial year when either of those limits was exceeded.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***1306* Exposure to large counterparties – other than long term business**

At the year end, the Shareholder Fund's exposure to any one counterparty did not exceed 5% of the long term business amount.

***1308* Classification of investments - Long Term Business Funds**

The Long Term Business Funds held £931m of unlisted investments and £541m of units in collective investment schemes.

***1309* Value of hybrid securities - Long Term Business Funds**

The Long Term Business Funds held no hybrid securities

***1310* Offsetting - Long Term Business Funds**

Certain amounts shown in Forms 13 and 14 have been calculated by netting amounts due to any one person against amounts due from that person.

***1312* Exposure to large counterparties - Long Term Business Funds**

At the year end, the Long Term Business Funds' exposure to any one counterparty did not exceed 5% of the long term business amount.

***1313* Secured obligations**

Not applicable.

***1316* Tangible leased assets**

Not applicable.

***1317* Other assets - face of the form**

Not applicable.

***1401* Provision for adverse changes**

No provision has been made for adverse changes. All derivative contracts are covered, as defined in Rule 4.12 of the Interim Prudential Source Book for Insurers. Any potential liability can be met from the assets - by an excess of the underlying assets (if we are short on the derivative) or by excess cash (if we are long on the derivative).

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***1402* Other**

(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 in respect of unrealised appreciation.

(c) Scottish Widows plc may be required to contribute by levy to the Investors Compensation Scheme which is used to meet any compensation to policyholders who were sold policies by entities which subsequently fail. In view of the uncertainty surrounding possible future levies it is not possible to quantify this contingent liability. The amount which can be levied on the industry in a particular year is currently restricted and the directors believe that any levies will not materially affect the financial position of Scottish Widows.

(d) The Company has provided a minor guarantee to Scottish Widows Bank plc for which no provision has been made. Any amounts payable under this guarantee will not materially affect the financial position of Scottish Widows plc.

(e) There are no other fundamental uncertainties.

***1501* Provision for adverse changes**

No provision has been made for adverse changes as no derivative contracts are held by the Shareholder Fund.

***1502* Other**

With regard to the Shareholder Fund there are no charges over assets, potential capital gains tax liabilities, contingent liabilities, guarantees, indemnities, other contractual commitments, or any other fundamental uncertainties to report.

***1503* Accrued dividend on cumulative preference share capital**

Not applicable.

***1601* Foreign currency income and expenditure**

There is no income or expenditure from transactions denominated in a foreign currency.

***1602* Brought forward amounts restated**

Not applicable.

***1602* Other income and charges**

Not applicable.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***1602* Extraordinary profit or loss**

Not applicable.

***1701* Treatment of variation margins**

The variation margins on exchange traded derivative contracts which the Company receives or pays are automatically credited to or debited from a Futures Account at the close of business each day. There is therefore no liability to repay variation margins received at 31 December 2002. For OTC traded derivative contracts, the aggregate liability to repay variation margin is £16.553m at 31 December 2002.

***1702* Quasi-derivatives**

Bonds are included in line 47 of Form 13 (Total long term business assets and With Profit Fund) with a total value of £1,073.524m. Coupons payable under these bonds are the value of certain annuities calculated at interest rates based on swap yields at the time of the coupon payments, less defined cash amounts (minimum of nil). The bonds were held for the full year.

***4001* Brought forward amounts**

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

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

4002 Other income and expenditure

a) With-Profit Fund

"Other income" consists of the following amounts:

	2002 £000
Surplus relating to transferred policies in the Non-Participating Fund	64,024
Payment from the Non-Participating Fund as a result of tests required under the Scheme of Transfer (see below)	60,000
Transfer from Capital Reserve	17,000
Other income	<u>141,024</u>

"Other expenditure" consists of the following amounts:

	2002 £000
Share of policyholder bonuses allocated to the Non-Participating Fund	17,000
Annual management charges allocated to the Non-Participating Fund	73,649
Other expenditure	<u>90,649</u>

b) Non-Participating Fund

"Other income" consists of the following amounts:

	2002 £000
Share of policyholder bonuses allocated from the With-Profit Fund	17,000
Annual management charges allocated from the With-Profit Fund	73,649
Annual management charges levied on Unit-linked Funds	38,213
Transfer from Capital Reserve	353,000
Other income	<u>481,862</u>

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***4002* Other income and expenditure (continued)**

b) Non-Participating Fund (continued)

“Other expenditure” consists of the following amounts:

	2002 £000
Transfer of surplus relating to transferred policies to the With-Profit Fund	64,024
Payment from the Non-Participating Fund as a result of tests required under the Scheme of Transfer (see below)	60,000
Other expenditure	<u>124,024</u>

The transfers and payments noted above have been made in accordance with the Scheme covering the transfer of business from Scottish Widows' Fund & Life Assurance Society to Scottish Widows plc.

The payment of £60.0m was made under the provisions of the Scheme with the aim that With Profits Fund policyholders' reasonable expectations will be met.

***4003* Allocation of investment income**

Not applicable.

***4004* Transfer of reserves**

Not applicable.

***4005* Basis of translation of foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Revenue transactions and those relating to the acquisition and realisation of investments have been translated at rates of exchange ruling at the time of the respective transactions.

***4006* Basis of apportionment between long term funds**

The company maintains separate With Profits and Non-Participating sub-funds within the Long Term Business Fund. The company maintains separate underlying pools of assets (excluding property) for each fund, therefore there is no requirement to apportion investment return between the funds.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***4006* Basis of apportionment between long term funds (continued)**

Realised and unrealised gains, and investment income, arising on property investments are apportioned pro-rata between the With Profits Fund and the Non-Participating Fund according to the proportionate interest of each sub-fund in the property portfolio.

The level of expenses and calculation of tax applicable to the With Profits Fund is governed by the Scheme of Transfer.

***4008* Management services**

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

***4009* Material connected-party transactions**

The company pays reinsurance premiums to and receives reinsurance claims from a subsidiary company Scottish Widows Unit Funds Limited, under a reinsurance agreement. The aggregate amount of premiums paid during the year was £1,608,283,000. The aggregate amount of claims received during the year was £318,752,000.

***4102* Accumulating with-profits business**

4202

The amounts shown in column 2 in respect of the Non Participating Fund (12) include amounts received under accumulating with-profits business where the investment element is transferred to the With Profits Fund (11).

***4301* Asset valuation**

Stock Exchange securities have been valued at the middle market prices at the date of the Balance Sheet. Investments in Collective Investment Schemes have been valued at bid prices. Property is shown at open market value as assessed by the independent qualified valuers at the Balance Sheet date. Other assets have been valued at cost.

***4601* Total number of group contracts in force**

United Kingdom - non-linked	748
United Kingdom - linked	190

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***4602* Double counting of contracts**

The total number of non-linked contracts shown in force at the end of the year exceeds the actual number by the following:-

United Kingdom

Life Assurance and General Annuity	26,043
Pension Business	131,426
Permanent Health	18,160

The total number of linked contracts shown in force at the end of the year does not exceed the actual number.

***4701* Double counting of contracts**

The total number of non-linked contracts shown exceeds the actual number by the following:-

United Kingdom

Life Assurance and General Annuity	2,262
Pension Business	7,714

The total number of linked contracts shown does not exceed the actual number.

