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DEPARTMENT OF TRADE AND INVESTMENT
- 2 MAY 2003
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COMPANIES REGISTRY

Scottish Equitable plc

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2002

COMPANY NUMBER 144517

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DEPARTMENT OF TRADE AND INVESTMENT
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02 MAY 2003

DIRECTORS OF SCOTTISH EQUITABLE PLC

Chairman

David A Henderson FCCA

Directors

Graham W Dumble FFA (Managing Director)
Keith G Barker
Maurice C Brunet MA FIA
Roy Patrick LLB
William J Robertson BSc FFA FPMI
Otto Thoresen MA FFA
Keith J Wilson MA CA

Secretary

Ian G Young MA LLB

Registered Office

Edinburgh Park
Edinburgh
EH12 9SE

Auditors

Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

REPORT BY THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activity

The Group's principal activity is the transaction of life assurance, pensions and other long term insurance business in the UK. The principal activities of the Company's subsidiary undertakings are shown under Note 8 to the Accounts.

Structure of these accounts

These accounts are the consolidated group accounts of Scottish Equitable plc and its subsidiary undertakings, as at 31 December 2002, referred to collectively as the "Group".

Financial results

The results for the year are set out on pages 9 and 10. During the year the Company paid a dividend of £14 million. The Directors do not recommend the payment of a final dividend.

The pre-tax operating profit based on longer term investment return is £56.8m (2001 - £160.2m) (see page 10).

Future Developments

While the recent significant stockmarket falls are impacting current customer behaviour, the Director's believe that the long term savings market in the UK continues to offer considerable opportunities for profitable growth.

They are confident that the strong foundations, which continue to be developed, put the Group in a strong position for the many challenges and opportunities arising from the regulatory and market changes and increasing customer demands in a low margin environment.

Directors

The current Directors of the Company are shown on page 1. All Directors served throughout the year.

The Directors have declared that they had no interest in the share capital of the Group at the beginning or end of the year. The interests of the Directors, who served throughout the year, in the share option scheme operated by AEGON NV, the ultimate parent undertaking, are disclosed in note 4a.

Employees

It is the Group's policy to ensure equal opportunities for all employees of the Group. The only criteria considered for the recruitment or promotion of staff is suitability for the position, regardless of sex, marital status, religion, ethnic origin or disability (having due regard to the individual's aptitudes and abilities). It is our policy, wherever possible, to continue the employment of staff who have become disabled (with appropriate re-training when required). No discrimination is made against disabled employees with regard to training, career development or promotion.

By means of regular announcements and staff briefings and meetings with AEGIS (Staff Association), the Group has maintained its policy of providing information on all matters likely to affect the interests of staff.

Charitable and political contributions

During the year the Company donated £109,200 (2001 - £88,358) to insurance and other charities. No political contributions were made.

Creditor payment policy

The objective is to treat our suppliers fairly and in accordance with good commercial practice. Suppliers' invoices are settled in accordance with agreed contractual terms or, if no terms are scheduled, generally within 30 days of the appropriate invoice date. The trade creditors outstanding at the end of the year represented 9 days' purchases.

Corporate governance

The AEGON UK Group, of which the Company forms part, has adopted a detailed approach to its governance and internal control arrangements. This is intended to reflect high standards of corporate governance compatible with the principles and requirements applied to listed companies but adapted to reflect its position within the AEGON NV international group of companies.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Ernst & Young LLP be reappointed as auditors of the company will be put to the Annual General Meeting. A resolution authorising the Directors to fix the auditor's remuneration will also be proposed at the Annual General Meeting.

By order of the Board

I G Young
Secretary
Edinburgh Park
Edinburgh

SCOTTISH EQUITABLE PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the affairs of the Company and of the Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCOTTISH EQUITABLE PLC

We have audited the Group's financial statements for the year ended 31 December 2002 which comprise the Group Profit and Loss Account and Group and Company Balance Sheets, Reconciliation of movements in Group shareholders funds, Accounting Policies and the related notes 1 - 30. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 report by the directors 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 with the Group is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 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 and of the Group as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Edinburgh

11 March 2003

ACCOUNTING POLICIES

Basis of presentation of financial statements and disclosure requirements

The consolidated financial statements have been prepared in accordance with section 255A and the special provisions relating to insurance companies of schedule 9A of the Companies Act 1985 and in accordance with the Statement of Recommended Practice (SORP) issued by the Association of British Insurers. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented.

The SORP requires insurance groups to adopt prescribed formats for their profit and loss account and balance sheet, the headings and content of which must conform to certain rules. These rules require the overall investment return in the profit and loss account to be based on actual investment income and investment gains/(losses) during the year.

The consolidated profit and loss account is divided into two parts, the technical account and the non-technical account.

The Company has adopted the recommendation in the SORP that the investment return on investments directly attributable to shareholders, which is included in the balance transferred from the profit and loss technical account to the non-technical account, reflects the longer term rate of return on these investments. The assumptions behind the longer term rate of return are based on prior period actual returns, current bond yields, estimates of future inflation and an estimate of the equity risk premium.

Again following the recommendations of the SORP, supplementary disclosure is provided in the non-technical account of:-

- the operating profit based on the longer term level of investment return; and
- the difference between the actual and longer term rate of return arising in the accounting period as a result of short term fluctuations in investment return.

During the year the company adopted Financial Reporting Standard 19, Deferred Taxation. This did not have a material impact on the current or prior year.

Basis of consolidation

The Group accounts incorporate the assets, liabilities and results of the Company and its subsidiary undertakings drawn up to 31 December each year.

Premiums

Non-linked business premiums, including reinsurance premiums, are accounted for when due for payment. Linked business premiums, including reinsurance premiums, are accounted for when the liability to policyholders is established.

Investment income

Credit is taken in the profit and loss account for interest and rents on fixed interest and property investments on the accruals basis. Dividend income due on equity shareholdings is recognised once the share goes on to an ex-dividend basis. Investment income includes gains on realisation of investments. Investment income not directly connected with the carrying on of long-term insurance is included in the non-technical account.