***4801* Accrued interest**

The amount of accrued interest (£'000s) from Form 13 Line 84 included in Form 48 is as follows:-

a) With-Profit Fund

Line 12	42,130
Line 13	45,359
Line 14	647

b) Non-Participating Fund

Line 12	6,682
Line 13	6,230
Line 15	6

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***5101* Columns 2 and 3**

The symbols in Columns 2 and 3 indicating the valuation basis are defined as follows:

- (a) AM92 ult for males, AF92 ult for females, with an addition of 30% to the mortality rates for smokers, and deductions of 35% for non-smokers and 20% for unknown smoker status.
 - (b) Before vesting: 70% AM92ult for males, 70% AF92ult for females, with explicit provision for future improvement in mortality made by assuming mortality in deferment reduces at a rate of 4% per annum from the valuation date through deferment. After vesting: as (d) below.
 - (c) 4.25% for contingent pensions attached to deferred annuities; 4.75% for contingent pensions attached to annuities in payment.
 - (d) 85% IMA92 ult mc for males, 100% IFA92 ult mc for females for purchased non-temporary annuities. Purchased temporary annuities are valued as annuities certain. 90% RMV92 ult mc for males, 90% RFV92 ult mc for females, for annuities for self-employed/personal pensions. 95% PMA92 ult mc for males, 105% PFA92 ult mc for females for executive pensions. The significance of "mc" is explained in note 5103.
 - (e) 100% PMA92 ult mc for males, 130% PFA92 ult mc for females. The significance of "mc" is explained in note 5103.
 - (f) For term business sold through the Lloyds TSB branch network, for males TM92(5) select with additions of 108% for smokers, 13% for non-smokers, and 35% for unknown smoker status. For females, TF92(5) select with additions of 98% for smokers, and 45% for unknown smoker status, and with a deduction of 12% for non-smokers.
For term business sold otherwise, for males a varying percentage of TM92ult, with the percentage adjustments chosen to be a good fit to recent internal experience. For male smokers, the percentage varied between 65% and 155%. For male non-smokers & unknown smoker status, the percentage varied between 55% and 65%. For females, a varying percentage of TF92ult, with the percentage adjustments chosen to be a good fit to recent internal experience. For female smokers, the percentage varied between 55% and 130%. For female non-smokers & unknown smoker status, the percentage varied between 55% and 80%.
- For all term business, an additional explicit allowance was made for AIDs at 33.3% of AIDSR6A for calendar year 1998 for males, and at 10.0% AIDSR6A for calendar year 1993 for females.
- (g) 4.00% for business effected after 31st December 1991, 5.00% otherwise.

***5102* Column 5**

For Personal Pension Plus, Executive Pension Plan, Other Deferred Annuity (with GAO), Other Deferred Annuity and Pension Business Miscellaneous Annuity, the other measures of benefit shown in Column 5 are Cash Benefits.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***5103* Allowance for improvement in mortality**

Allowance has been made for improvement in post retirement mortality under annuity contracts (including reversionary and deferred annuities) by applying (to the assumed initial mortality (1992 base tables) as shown in note 5101 (d) and (e) above) the CMI "Medium Cohort" projection factors. These factors are taken from the October 2002 CMI Report, 'A proposed interim basis for adjusting the "92" Series mortality projections for cohort effects'.

***5104* Low Cost Endowment Assurances**

Low Cost Endowment Assurances have the following Claim Values (£000s):-

United Kingdom Life Assurance and General Annuity

Direct Written	4,290,447
Reassurance Accepted	97
Reassurance Ceded	7,651
Net of Reassurance Ceded	4,282,893

***5105* Double counting of contracts**

The total number of contracts shown in Column 4 exceed the actual numbers by the following:-

United Kingdom

Life Assurance and General Annuity	12,843
Pension Business	75,617
Permanent Health	18,160

***5201* Column 3**

The symbols in Column 3 indicating the valuation basis are defined as follows:-

- (a) AM92 ult for males, AF92 ult for females, with a deduction of 45% for all lives.
 - (b) AM92 ult for males, AF92 ult for females, with a deduction of 60% for all lives.
 - (c) Unitised Annuities - 90% RMV92 ult mc for males, 90% RFV92 ult mc for females.
- The significance of "mc" is explained in note 5202.

***5202* Allowance for improvement in mortality**

Allowance has been made for improvement in mortality under Unitised Annuities by applying (to the assumed initial mortality (1992 base tables) as shown in note 5201 (c) above) the CMI "Medium Cohort" Projection factors.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***5203* Treatment of hybrid Form 52/53 contracts**

Hybrid accumulating with-profits/linked contracts have been treated as follows :

1. The contracts are included in the contract count of both of Forms 52 and 53 where there are both with-profits and linked units.
2. The value of with-profits/linked units are shown in Forms 52 or 53 as appropriate.
3. The death benefit is shown in Form 53.
4. The office premium is split in proportion to the way the premium is allocated to with-profit or linked funds.
5. Other liabilities for with-profits/linked units are shown in Form 52 and Form 53 respectively.

***5204* Double counting of contracts**

The total number of UK contracts shown in Column 4 exceed the actual numbers by the following:-

Life Assurance and General Annuity	244,454 (13,958)
Pension Business	507,798 (55,809)

The duplicate contracts in brackets are those described in note 5203(1) above.

***5301* Column 3**

The symbols in Column 3 indicating the valuation basis are defined as follows:-

- (a) AM92 ult for males, AF92 ult for females, with an addition of 30% to the mortality rates for smokers, and deductions of 35% for non-smokers and 20% for unknown smoker status.
 - (b) AM92 ult for males, AF92 ult for females, with a deduction of 45% for all lives.
 - (c) 70% AM92ult for males, 70% AF92ult for females.
 - (d) AM92 ult for males, AF92 ult for females, with a deduction of 60% for all lives.
 - (e) Unitised Annuities - 90% RMV92 ult mc for males, 90% RFV92 ult mc for females.
- The significance of "mc" is explained in note 5302.

***5302* Allowance for improvement in mortality**

Allowance has been made for improvement in mortality under Unitised Annuities by applying (to the assumed initial mortality (1992 base tables) as shown in note 5301 (e) above) the CMI "Medium Cohort" Projection factors.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***5401* Column 3**

The symbols in Column 3 indicating the valuation basis are defined as follows:-

- (a) 100% PMA92 ult mc for males, 130% PFA92 ult mc for females. The significance of "mc" is explained in note 5402.
- (b) 85% IMA92 ult mc for males, 100% IFA92 ult mc for females for purchased non-temporary annuities. Purchased temporary annuities are valued as annuities certain. 90% RMV92 ult mc for males, 90% RFV92 ult mc for females, for annuities for self-employed/personal pensions. 95% PMA92 ult mc for males, 105% PFA92 ult mc for females for executive pensions. The significance of "mc" is explained in note 5402.
- (c) 3.43% for business effected after 31st December 1991, 4.29% otherwise.
- (d) AM92 ult for males, AF92 ult for females, with a deduction of 20% for all lives.

***5402* Allowance for improvement in mortality**

Allowance has been made for improvement in mortality under annuity contracts (including reversionary annuities) by applying (to the assumed initial mortality (1992 base tables) shown in note 5401 (a) and (b) above) the CMI "Medium Cohort" projection factors.

***5403* Name of index link**

The name of index links referred to are as follows:-

RPI	The Retail Prices Index
FTSE-100	The Financial Times 100 Share Index

***5404* Columns 11 and 12**

The figures shown in Column 6 where the index link is RPI represent the amounts of annuity per annum. The figures shown in Columns 11 and 12 represent the corresponding values of these annuities.

***5501* Waiver and modification of rules**

The Financial Services Authority, on the application of the firm, issued 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 paragraph 20 of Appendix 9.4 of IPRU (INS), so that the firm may submit a single Form 55 for all its business in the Non-Participating Fund.

SCOTTISH WIDOWS PLC

SUPPLEMENTARY NOTES

Financial year ended 31 December 2002

***5701* Contracts covered in Balance form**

The main contracts covered by the Balance form are as follows:-

With Profit Fund

- Group Pensions in payment valued at 4.75%
- Flexible Option Bonds (Income) valued at 3.75%
- Flexible Option Bonds (Growth) valued at 3.5%
- SW International Investment Bonds valued approximately

Non Participating Fund

- Life assurance business valued at 3.4%
- Annuity business valued at 4.00% (5.00% for business effected on or before 31 December 1991)
- Non-unit liabilities for property-linked benefits.
- Unitised with-profits (non-unit liabilities)
- Guaranteed Stock Market Bond/Guaranteed Investment Bond (non-investment liabilities) valued at 3.4%

***6100* Form omitted from the Return**

There is no Supplementary Accident and Sickness Insurance in force.

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

Scottish Widows plc

Financial year ended 31st December 2002

- (a) Investment managers work to written authorities in respect of derivative transactions, approved, initially, by the Scottish Widows Group Board. Controls are applied to ensure that the authorities delegated to the investment managers are not exceeded.

The use of derivatives is approved for hedging the investment portfolio against adverse movements in underlying markets or effecting policy switches between markets without trading the underlying securities.

The use of derivatives is also allowed for the purpose of efficient portfolio management provided their substance would otherwise be permitted as a series of direct transactions.

The use of derivatives is permitted, under separate specific Group Board approvals, for the purpose of matching contractual liabilities provided the relevant constraints, including constraints to limit counterparty risk, are determined and monitored in line with these Board approvals.

- (b) Written authorities do not prohibit entry into derivative contracts which were not, at the time of entry, reasonably likely to be exercised in order to ensure that investment managers are not prevented from entering into contracts that could enhance efficient portfolio management. There were, however, no such contracts entered into through 2002.
- (c) See (b) above.
- (d) The extent to which amounts recorded on Form 13 would be affected had the company "prudently" exercised its rights to assets to be acquired or disposed of under derivative contracts outstanding at 31 December 2002 are as follows;

Line	Description	Value shown Form 13 £000's	Effect of derivatives £000's	Adjusted value allowing for derivatives £000's
41	Equity Shares	7,162,943	(836,445)	6,326,498
54	Deposits, one month or less	7,408	836,445	843,853

- (e) The definition of "prudent" as applied in (d) above represents the maximum extent to which Form 13 as prepared would be affected by the exercise of rights assets to be acquired or disposed of under derivative contracts outstanding at 31 December 2002.

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

Scottish Widows plc

Financial year ended 31st December 2002

- (f) The maximum amount by which the value of assets could have changed at any one time during the financial year, assuming rights under derivative contracts to acquire or dispose of assets had been exercised was;

	£000's
Equity Shares	(1,667,754)
Cash on deposit	1,667,754

- (g) For equity futures and traded options which are traded through recognised exchanges such as LIFFE there are no direct counterparties. We therefore consider that there is minimal exposure to loss through failure of any one other person to fulfil obligations under derivative contracts. With regard to OTC option contracts, the maximum loss which could have been incurred by the company in the event of failure by any one counterparty to fulfil its obligations under derivative contracts outstanding at 31 December 2002 would have been nil, represented by the market value of the derivative contracts of £15.7m less amounts paid to the company by way of margin with a Sterling equivalent value of £16.5m.
- (h) At no time during the year did the company enter into a derivative contract which did not meet the conditions referred to in regulation 55 of the Insurance Companies' Regulations 1994, to qualify as an approved derivative contract.
- (i) The total value of any fixed consideration received by the Company (whether in cash or otherwise) during the financial year in return for granting rights under derivative contracts was £27.034m. The contracts consisted of over the counter and exchange traded equity and index options.
The company underwrote a number of new share issues during 2002, earning £319k in underwriting commission.

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

Scottish Widows plc

Financial year ended 31st December 2002

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

Financial period ended 31 December 2002

Statement of Information on Appointed Actuary

Mr A Eastwood was the appointed actuary from 1 January 2002 to 31 December 2002:

1. (a) Mr Eastwood did not have any shares in the insurer, which has no debenture holders. He had a beneficial interest in 2,155 Lloyds TSB Group plc ordinary shares during the period. He has an option to acquire Lloyds TSB Group plc ordinary shares of 25p each as follows:
 - exercisable from 1/11/2005 to 30/4/2006: 3,245 at a price of £5.20,
 - exercisable from 6/3/2004 to 5/3/2011: 8,396 at a price of £6.55,
 - exercisable from 6/3/2005 to 5/3/2012: 7,692 at a price of £7.15.
 - (b) Mr Eastwood has in force a Personal Equity Plan with a value at 8 January 2003 of £9,623 and an Individual Savings Account with a value at 8 January 2003 of £16,098. He and his wife have policies issued by Scottish Widows with a total gross annual premium of £1,179.
 - (c) (i) Mr Eastwood's aggregate amount of remuneration and the value of any other benefits under his contract of employment with Scottish Widows and receivable by him during the period was £152,786. In addition during the period he was awarded a beneficial interest in 1,079 Lloyds TSB Group plc ordinary shares of 25p each and an option to acquire 7,692 Lloyds TSB Group plc ordinary shares of 25p each at a price of £7.15, exercisable from 6 March 2005 to 5 March 2012.
 - (ii) No other emolument, pension or compensation was received by Mr Eastwood during the period.
 - (d) Mr Eastwood is a member of the Scottish Widows Staff Retirement Benefits Scheme which entitles him to specified benefits in common with all other eligible employees of Scottish Widows. The costs of the Scheme are met by Scottish Widows. Mr Eastwood was also eligible for Private Medical Insurance.
2. The insurer made a request to the actuary to furnish it with the particulars specified in paragraph (1) of rule 9.36. Pursuant to that request the actuary supplied the information in item 1 above and the insurer has nothing to add to it.

Name of Insurer - Scottish Widows plc

Financial period ended 31 December 2002

Appointed Actuary's Certificate

I certify that -

- (a)
 - (i) in my opinion proper records have been kept by the insurer adequate for the purpose of the valuation of the liabilities of its long-term insurance business; and
 - (ii) the mathematical reserves as shown in Form 14 constitute proper provision at the end of the financial year for the long-term insurance business liabilities (other than liabilities which had fallen due before the end of the financial year); and
 - (iii) for the purposes of sub-paragraph (ii) above the liabilities have been assessed in accordance with the Determination of Liabilities Rules in the context of assets valued in accordance with the Valuation of Assets Rules, as shown in Form 13; and
 - (iv) the guidance notes "GN1: The Prudential Supervision in the UK of Long-Term Insurance Business" effective 1 December 2001 and "GN8: Additional Guidance for Appointed Actuaries and Appropriate Actuaries on valuation of long-term insurance business" effective 1 December 2001, and revised version effective 31 December 2002, issued by the Institute of Actuaries and the Faculty of Actuaries have been complied with (for the relevant periods in the case of GN8); and
 - (v) in my opinion, premiums for contracts entered into during the financial year and the income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the insurer that are available for the purpose, to enable the insurer to meet its commitments in respect of those contracts and, in particular, to establish adequate mathematical reserves; and
- (b) the amount of the required minimum margin applicable to the insurer's long term business immediately following the end of the financial year is £822,657,000; and
- (c) in my opinion, the provisions of the Scheme of Transfer have been complied with and been given effect to in all material respects in relation to the Company.



A M Eastwood
Appointed Actuary
20 March 2003

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

Scottish Widows plc

Global Business

Financial year ended 31st December 2002

We certify that in our opinion:

- 1 (a) in relation to the part of this return comprising Forms 9, 9A, 10, 13 to 17 and 40 to 45 including the supplementary notes thereto and the statements required by rules 9.29 and 9.30 of the Interim Prudential Sourcebook for Insurers (IPRU (INS)) that:
 - (i) the return has been prepared in accordance with the Accounts and Statement Rules;
 - (ii) proper accounting records have been maintained and adequate information has been obtained by Scottish Widows plc ("the Company"); and
 - (iii) appropriate systems and controls have 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); and
- (bb) reasonable enquiries have been made by the insurer for the purpose of identifying material connected-party transactions;
- (c) in relation to the statement required by rule 9.36 that:
 - (i) for the purpose of preparing the statement, proper accounts and records have been maintained; and
 - (ii) the information given has been ascertained in conformity with that rule.
- 2 the Company has maintained the required margin of solvency throughout the financial year in question.
- 3 (a) the requirements of rules 3.1 to 3.4 have been fully complied with and in particular that, subject to the provisions of rule 3.2(2) to 3.2(4) and rule 3.3, assets attributable to long-term insurance business, the income arising therefrom, the proceeds of any realisation of such assets and any other income or proceeds allocated to the long-term insurance business funds have not been applied otherwise than for the purpose of the long-term insurance business;

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

Scottish Widows plc

Global Business

Financial year ended 31 December 2002

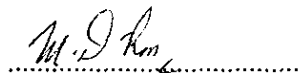
- (b) any amount payable from or receivable by the long-term business funds in respect of services rendered by or to any other business carried on by the Company or by a person who, for the purpose of rule 3.4, is connected with it or is a subsidiary undertaking of it has been determined and where appropriate 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 have been made at fair market value;
 - (c) 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;
 - (d) in respect of any internal linked fund or funds maintained by the Company, that the investment policy and practice of the Company was, during the financial year in question consistent with any representations made to policyholders or potential policyholders of the Company;
 - (e) 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;
 - (f) the Company has fully complied with the requirements 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;
 - (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 issued by the Joint Money Laundering Steering Group;

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

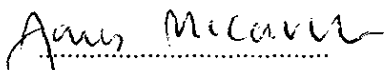
Scottish Widows plc

Financial year ended 31 December 2002

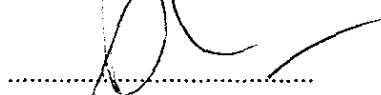
- (b) the return has been prepared in accordance with:
- (i) Prudential Guidance Note 4.1 "Guidance for insurers and auditors on the Valuation of Assets Rules";
 - (ii) Prudential Guidance Note 4.2 "Use of derivative contracts in insurance funds"; and
 - (iii) Prudential Guidance Note 9.1 "The preparation of returns".