Investment gains and losses

Investment gains and losses on investments held for linked and with-profits business are dealt with in full in the technical account and those on investments held for shareholders are dealt with in full in the non-technical account.

Realised gains and losses on investments are the difference between sale proceeds and cost. Unrealised gains and losses on investments are the movement in valuation since the date of purchase, or the last balance sheet date, whichever is later. The movement in unrealised gains and losses in investments includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

The investment gains and losses of non-linked equity investments of the non-participating business are allocated so as to reflect longer term investment return assumptions in the technical account such that the balance on the technical account transferred to the non-technical account reflects the longer term rate of investment return. Actual investment gains in excess of/less than longer term investment returns are allocated to/from the non-technical account, using the relevant transfer line in the technical account.

Claims

Claims payable on maturity are accounted for when due for payment, and claims payable on death are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision or the provision for linked liabilities.

Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

ACCOUNTING POLICIES
Continued

Bonuses

Reversionary bonuses are recognised in the technical account when declared, and terminal bonuses on payment.

Deferred acquisition costs

The costs of acquiring new insurance contracts that are incurred during a financial year but expected to be recoverable from future revenue margins are deferred. The deferred acquisition costs are determined explicitly and are disclosed as an asset in the balance sheet, gross of tax.

The deferred acquisition cost asset is amortised over the period in which the costs net of the related tax provision are expected to be recoverable out of margins in matching revenues from the related policies. The rate of amortisation is consistent with the pattern of emergence of such margins.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all non permanent timing differences that have originated but not reversed at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Valuation of assets

Listed investments and Open Ended Investment Companies are held at closing middle market value and Authorised Unit Trusts at bid value. Fixed interest securities held to match the liabilities arising from non-linked non-participating policies are held at amortised cost. Unlisted investments are at Directors' valuation. Derivative contracts are included at market value at the year end date.

Land and buildings are revalued annually, on the basis of existing use value, as assessed by qualified external valuers in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors.

ACCOUNTING POLICIES
Continued

Depreciation on fixed assets

Depreciation on fixed assets is charged in net operating expenses and is calculated on a straight line basis as follows:-

• Motor vehicles	20%
• Office furniture & fittings	12½%
• Office equipment	25%
• Computer equipment	25%
• Software and software development costs	25%

Depreciation of software development costs is deferred until the associated systems are brought into use.

Depreciation is not provided on properties occupied by the Group as the estimated residual value of all such properties is not considered to be materially different from the carrying value. All properties occupied by the Group are maintained in a sound state of repair. Accordingly, any depreciation would not be significant. The carrying value is reviewed annually for impairment.

Intangible assets

Licenses are being amortised on a straight line basis over 4 years.

Leased assets

Assets used by the Group which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors. Finance charges are allocated to accounting periods over the term of the lease by apportioning each rental payment between a finance charge and a reduction of the lease obligation. Rentals payable under operating leases are charged to the technical account as incurred.

Pension costs

The Group operates a defined benefit pension scheme funded by contributions to a separately administered fund. The Group accounts for the cost of the scheme in accordance with SSAP 24. The expected cost of pensions is provided on a systematic basis over the estimated average lives of members of the scheme. Variations arising from actuarial surpluses are spread over the average remaining service lives of members to the extent that the resulting credit does not exceed the regular cost.

Under the transitional arrangements set out in FRS 17, additional disclosures concerning the scheme are set out in note 25.

Technical provisions - Long-term business provision

The long-term business provision is determined by the Group Actuarial Director of AEGON UK plc, on behalf of the Directors, having due regard to the actuarial principles laid down in the Council Directive 92/96/EEC. The calculation for non-unitised with profits business uses the net premium valuation method and includes explicit provision for vested bonuses. Unitised with profits business is valued using the gross premium valuation method. The provision makes allowance for the anticipation of future income for unitised business but leaving a minimum provision equal to the current surrender value of policies. Further details of the methods used are given at note 21.

There is a range of possible outcomes within which each calculation will reside. The assumptions used in the calculations are dependant on the circumstances within the life operation.

Technical provisions - Linked business

Technical provisions for linked business reflect the market value of the related assets.

Fund for future appropriations

The fund for future appropriations represents amounts which have yet to be allocated to policyholders or shareholders. It is used in respect of with profits business

General reserves

General reserves comprise the capital contributions received from the parent company since the incorporation of Scottish Equitable plc.

Cash flow statement and related party transactions

No cash flow statement has been prepared under Financial Reporting Standard 1 (revised 1996) nor has any disclosure been made of transactions with entities that are part of the AEGON Group, since the results of the Group are consolidated in the financial statements of AEGON NV, the ultimate parent undertaking, which are publicly available.

GROUP PROFIT AND LOSS ACCOUNT - TECHNICAL ACCOUNT - LONG TERM BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 Group £m	£m	(as restated) see note 30 2001 Group £m	£m
Gross premiums written	1+2	3,470.5		3,396.6	
Outward reinsurance premiums		(368.9)		(389.6)	
EARNED PREMIUMS, NET OF REINSURANCE			3,101.6		3,007.0
Investment income	3		907.4		854.0
Total income			4,009.0		3,861.0
Claims paid					
- Gross		(2,077.0)		(2,038.8)	
- Reinsurers' share		84.2		111.4	
		(1,992.8)		(1,927.4)	
Change in provision for claims	21				
- Gross		8.6		(11.0)	
- Reinsurers' share		0.5		1.1	
		9.1		(9.9)	
CLAIMS INCURRED, NET OF REINSURANCE			(1,983.7)		(1,937.3)
Change in other technical provisions	21				
Long term business provision net of reinsurance					
- Gross		(205.4)		(200.9)	
- Reinsurers' share		25.8		17.6	
Technical provisions of linked business, net of reinsurance					
- Gross		645.1		385.7	
- Reinsurers' share		208.1		254.5	
CHANGE IN OTHER TECHNICAL PROVISIONS, NET OF REINSURANCE			673.6		456.9
Net operating expenses	4		(145.5)		(125.8)
Investment expenses and charges	5		(1,151.7)		(492.9)
Unrealised losses on investments			(1,790.2)		(1,891.8)
Tax attributable to long-term business	6		(21.2)		(34.1)
Investment return transferred to the non technical account			5.7		9.0
Transfer from the fund for future appropriations	19		440.7		248.4
Total charges			(3,972.3)		(3,767.6)
Balance on the long term business technical account			36.7		93.4

All of the amounts above are in respect of continuing operations. The accounting policies and notes 1 to 30 form an integral part of these financial statements.