M D Ross
Chief Executive



J McConville
Finance Director



I D Thompson
Operations Director

20 March 2003

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

Scottish Widows plc

Global business

Financial year ended 31 December 2002

We have examined the following documents prepared by 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, 9A, 10, 13 to 17 and 40 to 45 (including the supplementary notes thereto) ("the Forms");
- the statement required by rule 9.29 on pages 280 to 281 ("the Statement"); and
- the certificate signed in accordance with rule 9.34(a) on pages 285 to 287 ("the Certificate").

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

- (a) paragraphs 1(a) and 1(c) in relation to the statements required by rules 9.30 and 9.36 concerning shareholder controllers and information on the appointed actuary;
- (b) paragraph 3(d) concerning the investment policy and practice of internal linked funds required by paragraph 4(d) of Appendix 9.6; and
- (c) 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 waivers granted under section 148 of FSMA on 4 November 2002 and 27 December 2002. A concession issued under section 68 of Insurance Companies Act 1982, granted on 30 November 2001, was carried forward at commencement of the FSMA under transitional provisions set out in the Supervision Manual as an amendment to rule 5.2. 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.

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.

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

Scottish Widows plc

Global business

Financial year ended 31 December 2002

Bases of opinions

The evidence included that previously obtained by us relating to the audit of the financial statements of the Company for the financial year. It also included an assessment of the significant estimates and judgements made by the Company in the preparation of the Forms 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 284 with respect to the mathematical reserves and the required minimum margin for long-term insurance business.
- the identity and value of implicit items as they have been admitted in accordance with a waiver to rule 2.10 granted by the Financial Services Authority on 27 December 2002 under section 148 of FSMA.

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

PricewaterhouseCoopers LLP

Edinburgh

Chartered Accountants and Registered Auditors

20 March 2003

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

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Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Company Information

Board of Directors

G J N Gemmell (Chairman)
A A Knight (Deputy Chairman)

M E Fairey
A J Low
J McConville*
W H Main*
A E Moore
N V Moss*
M D Ross*
I D Thompson*

Secretary

C M Herd

Reporting Actuary

A M Eastwood

Auditors

PricewaterhouseCoopers LLP
Erskine House
68-73 Queen Street
Edinburgh
EH2 4NH

Registered Office

69 Morrison Street
Edinburgh
EH3 8YF

Company Registration Number

199549

* denotes Executive Director

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Directors' Report

Principal Activity and Review of Business

The principal activity of Scottish Widows plc ("the Company") is the undertaking of ordinary long-term insurance business in the United Kingdom. The Directors consider that the Company's activities will continue unchanged in the foreseeable future.

Results and Dividend

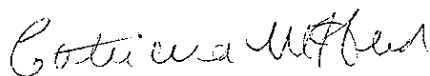
The result for the year ended 31 December 2002 is a profit of £15.9m (2001: restated loss of £61.7m) and has been transferred to reserves. The Directors do not recommend the payment of a dividend for the year (2001: £nil).

Directors

The names of the current Directors are listed on page 2. Particulars of the Directors' emoluments and interests in shares are given in note 7 to the accounts. Changes in directorships during the year are as follows:

L M Urquhart	(resigned 12 March 2002)
N V Moss	(appointed 19 June 2002)
N Scott	(resigned 30 June 2002)

On behalf of the Board of Directors



C M Herd
Edinburgh
20 March 2003

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Report of the Independent Auditors
To the Members of Scottish Widows plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes which have been prepared under the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the annual report including, as described below, the financial statements. The United Kingdom Companies Act 1985 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for that year. 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 accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the United Kingdom Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Report of the Independent Auditors
To the Members of Scottish Widows plc (continued)

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the Company as at 31 December 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
20 March 2003

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Technical Account – long-term business

	Notes	2002 £m	(restated) 2001 £m
Earned premiums, net of reinsurance			
Gross premiums written	3(a)	4,175.4	3,602.5
Outward reinsurance premiums		(2,175.7)	(1,062.6)
Investment income	4	922.4	789.0
		<u>2,922.1</u>	<u>3,328.9</u>
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(2,158.4)	(2,027.0)
Reinsurers' share		367.1	324.6
Change in the provision for claims : gross amount	16(a)	(18.8)	(0.8)
		<u>(1,810.1)</u>	<u>(1,703.2)</u>
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance:			
Gross amount	16(a)	900.0	(836.7)
Reinsurers' share	16(b)	652.4	313.5
		<u>1,552.4</u>	<u>(523.2)</u>
Other technical provisions, net of reinsurance			
Technical provisions for linked liabilities	16	(423.7)	(236.8)
		<u>1,128.7</u>	<u>(760.0)</u>
Net operating expenses	5	(354.5)	(375.5)
Investment expenses and charges	4	(1,103.9)	(951.2)
Unrealised losses on investments	4	(1,385.8)	(1,375.1)
Other technical charges, net of reinsurance		-	(6.0)
Tax attributable to the long-term business	8	137.9	297.6
Transfer from the fund for future appropriations	13	98.1	1,479.6
		<u>(2,608.2)</u>	<u>(930.6)</u>
Balance on the Technical Account – long-term business		<u>(367.5)</u>	<u>(64.9)</u>

The notes on pages 10 to 28 form an integral part of these accounts.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Non-Technical Account

	Notes	2002 £m	(restated) 2001 £m
Balance on long-term business technical account		(367.5)	(64.9)
Tax attributable to balance on the long-term business technical account		(125.0)	(150.0)
Shareholder's pre tax loss from long-term business		<u>(492.5)</u>	<u>(214.9)</u>
Investment income	4	18.2	4.6
Unrealised gains on investments	4	370.7	-
Loss on ordinary activities before taxation		<u>(103.6)</u>	<u>(210.3)</u>
Taxation on loss on ordinary activities	8	119.5	148.6
Retained profit / (loss) for the financial year	13	<u><u>15.9</u></u>	<u><u>(61.7)</u></u>

There are no gains and losses arising other than those reported in the Technical and Non-technical Accounts. All activities are continuing.

The notes on pages 10 to 28 form an integral part of these accounts.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Balance Sheet

	Notes	2002 £m	2001 £m
ASSETS			
Investments			
Land and buildings	9(a)	1,174.1	1,680.9
Investment in Group undertakings	9(b)	1,456.7	633.8
Other financial investments	9(c)	18,086.0	19,299.8
		<u>20,716.8</u>	<u>21,614.5</u>
Assets held to cover linked liabilities	10	970.1	546.4
Reinsurers' share of technical provisions			
Long-term business provision	16(b)	1,416.0	763.6
Technical provisions for linked liabilities	16(b)	3,955.2	3,130.4
		<u>5,371.2</u>	<u>3,894.0</u>
Debtors			
Debtors arising out of direct insurance operations		24.2	40.7
Other debtors	11	393.9	388.0
		<u>418.1</u>	<u>428.7</u>
Other assets			
Cash at bank and in hand		-	292.4
Prepayments and accrued income			
Accrued interest and rent		161.0	124.2
Deferred acquisition costs		527.9	530.8
Other prepayments and accrued income		13.2	10.9
		<u>702.1</u>	<u>665.9</u>
TOTAL ASSETS		<u>28,178.3</u>	<u>27,441.9</u>

The notes on pages 10 to 28 form an integral part of these accounts.