GROUP PROFIT AND LOSS ACCOUNT - NON-TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Note	2002 Group £m		(as restated) see note 30 2001 Group £m	
Balance on the long-term business technical account		36.7		93.4	
Tax attributable to balance on the long-term business technical account		15.8		40.0	
		52.5		133.4	
Investment income	3	3.4		26.4	
Allocated investment return transferred from the long-term business technical account		(5.7)		(9.0)	
		50.2		150.8	
Investment expenses and charges	5	(1.2)		(0.2)	
Operating profit based on longer term investment return			56.8		160.2
Short term fluctuation in investment returns			(7.8)		(9.6)
Profit on ordinary activities before tax		49.0		150.6	
Tax on profit on ordinary activities	6	3.4		(39.4)	
Profit for the financial year		52.4		111.2	
Dividend paid (interim paid of 2002 - 2.24p (2001 - 0.8p) per share)		(14.0)		(5.0)	
Retained profit for the financial year		38.4		106.2	

RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDERS' FUNDS

	2002 Group £m	2002 Company £m	2001 Group £m	2001 Company £m
Profit for the financial year	52.4	71.5	111.2	86.0
Dividends paid and proposed	(14.0)	(14.0)	(5.0)	(5.0)
Retained profit for the financial year	38.4	57.5	106.2	81.0
Capital contribution received in period	710.0	710.0	425.3	425.3
Opening shareholders' funds	1,533.7	1,500.9	1,002.2	994.6
Closing shareholders' funds	2,282.1	2,268.4	1,533.7	1,500.9

All of the amounts above are in respect of continuing operations. The accounting policies and notes 1 to 30 form an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2002

	Note	2002 Group £m	2002 Company £m	(as restated) see note 30 2001 Group £m	2001 Company £m
Assets					
Investments					
Land and buildings	7	66.0	66.0	72.2	72.2
Investments in group undertakings and participating interests	8	267.3	326.3	310.3	343.9
Other financial investments	9	11,261.5	11,188.7	11,127.6	11,019.0
		11,594.8	11,581.0	11,510.1	11,435.1
Assets held to cover linked liabilities	10	9,553.6	0.9	10,406.9	1.4
Reinsurers' share of technical provisions					
Long-term business provisions	21	64.5	64.5	38.7	38.7
Claims outstanding	21	1.7	1.7	1.2	1.2
Technical provisions for linked liabilities	21	511.0	10,063.8	302.9	10,708.4
		577.2	10,130.0	342.8	10,748.3
Debtors					
Debtors arising out of direct insurance operations	11	15.8	15.8	24.1	24.1
Debtors arising out of reinsurance operations		6.0	6.0	9.9	9.9
Other debtors	12	89.3	94.5	113.0	113.7
		111.1	116.3	147.0	147.7
Other assets					
Intangible assets	13	27.0	27.0	-	-
Tangible assets	14	90.1	90.1	107.9	107.9
Cash at bank and in hand		27.8	27.5	4.3	3.9
		144.9	144.6	112.2	111.8
Prepayments and accrued income					
Accrued interest and rent		166.2	166.2	139.0	139.0
Deferred acquisition costs	15	1,377.4	1,377.4	1,124.9	1,124.9
Other prepayments and accrued income		13.5	13.6	12.4	12.4
		1,557.1	1,557.2	1,276.3	1,276.3
Total assets		23,538.7	23,530.0	23,795.3	23,720.6

The accounting policies and notes 1 to 30 form an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2002

	Note	2002 Group £m	2002 Company £m	(as restated) see note 30 2001 Group £m	2001 Company £m
Liabilities					
Capital and reserves					
Called up share capital	16	625.0	625.0	625.0	625.0
General reserves	17	1,225.3	1,225.3	515.3	515.3
Profit and loss account	17	431.8	418.1	393.4	360.6
Equity shareholders' funds		2,282.1	2,268.4	1,533.7	1,500.9
Fund for future appropriations	19	487.6	486.1	928.3	926.4
Technical provisions					
Long-term business provision	21	10,294.7	10,294.7	10,089.3	10,089.3
Claims outstanding	21	7.5	7.5	16.1	16.1
		10,302.2	10,302.2	10,105.4	10,105.4
Technical provisions for linked liabilities	21	10,064.7	10,064.7	10,709.8	10,709.8
Provision for other risks and charges	22	292.2	287.3	304.3	264.8
Creditors					
Creditors arising out of direct insurance operations		22.1	22.1	8.2	8.2
Other creditors including taxation and social security	23	36.8	48.3	157.1	156.6
		58.9	70.4	165.3	164.8
Accruals and deferred income		51.0	50.9	48.5	48.5
Total liabilities		23,538.7	23,530.0	23,795.3	23,720.6

The financial statements were approved by and on behalf of the Board of Directors and are signed on its behalf by

David A Henderson FCCA, Chairman
11 March 2003

The accounting policies and notes 1 to 30 form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

1. Gross premiums written

In the opinion of the Directors, the Group operates in a single business segment, being that of long-term insurance business.

Analysis of premiums
All premiums written relate to direct insurance from contracts concluded in the UK.

	2002 Group £m	2001 Group £m
Non-Participating		
Pensions	491.2	314.4
Life	32.1	15.5
Income Protection	23.4	9.6
	546.7	339.5
Participating		
Pensions	362.8	589.9
Life	229.7	288.2
	592.5	878.1
Linked		
Pensions	2,258.6	2,127.7
Life - UK	72.7	51.3
	2,331.3	2,179.0
	3,470.5	3,396.6
Comprising:		
Regular premiums	953.3	846.8
Single premiums	2,517.2	2,549.8
	3,470.5	3,396.6
Comprising:		
Individual business	1,838.3	2,010.9
Group contracts	1,632.2	1,385.7
	3,470.5	3,396.6

2. Gross new business premiums

	2002 Group £m	2001 Group £m
Pensions	2,125.4	2,086.6
Personal investment	271.5	307.9
Rebates	21.8	27.7
Other	38.9	35.1
	2,457.6	2,457.3
Comprising:		
Regular premiums	343.7	353.9
Single premiums	2,113.9	2,103.4
	2,457.6	2,457.3
Comprising:		
Individual business	1,676.8	1,746.6
Group contracts	780.8	710.7
	2,457.6	2,457.3

In classifying new business premiums, the basis of recognition adopted is as follows:-
- incremental increases on existing policies are classified as new business premiums;
- increments under existing group pension schemes are classified as new business premiums.

Where regular premiums are received other than annually, such premiums are included on an annualised basis.

NOTES TO THE ACCOUNTS
Continued

3. Investment income

	Group Technical account		Group Non-technical account	
	2002 £m	2001 £m	2002 £m	2001 £m
Income from investments				
Land and buildings	0.4	0.2	-	-
Other investments	907.0	853.8	3.4	26.4
	907.4	854.0	3.4	26.4
Income from listed securities included above	770.3	756.4	-	-

Longer term return on investments

(a) Assumptions

The longer term rate of return applies to investments held for non-linked non-participating policies. The longer term rate of return on equities reflects a combination of current market expectations and historical experience. This longer term rate is then applied to relevant assets held during the period by reference to the quarterly weighted average of each group of assets, after taking account of new money invested and changes in portfolio mix. The longer term rate of return on fixed income securities is calculated using the amortised cost basis, with realised gains and losses subject to continuing amortisation over the remaining period to the maturity date.

The longer term return is calculated using the following rates:

	Equities		Fixed Interest	
	2002 %	2001 %	2002 %	2001 %
UK	9.5	9.5	6.95	7.3

(b) Comparison of Actual Investment Return to Longer Term Return on investments attributable to shareholders

	1998- 2002 £m	1997-2001 £m
Actual return included in operating profit in the technical account	29.2	47.9
Longer term rate of return included in operating profit in the non-technical account	35.6	42.6
(Deficit)/Excess of actual returns over longer term returns	(6.4)	5.3

4. Net operating expenses

	Group 2002 £m	Group 2001 £m
Acquisition costs - commission	138.2	145.1
- other	193.1	170.0
Change in deferred acquisition costs (Note 15)	(252.5)	(255.9)
Administrative expenses - renewal commission	22.5	23.1
- other	47.4	47.2
Reinsurance commissions	(3.2)	(3.7)
	145.5	125.8

NOTES TO THE ACCOUNTS
Continued

(a) The amount of Directors emoluments was as follows:

	Group 2002 £'000	Group 2001 £'000
Remuneration including bonuses	1,745.2	1,740.0
Aggregate amounts receivable by Directors in respect of long term incentive schemes (other than shares and share options)	-	132.4
Aggregate emoluments	1,745.2	1,872.4

During the year 8 (2001 - 10) Directors accrued pension benefits under a defined benefit scheme.

The above includes the following amounts in respect of the highest paid Director.

	Group 2002 £'000	Group 2001 £'000
Remuneration including bonuses	311.8	311.2
Long term incentive scheme bonus receivable	-	20.7
Aggregate emoluments and amounts receivable under long term incentive schemes (other than shares and share options).	311.8	331.9

The accrued pension of the highest paid Director was £231,637 at 31 December 2002 (2001-£223,269). Directors have the choice of taking a full pension or a lump sum together with a lower residual pension. The accrued lump sum at that date was £521,183 (2001-£502,356) with a residual pension of £192,302 (2001-£185,356).

The highest paid Director did not exercise share options or receive shares under a Long Term Incentive Plan in respect of his services as a director.

Executive Directors' share options

The Directors participate in the share option scheme operated by AEGON NV, the ultimate parent undertaking, to subscribe for ordinary shares. Options were exercisable between 1 November 2000 and 31 October 2002 (for 1997 options), between 24 March 2001 and 23 March 2003 (for 1998 options) and between 6 March 2002 and 5 March 2004 (for 1999 options).

Details of options including those exercised during the period are as undernoted.

Director	Total Options at 1.1.02	Options Lapsed Date	Options Lapsed No.	Price Euro	Total Options at 31.12.02
Graham W Dumble	80,000	31/10/02	20,000	Expired	60,000
Keith G Barker	80,000	31/10/02	20,000	Expired	60,000
Maurice C Brunet	45,000	31/10/02	10,000	Expired	35,000
Roy Patrick	40,000				40,000
Otto Thoresen	60,000				60,000
Keith J Wilson	9,000				9,000

The option details of David A Henderson are disclosed in the statutory accounts of AEGON UK plc.

Options granted in 1997 were acquirable at Euro 17.36 until 31 October 2002, when they expired. Options granted in 1998 may be acquired at Euro 29.02 and those granted in 1999 may be realised at Euro 46.95 (in each case representing the equivalent price of AEGON NV's shares at the date of grant of the option).

The market price of the company's shares at 31 December 2002 was Euro 12.26. The exchange rate at 31 December 2002 was Euro 1.53 to £1.

No option rights were granted to Directors during 2002 but the Directors will participate in a bonus scheme linked to growth in the value of AEGON NV's shares over a prescribed period.