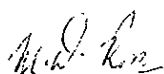
Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Balance Sheet

	Notes	2002 £m	(restated) 2001 £m
LIABILITIES			
Capital and reserves			
Called-up share capital	12	648.9	101.0
Other reserves	13	2,404.9	3,212.9
Profit and loss account	13	580.2	(307.7)
Equity shareholder's funds	14	<u>3,634.0</u>	<u>3,006.2</u>
Subordinated liabilities	15	-	200.0
Fund for future appropriations	13	-	162.1
Technical provisions			
Long-term business provision	16(a)	19,144.7	20,044.7
Claims outstanding	16(a)	78.0	59.2
		<u>19,222.7</u>	<u>20,103.9</u>
Technical provisions for linked liabilities	16(a)	4,925.3	3,676.8
Provisions for other risks and charges	18	22.6	23.6
Creditors			
Creditors arising out of direct insurance operations		31.0	21.2
Amounts owed to credit institutions		37.6	-
Other creditors including taxation and social security	19	300.9	238.4
		<u>369.5</u>	<u>259.6</u>
Accruals and deferred income		4.2	9.7
TOTAL LIABILITIES		<u>28,178.3</u>	<u>27,441.9</u>

The notes on pages 10 to 28 form an integral part of these accounts.

Approved by the Board on 20 March 2003



M D Ross
Chief Executive

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared in accordance with section 255 and Schedule 9A of the Companies Act 1985 which covers the disclosures applicable to insurance companies. The accounts are prepared in accordance with the Association of British Insurers' Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued in December 1998. As the company is a wholly owned subsidiary undertaking of Lloyds TSB Group plc, registered in the United Kingdom, the Company has taken advantage of the provisions of the Companies Act 1985 and has not produced consolidated accounts.

The accounts have been prepared in accordance with applicable accounting standards. Compliance with Statement of Standard Accounting Practice 19 "Accounting for Investment Properties" ("SSAP 19") requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the accounting policy note relating to investments below.

Accounting policies are unchanged from 2001, except that the Company has implemented the requirements of Financial Reporting Standard 19 ("FRS 19") "Deferred Tax". Following its implementation, the Company makes full provision for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Previously provision was only made where it was considered that there was a reasonable probability that a liability or asset would crystallise in the foreseeable future. A prior year adjustment has been made as at 1 January 2001 to reflect the revised policy which has decreased shareholders' funds by £19.1m and decreased the fund for future appropriations by £141.0m. The effect of the restatement on the prior year profit and loss account has been to increase the tax credit by £136.5m and to reduce the change in the fund for future appropriations by £96.8m. The effect of the change in policy on the Company's balance sheet at 31 December 2002 has been to reduce the deferred tax liability by £20.0m (2001: create a deferred tax liability of £23.6m) and thereby increase shareholder's funds by £20.0m. The effect of the change on the profit and loss account for the year ended 31 December 2002 has been to increase the total tax credit by £43.6m and reduce the change in the fund for future appropriations by £44.2m.

2. Accounting policies

a) Financial Reporting Standard 18 "Accounting Policies"

The Company complies with Financial Reporting Standard 18 "Accounting Policies".

b) Premiums

Premiums earned are accounted for in the year in which they fall due.

c) Investment income

Dividends are included as investment income on the date that the shares become quoted ex-dividend. Interest and rent are included on an accruals basis.

d) Realised gains and losses on investments

Realised gains and losses on investments are calculated as the difference between net sales proceeds and the original cost.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

e) Unrealised gains and losses on investments

Unrealised gains and losses on investments are calculated as the difference between the carrying valuation of investments at the Balance Sheet date and the original cost. Movements in unrealised gains and losses on investments arising in the year are shown in the Technical Account.

f) Claims incurred

Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Claims payable include direct costs of settlement. Reinsurance recoveries are accounted for in the same period as their related claims.

g) Commission

Commission is accounted for in the Technical Account in the year in which it falls due to be paid.

h) Bonuses

Bonuses charged to the long-term business Technical Account in a given year comprise:

- New reversionary bonuses declared in respect of that year which are provided within the calculation of the long-term business provision;
- Terminal bonuses paid out to policyholders on maturity and included within claims paid.

i) Deferred acquisition costs

The costs of acquiring new insurance contracts which are incurred during a financial period but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Such costs are disclosed as an asset in the Balance Sheet and are determined in respect of conventional assurance business by means of an adjustment applied to the net premium valuation of the long term business provision, grossing up for tax where appropriate. Deferred acquisition costs in respect of term assurances, linked business and unitised with-profits business are determined explicitly. The rate of change of the deferred acquisition cost asset is consistent with a prudent assessment of the expected pattern of receipt of the future revenue margins over the period the relevant contracts are expected to remain in force.

j) Tax

Tax is charged or credited on all taxable profits or losses arising for the accounting period. The taxation charge in the Non-technical Account is based on the taxable profit for the period. In the long-term business Technical Account, the taxation charge or credit is based on a method of assessing taxation for the long-term fund. Any balance on the long-term business Technical Account that is computed on an after tax basis is grossed up at the effective rate of taxation in the Non-technical Account.

Notes to the Accounts (continued)

k) Deferred Tax

Full provision is made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

l) Long-term reinsurance contracts

Long-term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses. Such contracts are accounted for as insurance contracts.

m) Valuation of investments

The value of investments at the Balance Sheet date is calculated as follows:

- Freehold and leasehold properties are individually valued by external qualified surveyors on the basis of open market value, account being taken of the cost of disposal. The valuation is carried out on an annual basis. Under the Companies Act 1985, land and buildings are required to be depreciated over their expected useful economic lives. In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19, that no depreciation should be provided in respect of such investments. The Directors consider that to depreciate investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted. Depreciation is only one of the factors reflected in the annual valuations and the amounts which might otherwise have been shown cannot reasonably be separately identified and quantified;
- Listed securities are stated at middle market value;
- Open ended investment companies ("OEICs") are stated at their quoted price;
- Short-term deposits are included at cost;
- Financial futures and option contracts are valued at market rates ruling at the Balance Sheet date and the gain or loss on these contracts is brought into the Technical Account;
- Subsidiaries are valued at their net asset value based on the most recent information available;
- Other investments are stated at Directors' valuation having prudent regard to the likely realisable value.

n) Foreign currency translation

Assets and liabilities in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date. Revenue transactions and those relating to the acquisition and realisation of investments have been translated at rates of exchange ruling at the time of the respective transactions.

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Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

o) Long-term business provision

The long-term business provision for the Company is determined on the basis of recognised actuarial methods and in accordance with the FSA Rules, as modified by the Statement of Recommended Practice on Accounting for Insurance Business, and all relevant guidance from the Institute and Faculty of Actuaries.

For conventional with-profits business, a net premium valuation method is used. For conventional with-profits deferred annuities, the liability valued is the higher of the maturity cash benefit or deferred annuity under any guaranteed annuity option applying, subject to the assumed rate of take-up of such options. For other classes, the methods used involve estimating future policy cashflows over the duration of the in-force book of policies, and discounting these cashflows back to the valuation date allowing for the probabilities of occurrence. Assumptions are made in respect of all material factors affecting future cashflows, including future interest rates, mortality and costs. All assumptions are set with a margin for prudence.

The principal assumptions made are the interest rates used to discount the cashflows and the mortality assumptions. These are disclosed in Note 17 to the Accounts. These, and other, assumptions are set as described below.

Interest rates

The higher the assumed rates of interest used to discount the cashflows when valuing the liabilities, the lower the value placed on the liabilities. The rates used are chosen in accordance with the relevant FSA Rules (as set out in the Interim Prudential Sourcebook for Insurers IPRU(INS)). These limit the rates of interest that can be used by reference to a number of factors including the dividend and earnings yields on equities, rental income, and redemption yields on fixed interest assets at the valuation date. When appropriate an adjustment is made to the interest rates used to value conventional with-profits business to allow for future bonuses.

Bonus Rates

The long-term business provision includes explicit provision for declared bonuses added up to and including the reporting date. In addition, explicit allowance for future regular bonus is made in the case of unithised with-profits business, the assumed rates being consistent with the valuation interest rate assumptions.

Mortality and Morbidity

The mortality and morbidity assumptions are set with regard to the Company's actual experience where this provides a reliable basis, and relevant industry data otherwise.

Expenses

Allowance is made for future policy costs on either an explicit or an implicit basis. Where an implicit margin is used, the adequacy of that margin is tested.