(b) Net operating expenses include:

	Group 2002 £m	Group 2001 £m
Amounts paid to Auditors and their associates		
- Remuneration for audit services	0.2	0.2
- Remuneration for other services	0.1	0.5
Depreciation		
- owned assets	27.4	20.1
- leased assets	3.2	0.5
Operating lease payments incurred		
- plant and machinery	6.7	11.9
- other	7.8	6.7

(c) The average monthly number of employees, including Executive Directors, during the year was as follows:

	Group 2002 Number	Group 2001 Number
Operations	2,912	2,824
Sales and marketing	1,072	1,045
Other	12	12
	3,996	3,881

	Group 2002 £m	Group 2001 £m
(d) The total remuneration paid to them was :		
Salaries	**107.8**	105.1
Social security costs	**8.5**	8.7
	116.3	113.8

5. Investment expenses and charges

	Group Technical account 2002 £m	Group Technical account 2001 £m	Group Non-technical account 2002 £m	Group Non-technical account 2001 £m
Net losses on the realisation of investments	**1,135.3**	475.4	**-**	-
Investment management expenses	**15.7**	16.8	**1.2**	0.2
Interest payable	**0.7**	0.7	**-**	-
	1,151.7	492.9	**1.2**	0.2

6. Taxation

	Group Technical account 2002 £m	Group Technical account 2001 £m	Group Non-technical account 2002 £m	Group Non-technical account 2001 £m
(a) Analysis of tax charge in the year				
UK Current Tax				
Current tax on income for the year	**21.9**	2.0	**16.5**	42.1
Adjustments in respect of prior years	**(10.2)**	(5.2)	**(18.2)**	-
UK taxation	**11.7**	(3.2)	**(1.7)**	42.1
Overseas tax	**6.9**	6.4	**-**	-
Total current tax charge (see note 6(b))	**18.6**	3.2	**(1.7)**	42.1
UK Deferred Tax				
Origination and reversal of timing differences	**2.6**	30.9	**(1.7)**	(2.7)
Total tax charge in the year	**21.2**	34.1	**(3.4)**	39.4

	2002 £m	2001 £m
(b) Factors affecting tax charge for the year		
Profit on ordinary activities before tax	49.0	150.6
Tax at 30% (2001 30%)	14.8	45.1
Adjustment in respect of prior years	(18.2)	-
Inter-group dividends	-	(5.7)
Deferred tax arising on short term fluctuation in investment return	1.7	2.7
Total current tax charge	(1.7)	42.1

7. Land and buildings

	Group 2002 £m	Company 2002 £m
Cost or valuation		
At 1 January	72.2	72.2
Additions	-	-
Disposals	-	-
Change in valuation	(6.2)	(6.2)
Current value		
At 31 December	66.0	66.0
Of which occupied by the Company for its own activities	66.0	66.0
Purchase price of land and buildings	51.2	42.3

The land and buildings relating to the head office building occupied by the Company is held on a freehold basis and was valued, on the basis of existing use value, at 31 December 2002 by DTZ Debenham Thorpe, an independent property valuer.

8. Investments in group undertakings and participating interests

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
Shares in fellow AEGON NV subsidiary and subsidiary undertakings	267.3	326.3	310.3	343.9

All investments are valued at lower of cost and net realisable value.

At 31 December 2002 the Company held 100% of the shares in the following principal subsidiary undertakings operating in the UK which have been consolidated in the Group Accounts. Each undertaking has only one class of share.

Name	Principal Activity	Country of Registration
Scottish Equitable (Managed Funds) Limited	Reassurance of life assurance and pension business	Scotland
Scottish Equitable Properties Limited	Property investment and management	Scotland
AEGON UK Corporate Services Limited	Management services	Scotland
Scottish Equitable Finance Limited	Finance company	Scotland
Scottish Equitable IT Services Limited	Leasing company	Scotland

9. Other financial investments

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
Shares and other variable-yield securities and units in unit trusts and open ended investment companies	**2,770.2**	**2,770.2**	4,096.9	4,096.9
Rights under derivative contracts	**110.2**	**110.2**	57.2	57.2
Debt securities and other fixed income securities	**7,562.6**	**7,514.6**	6,479.4	6,390.1
Loans secured by mortgages	**1.4**	**1.4**	57.4	57.4
Other loans:				
Loans secured by insurance policies	**13.8**	**13.8**	20.5	20.5
Loans to fellow subsidiary undertakings	**66.0**	**65.9**	63.4	63.4
Unsecured loans to fellow AEGON NV Subsidiary	**474.5**	**474.5**	-	-
Deposits with credit institutions	**242.8**	**238.1**	352.8	333.5
	11,261.5	**11,188.7**	11,127.6	11,019.0

Deposits with credit institutions include all interest-bearing deposits where there are any time restrictions on withdrawal. The excess of market value over amortised cost of fixed income securities included above was £66.7m for the Group (2001 £28.2m).

Included in units in unit trusts and open ended investment companies is £117.9m (2001 - £150.9m) managed by fellow subsidiary undertakings of AEGON UK plc

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
The purchase price of the following financial investments were:				
Shares and other variable-yield securities and units in unit trusts and open ended investment companies	**3,219.9**	**3,219.9**	3,767.3	3,767.3
Debt securities and other fixed income securities	**6,958.8**	**7,028.9**	6,119.2	6,057.1
Other financial investments include:				
Listed investments	**10,303.8**	**4,204.0**	10,434.6	10,331.4

Fixed income securities attributable to long term business, in the non-linked non-participating Fund, which are amortised over the period to redemption date are:

Group and Company

Purchase Price		Market Value		Amortised Cost		Redemption value		Excess/(Deficit) of Redemption value over Amortised Cost	
2002 £m	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
800.3	671.3	**865.3**	702.1	**798.6**	664.2	**760.4**	647.2	**(38.2)**	(17.0)

10 Assets held to cover linked liabilities

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
Assets held to cover linked liabilities - at market value	**9,553.6**	**0.9**	10,406.9	1.4
Purchase price of investments included under assets held to cover linked liabilities	**10,603.3**	**0.9**	10,145.4	1.4

Included in the market value of assets held to cover linked liabilities is £136.7m (2001 - £394.4m) invested in open ended investment companies and unit trusts managed by fellow subsidiary undertakings of AEGON UK plc.