Expense loadings are determined by reference to an internal analysis of expense levels. An allowance is made for expense inflation from the valuation date.

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Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

p) Fund for future appropriations

The fund for future appropriations comprises amounts which have yet to be allocated to either participating policyholders or shareholders. Transfers between the fund for future appropriations and the long-term business Technical Account represent the changes in these unallocated amounts between Balance Sheet dates.

q) Cash flow statement

A cash flow statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard No 1 (Revised) "Cash Flow Statements" as consolidated accounts, in which the Company is included, are available (see note 25).

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

3. Segmental analysis

All premiums relate to continuing operations and to direct business.

(a) Gross premiums written	2002 £m	2001 £m
Individual premiums	3,887.2	3,431.8
Premiums under group contracts	288.2	170.7
Total	<u>4,175.4</u>	<u>3,602.5</u>
Regular premiums	1,084.2	955.9
Single premiums	3,091.2	2,646.6
Total	<u>4,175.4</u>	<u>3,602.5</u>
Premiums from non profit contracts	782.8	389.0
Premiums from with profits contracts	1,274.1	2,063.4
Premiums from linked contracts	2,118.5	1,150.1
Total	<u>4,175.4</u>	<u>3,602.5</u>
Premiums from life business	1,953.5	2,084.5
Premiums from annuity business	597.5	341.2
Premiums from pensions business	1,620.5	1,172.8
Permanent Health Insurance	3.9	4.0
Total	<u>4,175.4</u>	<u>3,602.5</u>
(b) Gross new business premiums		
Individual premiums	3,209.6	2,730.0
Premiums under group contracts	167.9	198.7
Total	<u>3,377.5</u>	<u>2,928.7</u>
Regular premiums	286.3	282.1
Single premiums	3,091.2	2,646.6
Total	<u>3,377.5</u>	<u>2,928.7</u>
Premiums from non profit contracts	654.6	278.2
Premiums from with profits contracts	773.5	1,573.8
Premiums from linked contracts	1,949.4	1,076.7
Total	<u>3,377.5</u>	<u>2,928.7</u>
Premiums from life business	1,531.4	1,656.3
Premiums from annuity business	597.5	341.2
Premiums from pensions business	1,241.5	927.4
Permanent Health Insurance	7.1	3.8
Total	<u>3,377.5</u>	<u>2,928.7</u>

Where regular premiums are received other than annually, the regular new business premiums are included on an annualised basis.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

(c) Business segment analysis

In the opinion of the Directors the company operates in a single business segment, that being the provision of long-term insurance.

(d) Geographical analysis

With the exception of £79.2m (2001: £109.9m) premiums written in Jersey, all other premiums were written in the United Kingdom.

(e) Reinsurance balance

The outward reinsurance balance amounted to a debit to the long-term business Technical Account of £265.6m at 31 December 2002 (2001: £143.5m).

4. Total investment return

Technical Account long-term business	2002 £m	2001 £m
(i) Investment income:		
Income from Group undertakings	3.5	3.5
Income from land and buildings	55.8	108.2
Income from investments		
- listed	699.6	579.9
- other	163.5	97.4
	<u>922.4</u>	<u>789.0</u>
(ii) Unrealised losses on investments	(1,385.8)	(1,375.1)
(iii) Investment management expenses, including interest		
Investment management expenses	(13.8)	(17.0)
Interest paid	(5.5)	(4.4)
Losses on the realisation of investments	(1,084.6)	(929.8)
	<u>(1,103.9)</u>	<u>(951.2)</u>
Net investment return included in the long-term business Technical Account	<u>(1,567.3)</u>	<u>(1,537.3)</u>
 Non-technical Account	 2002 £m	 2001 £m
(i) Investment income:		
Income from investments		
- listed	14.5	-
- other	3.7	4.6
	<u>18.2</u>	<u>4.6</u>
(ii) Unrealised gains on investments	370.7	-
Net investment return included in the Non-technical Account	<u>388.9</u>	<u>4.6</u>

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

5. Net operating expenses

	2002	2001
	£m	£m
Acquisition costs	348.9	303.9
Change in deferred acquisition costs	2.9	52.9
Administrative expenses	68.5	55.2
Reinsurance commissions	(65.8)	(36.5)
	<u>354.5</u>	<u>375.5</u>

- (a) The administration of the Company is undertaken by Scottish Widows Services Limited. A recharge is levied from this undertaking to the Company in respect of those costs incurred on behalf of the Company.
- (b) The Company had no direct employees during the year (2001: nil). The employee costs, including pension costs, are included in the recharge from Scottish Widows Services Limited noted above. The pension scheme operated is primarily a defined benefit scheme, however it is not possible to separately identify the amount of any surpluses or deficits in the scheme which relates to the Company. Details of the pension scheme can be found in the accounts of Scottish Widows Services Limited.
- (c) Included within acquisition costs and administrative expenses are total commissions paid by the Company of £118.1m (2001: £97.7m).
- (d) Included within administration expenses are costs of £23.1m (2001: £18.1m) that relate to the costs of integrating the long-term insurance businesses of Scottish Widows and Lloyds TSB.
- (e) The investment management for the Company is provided by Scottish Widows Investment Partnership Limited and fees are included within investment management expenses.

6. Auditors' remuneration

	2002	2001
	£m	£m
Remuneration paid to PricewaterhouseCoopers		
- as auditors	0.6	0.5
- for other services	1.1	2.1

7. Directors' emoluments and interests

- (a) Directors' emoluments

An apportionment of Directors' emoluments has been made to the Company as follows:

	2002	2001
	£000	£000
Aggregate emoluments	1,279	1,075
Sums paid to third parties for Directors' services	112	88
	<u>1,391</u>	<u>1,163</u>

Retirement benefits are accruing to 5 Executive Directors (2001: 5) under defined benefit schemes.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

7. Directors' emoluments and interests (continued)

(b) Highest paid Director

An apportionment of emoluments of the highest paid Director has been made as follows:

	2002 £000	2001 £000
Aggregate emoluments	<u>411</u>	<u>324</u>
Defined benefits pension scheme accrued benefit at 31 December	<u>274</u>	<u>245</u>

(c) Directors' interests

M E Fairey, G J N Gemmell, A E Moore and M D Ross are also Directors of the Company's ultimate parent company, Lloyds TSB Group plc, and their interests can be found in the accounts of that company.

A A Knight, A J Low, I D Thompson, J McConville, W H Main and N V Moss are also Directors of the Company's intermediate parent company, Scottish Widows Group Limited, and their interests are disclosed in the accounts of that company.

None of the Directors who held office during the year ended 31 December 2002 had any interest in the shares of the Company (2001: none).

8. Taxation on loss on ordinary activities

The Technical Account and Non-technical Account are liable to United Kingdom Corporation Tax on the basis applicable to insurance companies as follows:

Technical Account long-term business	2002 £m	(restated) 2001 £m
UK corporation tax:		
Current tax on profits for the year	(73.4)	(131.6)
Adjustments in respect of prior periods	(66.0)	(3.2)
Double tax relief	<u>(1.4)</u>	<u>(2.2)</u>
	(140.8)	(137.0)
Foreign tax:		
Current tax on profits for the year	3.9	5.4
Current tax charge	<u>(136.9)</u>	<u>(131.6)</u>
Deferred taxation	(1.0)	(166.0)
	<u>(137.9)</u>	<u>(297.6)</u>

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

8. Taxation on loss on ordinary activities (continued)

Non-technical Account	2002 £m	2001 £m
Tax credit attributable to balance on the long-term business Technical Account	(125.0)	(150.0)
Tax attributable to income arising in the Non-technical Account	5.5	1.4
	<u>(119.5)</u>	<u>(148.6)</u>

The calculation of tax for the year is based on a UK corporation tax rate of 30% (2001: 30%).