11. Debtors arising out of direct insurance operations

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
Amounts owed by policyholders	15.8	15.8	24.1	24.1

12. Other debtors

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
Investments sold for subsequent settlement	31.2	31.2	36.0	36.0
Other debtors	17.9	14.5	45.1	56.3
Tax recoverable	1.2	1.2	20.6	1.2
Amounts owed by other AEGON UK group companies	39.0	0.4	11.3	0.3
Amounts owed by subsidiary undertakings	-	47.2	-	19.9
	89.3	94.5	113.0	113.7

13. Intangible assets

	Group and Company Licences £m	Total £m
Cost		
At beginning of year	-	-
Additions	**27.0**	**27.0**
Disposals	-	-
At end of year	**27.0**	**27.0**
Amortisation		
At beginning of year	-	-
Charge for year	-	-
On disposals	-	-
At end of year	-	-
Net book value		
At 31 December 2002	**27.0**	**27.0**
At 31 December 2001	-	-

14. Tangible assets

	Group and Company			
	Motor vehicles £m	Fixtures, fittings and equipment £m	Computer Equipment and Software £m	Total £m
Cost				
At beginning of year	14.4	43.1	92.5	150.0
Additions	4.8	6.6	29.7	41.1
Disposals	(4.2)	-	(27.0)	(31.2)
At end of year	15.0	49.7	95.2	159.9
Depreciation				
At beginning of year	4.6	20.6	16.9	42.1
Charge for year	3.3	5.7	21.6	30.6
On disposals	(2.9)	-	-	(2.9)
At end of year	5.0	26.3	38.5	69.8
Net book value				
At 31 December 2002	10.0	23.4	56.7	90.1
At 31 December 2001	9.8	22.5	75.6	107.9
Net book value of assets held under finance leases included above	-	0.6	-	0.6

15. Deferred acquisition costs

	Group and Company 2002 £m	Group and Company 2001 £m
At beginning of year	1,124.9	869.0
Net change in deferred acquisition costs (Note 4)	252.5	255.9
At end of year	1,377.4	1,124.9

16. Called up share capital

	Group and Company 2002 £m	Group and Company 2001 £m
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	625.0	625.0

17. Profit and loss account and reserves

	Profit and loss account		General reserves
	Group 2002 £m	Company 2002 £m	Group & Company 2002 £m
At beginning of year	393.4	360.6	515.3
Profit for the year	52.4	71.5	-
Dividend paid	(14.0)	(14.0)	-
Capital contributions	-	-	710.0
	431.8	418.1	1,225.3

The Company received capital contributions of £65m, £170m and £475m to provide capital support and for investment into a fellow subsidiary company of AEGON NV.

18. Post balance sheet events

On 4 February 2003, having received repayment of a loan to a fellow subsidiary company of AEGON NV, the company made a capital contribution of £463m to Scottish Equitable Finance Limited. On the same day, Scottish Equitable Finance Limited acquired redeemable preference shares in Transamerica Occidental Life Insurance Company, another fellow subsidiary undertaking of AEGON NV. The transaction realised a loss on foreign currency exchange of £12m.

19. Fund for future appropriations

	Group 2002 £m	Company 2002 £m
At beginning of year	928.3	926.4
Transfer to technical account	(440.7)	(440.3)
	487.6	486.1

20. Bonuses

The total bonuses attributable to the year are as follows:-	Group & Company 2002 £m	Group & Company 2001 £m
Period end declared bonuses, included in movement in long term business provision	221.5	220.4
Interim and terminal bonuses, included in claims paid	52.9	81.8
	274.4	302.2

21. Technical provisions

	Long-term business provision £m	(as restated) see note 30 Technical provisions for linked liabilities £m	(as restated) see note 30 Total £m	Claims outstanding £m
GROUP				
Gross amount				
Balance at beginning of year	10,089.3	10,709.8	20,799.1	16.1
Movement from/(to) the long-term business technical account	205.4	(645.1)	(439.7)	(8.6)
Balance at end of year	10,294.7	10,064.7	20,359.4	7.5
Reinsurers' share				
Balance at beginning of year	(38.7)	(302.9)	(341.6)	(1.2)
Movement to the long-term business technical account	(25.8)	(208.1)	(233.9)	(0.5)
Balance at end of year	(64.5)	(511.0)	(575.5)	(1.7)
Net movement from/(to) the long-term business technical account	179.6	(853.2)	(673.6)	(9.1)
COMPANY				
Gross amount				
Balance at beginning of year	10,089.3	10,709.8	20,799.1	16.1
Movement from/(to) the long-term business technical account	205.4	(645.1)	(439.7)	(8.6)
Balance at end of year	10,294.7	10,064.7	20,359.4	7.5
Reinsurers' share				
Balance at beginning of year	(38.7)	(10,708.4)	(10,747.1)	(1.2)
Movement from/(to) the long-term business technical account	(25.8)	644.6	618.8	(0.5)
Balance at end of year	(64.5)	(10,063.8)	(10,128.3)	(1.7)
Net movement from/(to) the long-term business technical account	179.6	(0.5)	179.1	(9.1)

In calculating the provision a material judgement is required, particularly through the choice of assumption underlying the valuation of liabilities where discretion is required to be exercised.

The principal assumptions underlying the calculations of the technical provisions were as follows:

Unitised business (unit-linked & unitised with profits)

The provision is equal to the sum of:-

(a) The surrender value of each policy.
(b) A reserve to ensure that no valuation strains will arise in future (including allowance for future expenses).
(c) An additional reserve when the yield on the backing assets is insufficient to cover any rate of guaranteed fund growth, with an allowance for an element of future reversionary bonus.

Deferred annuities & guaranteed annuity options

The annuitant mortality assumption post-vesting is 75% of PMA/PFA92 ultimate (C=2020). The pre-vesting mortality assumption is 80% of AM92/AF92 ultimate.

The provisions in respect of guaranteed annuity options are a prudent assessment of the additional liability incurred under the option on a basis and method consistent with that used to value basic policy liabilities, and includes a prudent assessment of the proportion of policyholders who will choose to exercise the option.