A reconciliation of the current tax credit for the year for the Non-technical Account to the credit that would result from applying the standard UK corporation tax rate to the loss before tax is given below:

	2002 £m	(restated) 2001 £m
Loss on ordinary activities before taxation	<u>(103.6)</u>	<u>(210.3)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(31.1)	(63.1)
Effects of:		
Non-taxable unrealised gains	(111.2)	-
Differences in effective rate on technical account	22.8	(85.5)
Current tax credit	<u>(119.5)</u>	<u>(148.6)</u>

9(a) Land and buildings

	Current value 2002 £m	Cost 2002 £m	Current value 2001 £m	Cost 2001 £m
Freehold occupied by the Company	25.5	27.3	27.3	27.3
Freehold	997.2	939.6	1,452.1	1,399.5
Long leasehold	151.4	130.8	201.5	185.6
	<u>1,174.1</u>	<u>1,097.7</u>	<u>1,680.9</u>	<u>1,612.4</u>

The Company's properties are valued individually at 31 December each year by independent professional valuers and are included in the accounts at these valuations. The valuations are carried out by Messrs Jones Lang LaSalle on an open market basis less an allowance for expenses of sale.

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

9(b) Investment in Group undertakings

	Current value 2002 £m	Cost 2002 £m	Current value 2001 £m	Cost 2001 £m
Shares	1,334.2	996.9	536.2	473.3
Loans	122.5	248.7	97.6	175.8
	<u>1,456.7</u>	<u>1,245.6</u>	<u>633.8</u>	<u>649.1</u>

9(c) Other financial investments

	Current Value 2002 £m	Cost 2002 £m	Current Value 2001 £m	Cost 2001 £m
Shares and other variable yield securities and units in unit trusts	10,201.7	13,167.3	12,397.4	13,836.0
Debt securities and other fixed income securities	7,873.3	7,497.4	5,361.5	5,258.3
Other loans	7.2	7.2	9.4	9.4
Deposits with credit institutions	3.8	3.8	1,531.5	1,531.5
	<u>18,086.0</u>	<u>20,675.7</u>	<u>19,299.8</u>	<u>20,635.2</u>

The market value above includes the following value of investments listed on a recognised stock exchange:

	Current Value 2002 £m	Current Value 2001 £m
Shares and other variable yield securities and units in unit trusts	8,275.7	11,399.6
Debt securities and other fixed income securities	7,293.1	4,882.6
	<u>15,568.8</u>	<u>16,282.2</u>

10. Assets held to cover linked liabilities

	Current Value 2002 £m	Cost 2002 £m	Current Value 2001 £m	Cost 2001 £m
Assets held to cover linked liabilities	<u>970.1</u>	<u>1,022.4</u>	<u>546.4</u>	<u>566.8</u>

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

11. Other debtors

	2002	2001
	£m	£m
Amounts due from Group undertakings	169.1	266.1
Other debtors	224.8	121.9
	<u>393.9</u>	<u>388.0</u>

12. Called up share capital

	2002	2001
	£000	£000
Authorised		
648,929,000 (2001: 101,080,000) Ordinary Shares of £1 each	<u>648,929</u>	<u>101,080</u>
Allotted, called up and fully paid		
648,929,000 (2001: 101,080,000) Ordinary Shares of £1 each	<u>648,929</u>	<u>101,080</u>

During the year the share capital of the Company was increased through the creation of 547,849,000 ordinary shares with a par value of £1 each. Of those shares, 140,000,000 were subsequently allotted to the Company's immediate parent undertaking in exchange for cash, and 407,849,000 were allotted to the same undertaking in exchange for the acquisition of Lloyds TSB Life Assurance Company Limited.

13. Reserves

	Other reserves £m	Profit and loss account reserves £m	Fund for future appropriations £m
Balance at 1 January 2001 reported in prior year annual report	3,212.9	(226.9)	1,782.7
Prior year restatement (note 1)	-	(19.1)	(141.0)
Movement for the year recorded in the profit and loss account	-	(61.7)	(1,479.6)
Balance at 31 December 2001	<u>3,212.9</u>	<u>(307.7)</u>	<u>162.1</u>
Movement for the year recorded in the profit and loss account	-	15.9	(98.1)
Other movements	(808.0)	872.0	(64.0)
Balance at 31 December 2002	<u>2,404.9</u>	<u>580.2</u>	<u>-</u>

Scottish Widows plc
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Notes to the Accounts (continued)

14. Reconciliation of movements in Shareholder's Funds	2002	(restated)
	£m	2001
		£m
Balance at 1 January reported in prior year annual report	-	2,987.0
Prior year restatement (note 1)	-	(19.1)
	<u>3,006.2</u>	<u>2,967.9</u>
Net proceeds of issue of ordinary share capital	547.9	100.0
Profit / (loss) for the financial year	15.9	(61.7)
Transfer from the fund for future appropriations	64.0	-
	<u>3,634.0</u>	<u>3,006.2</u>
Balance at 31 December		

15. Subordinated liabilities

During the prior year the Company entered into a loan arrangement with a fellow Group company, which during the current year has been subsequently repaid. The loan was made available for a maximum of five years and there was no interest payable on the amount outstanding. In the event of the Company's insolvency, repayment of the loan would have been subordinate to amounts owed to the Company's other creditors, including those liabilities incurred through writing long-term insurance policies.

16. Technical provisions

	Long-term business provision £m	Claims outstanding £m	Technical provision for linked liabilities £m
(a) Gross technical provisions			
Balance at 1 January 2002	20,044.7	59.2	3,676.8
Movement for the year	(900.0)	18.8	1,248.5
Balance at 31 December 2002	<u>19,144.7</u>	<u>78.0</u>	<u>4,925.3</u>
(b) Reinsurers' share			
Balance at 1 January 2002	763.6	-	3,130.4
Movement for the year	652.4	-	824.8
Balance at 31 December 2002	<u>1,416.0</u>	<u>-</u>	<u>3,955.2</u>
(c) Net technical provisions			
Balance at 31 December 2002	<u>17,728.7</u>	<u>78.0</u>	<u>970.1</u>
Balance at 1 January 2002	<u>19,281.1</u>	<u>59.2</u>	<u>546.4</u>

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Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

17. Long-term business provision

- (a) The principal assumptions underlying the calculation of the long-term business provision were as follows:

Class of business	2002 Interest Rate (Net) %	2001 Interest Rate (Net) %
Life unitised with-profits		
Flexible Investment and With Profits Bond	3.50	2.25
Flexible Options Bond - Growth Fund	3.25	n/a
Flexible Options Bond - Income Fund	3.75	n/a
Other Assurances	3.50	2.25
Other Life		
Conventional With-Profits	3.75	2.50
Conventional Non-Profit	3.40	3.25
Deferred annuities		
Group pensionplaner – pre/post retirement	4.25	4.25
Unitised with-profits	4.00	3.25
Conventional with-profits individual		
Pre retirement	4.45	3.50
Post retirement	4.45	4.20
Pension Annuities in payment		
Participating	4.75	4.75
Non participating	5.00	5.00
Unitised with-profits	4.50	3.25

The following mortality assumptions (for the main classes of business) are based on the actual experience of the portfolio as well as relevant industry statistics:

Assurances (excluding term assurances)		End-2002	End-2001
Conventional With-Profits & Non Profit Assurances (excluding Term Assurances)	Males		
	Smoker	130% AM92 ult	160% AM80 ult minus 3 years
	Non-smoker	65% AM92 ult	80% AM80 ult minus 3 years
	Unknown	80% AM92 ult	100% AM80 ult minus 3 years
	Females		
	Smoker	130% AF92 ult	160% AF80 ult minus 3 years
	Non-smoker	65% AF92 ult	80% AF80 ult minus 3 years
	Unknown	80% AF92 ult	100% AF80 ult minus 3 years
Unitised Assurances	Males	55% AM92 ult	As above for Conventional Assurances.
	Females	55% AF92 ult	

Scottish Widows plc
Report and Accounts for the Year Ended 31 December 2002

Notes to the Accounts (continued)