Non-profit business

Pension annuities
For pension annuities written before 1 January 1994, the provision is calculated as the present value of future annuity payments plus an allowance for future expenses. The mortality assumption is derived from a (90) ultimate, with deductions from this table of 6.3 years (males) and 4.5 years (females).

For pension annuities written after 31 December 1993, the provision is calculated as the present value of future annuity payments plus an allowance for future expenses.

Immediate annuity business

Period	Mortality assumption
After 31 December 1993 but before 31 December 2000	96% of PMA/PFA92 ultimate (C=2020)
After 31 December 2000 but before 31 December 2001	92.3% of PMA/PFA92 ultimate (C=2020)
After 31 December 2001 but before 31 December 2002	85% of PMA/PFA92 ultimate (C=2020)

With-profits business

Provisions are calculated using an unzillmerised net premium valuation. The mortality assumption is 80% of AM/AF92 ultimate. The valuation interest rates used are 4.25% (life) and 5.3% (pensions).

Bonuses

An explicit provision is made in the long-term business provision for vested bonuses under all with-profits policies and future bonuses under unitised with-profits policies. Under traditional with-profits policies an implicit provision is made for future bonuses within the valuation rates of interest.

22. Provision for other risks and charges

Provision for deferred taxation

	Group 2002 £m	Company 2002 £m
Balance at beginning of year	304.3	264.8
Charge for the year non-technical account	(1.7)	(1.7)
Charge for the year technical account	2.6	22.5
Transfer to linked liabilities	(14.7)	-
Other	1.7	1.7
	292.2	287.3

The potential liability for deferred tax provided in the financial statements is as follows:

	Group 2002 £m	Company 2002 £m
Deferred acquisition costs and other disclosure adjustments	344.6	344.6
Unit trust and open ended investment company deemed gains	4.9	0.0
	349.5	344.6
Less:		
Accelerated relief on capital allowances	(8.4)	(8.4)
Tax relief on UK statutory acquisition expenses	(27.0)	(27.0)
Tax relief on prior year losses brought forward	(21.9)	(21.9)
	292.2	287.3

23. Creditors

	Group 2002 £m	Company 2002 £m	Group 2001 £m	Company 2001 £m
Other creditors including taxation and social security				
Taxation & social security	18.3	18.3	41.4	40.2
Investments purchased for subsequent settlement	2.4	2.4	60.1	60.1
Obligations under finance lease (Note 24)	0.5	0.5	1.1	1.1
Other	15.6	27.1	54.5	55.2
	36.8	48.3	157.1	156.6

24. Capital commitments and contingent liabilities

a) As at 31 December 2002, there were no future capital commitments. There were no contracts for capital expenditure for which no provision had been made in the accounts:

b) Annual commitments under non-cancellable operating leases are as follows:

Land and buildings

	Group 2002 £m	Group 2001 £m
Operating leases which expire:		
Within one year	0.3	0.3
Between one and five years	1.5	1.1
In more than five years	5.4	5.9
	7.2	7.3

Other

Operating leases which expire:		
Within one year	0.8	3.7
Between one and five years	1.5	1.3
In more than five years	-	-
	2.3	5.0

c) Annual commitments under finance leases are as follows:

The future minimum lease payments to which the Company and Group was committed as at the year end under finance leases were as follows:

	Group 2002 £m	Group 2001 £m
Finance leases which expire:		
Within one year	0.5	0.7
Between one and five years	-	0.5
In more than five years	-	-
	0.5	1.2
Less: Finance charges allocated to future periods	-	(0.1)
	0.5	1.1

d) Pension transfers and opt-outs

The Financial Services Authority (FSA) has required its members to undertake a review of certain pension transfer and opt-out business in the light of concerns being raised about poor selling practices in the industry.

It is not anticipated that the Group, which sells predominantly through IFA's, will incur any material liability pursuant to that review arising, directly, from its own business activities. The review may,however, result in further claims being made in 2003 and beyond under the Financial Services Compensation Scheme and, if so, the Group is required, to contribute levies to meet the costs thereby arising. Any costs are met from expense allowances within the technical provisions, and accounted for as incurred.

e) Contingent liabilities

Current actions have been raised against the Company by Royal Scottish Assurance plc for claims totalling £56.9m arising from a joint venture agreement entered into during 1990. The Directors consider that no provision need be made in the with profits sub-fund (where the liability would arise) on the basis that, although the court action is at an early stage, no material liability is likely to arise.

25. Pension costs

Composition of the scheme

a) The Group operates a defined benefit scheme in the UK, providing benefits for staff based on final pensionable salary. The scheme includes employees in other AEGON UK companies which are not members of the Group. The Group is unable to identify the share of underlying assets and liabilities of the individual employees within the scheme, and consequently the disclosures below relate to the AEGON UK scheme as a whole, on the basis that the group is the principal employer. Contributions to the scheme are calculated on a basis which spreads the pension cost over the anticipated average service lives of scheme members. The assets of the scheme are held in policies effected with Scottish Equitable plc. The contributions are based on actuarial advice. The most recent formal valuation of the scheme at 31 March 2001 was carried out by a qualified actuary using the projected unit method. Contributions at the rate of 14% have commenced with effect from 1 January 2003.

b) For SSAP 24 accounting purposes, the most recent triennial valuation as at 31 March 2001 showed that the market value of the scheme's assets was £327.3m. The scheme was undertaking a contribution holiday which commenced in September 1995. The regular pension cost for the period is offset by £15.6m (2001 - £19.8m) in respect of the amortisation of experience surpluses, that are being recognised over 11 years, the average remaining service lives of employees. This offsets the regular costs, therefore pension costs for the period were £nil (2001 £nil). The contributions are based on actuarial advice. The level of contributions and the pension cost was based on the advice of Mercer Human Resource Consulting Limited, Consulting Actuaries.