17. Long-term business provision (continued)

Term		End-2002	End-2001
Assurances			
Sold through LTSB Branch Network	Males		
	Smoker	208% TM92(5) select	As above for Conventional Assurances, but with no age deduction.
	Non-smoker	113% TM92(5) select	
	Unknown	135% TM92(5) select	
	Females		
	Smoker	198% TF92(5) select	As above for Conventional Assurances, but with no age deduction.
	Non-smoker	88% TF92(5) select	
	Unknown	145% TF92(5) select	
	Plus, for AIDS, Males	33.3% of AIDSR6A for calendar year 1998	
	Females	10.0% of AIDSR6A for calendar year 1993	
Other Sales			
Males			
Smoker	A varying percentage* between 65% and 155% of TM92 ult	As above for Conventional Assurances.	
Non-smoker	A varying percentage* between 55% and 65% of TM92 ult		
Unknown	A varying percentage* between 55% and 65% of TM92 ult		
Females			
Smoker	A varying percentage* between 55% and 130% of TF92 ult	As above for Conventional Assurances.	
Non-smoker	A varying percentage* between 55% and 80% of TF92 ult		
Unknown	A varying percentage* between 55% and 80% of TF92 ult		
*In both cases with % adjustment for age chosen to be a good fit to recent internal experience.			
Plus, for AIDS,			
Males	33.3% of AIDSR6A for calendar year 1998		
Females	10.0% of AIDSR6A for calendar year 1993		

Annuities		End-2002	End-2001
Purchased (whole life)	Males	85% IMA92 ult mc	85% IMA92 ult **
	Females	100% IFA92 ult mc	90% IFA92 ult **
Purchased (term)		Valued as annuities certain	Valued as annuities certain
Self-employed / personal pensions	Males	90% RMV92 ult mc	80% RMV92 ult **
	Females	90% RFV92 ult mc	75% RFV92 ult **
Executive Pensions	Males	95% PMA92 ult mc	85% PMA92 ult **
	Females	105% PFA92 ult mc	90% PFA92 ult**
Group scheme annuities	Males	100% PMA92 ult mc	85% PMA92 ult **
	Females	130% PFA92 ult mc	115% PFA92 ult**
Deferred annuities in deferment	Males	70% AM92 ult *	A67/70 minus 9 years (individual), 7 years (group)
	Females	70% AF92 ult*	A67/70 minus 12 years (individual), 10 years (group)

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Notes to the Accounts (continued)

17. Long-term business provision (continued)

With regard to the above tables:

'mc' denotes that explicit provision for future mortality improvement is made by applying the CMI 'Medium Cohort' projection factors to the 1992 base tables (adjusted as above).

* For deferred annuities in deferment an explicit provision for future improvement has been made by assuming mortality in deferment reduces at a rate of 4% pa from the valuation date through deferment.

** For annuities in payment at end-2001 an explicit allowance was made for future improvement in annuitant mortality by applying standard CMIR7 improvement to the 1999 base tables.

Other Assumptions

It is assumed that the take-up rate for guaranteed annuity rates is 95%. This assumption is prudent relative to an analysis of experience in 2002. In the end-2001 valuation a rate of 100% was assumed.

(b) Cost of bonuses

The cost of bonuses declared for the period, including terminal bonuses, totalled £559m (2001: £888m).

18. Provisions for other risks and charges

	2002	(restated) 2001
Deferred tax	£m	£m
Deferred acquisition costs	66.5	68.6
Unrealised capital gains	-	55.4
Pension losses	(20.0)	(22.3)
Other timing differences	(23.9)	(78.1)
	<u>22.6</u>	<u>23.6</u>

Changes in the provisions are as follows:

Balance at 1 January	23.6	189.6
Deferred tax credit recognised in the year	(1.0)	(166.0)
Balance at 31 December	<u>22.6</u>	<u>23.6</u>

- (a) There are realised and unrealised capital losses of approximately £537m and £330m as at 31 December 2002. The deferred tax assets (undiscounted) not recognised on the Balance Sheet are approximately £118m and £73m respectively. These assets will become realised as and when capital gains arise in future periods.

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Notes to the Accounts (continued)

18. Provisions for other risks and charges (continued)

- (b) In December 2002 the Inland Revenue announced its intention to introduce legislation which may affect the tax treatment of certain transfers from the Company's long term business fund to its shareholder's fund. The precise impact of the proposals is still unclear, however it is possible that these transfers will be subject to a higher tax charge than was previously anticipated.

19. Other creditors including taxation and social security

	2002	2001
	£m	£m
Taxation and social security	37.2	35.4
Amounts due to Group undertakings	82.3	112.5
Other creditors	181.4	90.5
	<u>300.9</u>	<u>238.4</u>

20. Assets attributable to the long-term business funds

The total assets shown on page 8 include £21,872.7m (2001: £22,445.1m) attributable to the long-term business funds of the Company.

21. Subsidiary undertakings

The following are particulars of the Company's principal subsidiaries:

Name	Class of Share or Stock	Percentage held	Country of Registration or Incorporation	Nature of Business
Scottish Widows Annuities Limited	Ordinary	100	Scotland	Life Insurance
Lloyds TSB Life Assurance Company Limited	Ordinary	100	England	Life Insurance
Scottish Widows' Fund and Life Assurance Society	Mutual	Sole member	Scotland	Dormant
Pensions Management (SWF) Limited*	Ordinary	100	Scotland	Life Insurance
Scottish Widows Unit Funds Limited	Ordinary	100	Scotland	Life Insurance
Scottish Widows Services Limited	Ordinary	100	Scotland	Management Services

*Limited by guarantee

The above subsidiaries operate in the United Kingdom. A full list of subsidiaries is available with the Annual Return.

Notes to the Accounts (continued)

22. Derivative contracts

At 31 December 2002 the Company and certain subsidiary undertakings had entered into, in the normal course of business, option contracts, index futures contracts and forward foreign exchange contracts. All such contracts were undertaken for either hedging or efficient portfolio management purposes with the exception of certain contracts used for the purpose of matching contractual liabilities. The use of derivative contracts is monitored against approved limits specified by the Board in relation to total and counterparty exposures, and at all times fulfils the conditions referred to in Rule 4.12 of the Interim Prudential Source Book for Insurers.

23. Contingent liability

After an extensive review of the Company's existing practices, carried out in the light of the judgement of the House of Lords in the guaranteed annuities case *Equitable Life v Hyman*, it was announced that the Company was revising the way it calculates benefits for guaranteed annuity policies with effect from 1 February 2002. As a result of this change, the terminal bonuses for Guaranteed Annuity Option policies were increased.

Under the terms of the transfer of the Scottish Widows' business, a separate memorandum account was created within the With Profits Fund called the Additional Account. This account had a value at 31 December 2002 of approximately £1.5 billion (2001: £1.7 billion) and is available to meet any additional costs of providing guaranteed benefits on transferred policies, including guaranteed annuity option policies. The assets allocated to the Additional Account include certain hedge assets, to provide protection to the With Profits Fund against the consequences of a future fall in interest rates.

The eventual cost of providing the enhanced benefits is dependent upon a number of factors, including in particular:

- The proportion of policyholders with a guaranteed annuity option policy who choose to exercise their options;
- The effect of future interest rate and mortality trends on the cost of annuities; and
- The future investment performance of the With Profits Fund.

Having considered a range of possible outcomes, it is currently expected that the most likely outcome is that the balance in the Additional Account available for this purpose will be sufficient to meet the cost of the enhanced benefits payable to the guaranteed annuity option policyholders, as well as other contingencies. The cost of enhanced benefits, currently estimated to be approximately £1.1 billion (2001: £1.4 billion) on a net present value basis, will be paid out over many years as policies mature. In the event that the amount in the Additional Account proves, over time, to be insufficient, the shortfall will be met by the shareholders of the Company. At this time, no provision is considered necessary for such risk.

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Notes to the Accounts (continued)

24. Related party transactions

Advantage has been taken of the exemption under Financial Reporting Standard 8 not to disclose transactions between entities, 90% or more of whose voting rights are controlled within the Lloyds TSB Group, of which the Company is a member.

No contract of significance existed at any time during the period in which a Director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 8 "Related Party Disclosures".

There were no other material transactions by the Company with related parties for the year ended 31 December 2002.

25. Parent undertaking

The Company's immediate parent undertaking is Scottish Widows Financial Services Holdings Limited, a Company registered in the United Kingdom. Scottish Widows Financial Services Holdings Limited has taken advantage of the provisions of the Companies Act 1985 and has not produced consolidated accounts.

Lloyds TSB Group plc is regarded by the Directors as the ultimate parent company and ultimate controlling party of Scottish Widows plc. Copies of the Lloyds TSB Group plc accounts in which the Company is consolidated can be obtained from the Group Secretary's Department, Lloyds TSB Group plc, 25 Gresham Street, London, EC2V 7HN.