The assumptions used to determine the pension cost which had the most significant effect on the value placed on the liabilities were:-

(i)	long term rate of return	-	6.75%
(ii)	future salary increases	-	4.5%
(iii)	future pension increases	-	2.5%

The notes above and the pension costs used in these accounts comply with the current pension cost accounting standard SSAP 24.

c) The transitional arrangements in Financial Reporting Standard 17, Retirement Benefits, require disclosure of the following information about the Schemes and the changes that would have been made to the financial statements. The disclosures below do not allow for the effect of the deferred acquisition costs.

The major assumptions used by the actuary, using the projected unit method, at 31 December 2002 were (in nominal terms):

	Year to 31/12/2002	Year to 31/12/2001
Rate of increase in salaries	4.25%	4.25%
Rate of increase of pensions in payment	2.25%	2.25%
Discount rate	5.60%	6.00%
Inflation assumption	2.25%	2.25%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31/12/2002	Value at 31/12/2002 £m	Long-term rate of return expected at 31/12/2001	Value at 31/12/2001 £m
Equities	7.6%	187.7	8.0%	247.9
Corporate / Overseas	5.6%	23.2	6.0%	14.4
Gilts	4.6%	11.1	5.0%	26.7
Other	4.0%	15.2	4.0%	19.4
Total market value of assets		237.2		308.4
Actuarial value of liability		(353.6)		(296.6)
Recoverable (deficit) / surplus in the schemes		(116.4)		11.8
Related deferred tax (liability) / asset		34.9		(3.5)
Net pension (liability) / asset		(81.5)		8.3

If the above pension liability was recognised in the financial statements, the group's net assets and profit and loss reserve would be as follows:

	At year-end 31/12/02 £m	At year-end 31/12/01 £m
Net assets excluding pension asset	2,282.1	1,533.7
Pension (liability) / asset	(81.5)	8.3
Net Assets including pension (liability) / asset	2,200.6	1,542.0

	At year-end 31/12/02 £m	At year-end 31/12/01 £m
Profit and loss reserve excluding pension asset	431.8	393.4
Pension reserve	(81.5)	8.3
Profit and loss reserve	350.3	401.7

NOTES TO THE ACCOUNTS
Continued

25. Pension costs continued

Analysis of the amount charged to operating profit

	Year to 31/12/2002 £m
Service cost	21.3
Past service cost	-
Total operating charge	21.3

Analysis of net return on pension scheme

	Year to 31/12/2002 £m
Expected return on pension scheme assets	22.5
Interest on pension scheme liabilities	(18.2)
Net return	4.3

Analysis of amount recognised in statement of total recognised gains and losses (SRTGL)

	Year to 31/12/2002 £m
Actual return less expected return on assets	(85.7)
Experience gains and losses on liabilities	10.7
Changes in assumptions	(36.2)
Net gain / (loss) recognised	(111.2)

Movement in surplus during the year

	Year to 31/12/2002 £m
Surplus in scheme at beginning of year	11.8
Movement in year:	
(Current service cost)	
Net returns on assets/(interest cost)	(21.3)
Actuarial gain/(loss)	4.3
(Deficit) in scheme at end of year	(111.2)
	(116.4)

An update of the Scheme's funding position was carried out at 31 March 2002 and the results rolled forward to 31 December 2002. During the year to 31 December 2002, the surplus of £12 million (at 31 December 2001) has changed to a deficit of £116 million. It has been agreed with the Trustees that contributions at a rate of 14% of Pensionable Salaries will begin from 1 January 2003.

History of experience gains and losses

	Year to 31/12/2002 £m
Difference between expected and actual return on scheme assets:	
Amount (£ million)	(85.7)
Percentage of scheme assets	-36%
Experience gains and losses on scheme liabilities:	
Amount (£ million)	10.6
Percentage of scheme liabilities	3%
Total amount recognised in statement of total recognised gains and losses:	
Amount (£ million)	(111.3)
Percentage of scheme liabilities	-31%

26. Loans to Directors

Loans to Directors granted on normal terms offered to staff, were as follows:

	At 31 December 2002 £	Highest amount in 2002 £	At 31 December 2001 £
David A Henderson	-	89,000	89,000
Keith G Barker	-	89,138	89,138
Maurice C Brunet	-	74,500	74,500
Graham W Dumble	-	40,000	40,000
Roy Patrick	-	40,000	40,000
Otto Thoresen	-	190,000	190,000

As at 31 December 2002 the Directors did not have any loan obligation to the Company.

27. Related party transactions

In accordance with the exemption granted under Financial Reporting Standard 8, Related Party Disclosures, the Company does not disclose transactions with other Group companies and investees of the Group qualifying as related parties.

28. Immediate parent undertaking

All the issued share capital of the Company is held by Scottish Equitable Holdings Limited (the immediate parent undertaking of the Company).

29. Ultimate parent undertaking

The results of the Company are consolidated in the accounts of AEGON NV, the ultimate parent undertaking, which is incorporated in the Netherlands. Copies of the consolidated accounts of AEGON NV are available to the public and may be obtained from The Company Secretary, AEGON UK plc, AEGON House, Edinburgh Park, Edinburgh, EH12 9XX.

30 Prior year adjustments

In preparing the financial statements for the period to 31 December 2002 the accounting for a number of reinsurance arrangements has been revised to reflect more clearly the substance of the underlying transactions. The arrangements, which had previously been accounted for as investment management contracts, arose from the extension of the range of external funds available for policyholders to invest in. The reinsurance arrangements are in the name of Scottish Equitable plc rather than Scottish Equitable (Managed Funds) Limited and are in the process of being novated to Scottish Equitable (Managed Funds) Limited. The arrangements have been treated in these accounts as if the novation had taken place. The Directors believe this represents the substance of the transactions.

The restatement of the prior year financial statements does not give rise to a change in the balance on the long term technical account, or the profit for the period, but has increased outwards reinsurance premiums by £278.3 million, reduced unrealised losses on investments by £11.0 million and reduced claims net of reinsurance by £12.8 million; a compensating adjustment has been made to the technical provisions. The restatement has also resulted in a reduction in Assets held to cover linked liabilities of £302.9 million. a corresponding increase has been made to the reinsurers' share of technical provisions.