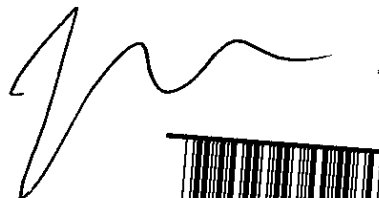


**THE SCOTTISH LIFE
GUARANTEE COMPANY LIMITED**

**Report and Accounts for the year
ended 31 December 1999**

50741



THE SCOTTISH LIFE GUARANTEE COMPANY LIMITED

NOTICE IS HEREBY GIVEN

that the Twenty-eighth Annual General Meeting of the Company will be held within 19 St Andrew Square, Edinburgh on 6 March 2000 at 2.15 p.m. Under the provisions of Section 369 of the Companies Act 1985 the shareholders have consented to the calling of the Meeting at less than twenty-one days' notice.

AGENDA

- To receive and consider the Report by the Directors
and Statement of Accounts for the year ended 31 December 1999.
- To re-appoint KPMG Audit Plc as auditor.
- To transact any other ordinary business.

A member entitled to attend and vote at a meeting may appoint a proxy to attend and vote in his stead. The proxy need not be a member of the Company.



David C Dunn

Secretary

6 March 2000

19 St Andrew Square
EDINBURGH
EH2 1YE

THE SCOTTISH LIFE GUARANTEE COMPANY LIMITED

Directors & Officials

Directors

Chairman

Brian J Duffin, FFA

Ruaridh M Budge, FFA

James Gilchrist

Secretary

David C Dunn, CA

Auditor

KPMG Audit Plc,
Saltire Court,
20 Castle Terrace,
Edinburgh,
EH1 2EG.

Head Office

19 St Andrew Square,
Edinburgh, EH2 1YE.

Registered in Scotland No. 50741

**Report by the directors
For the year ended 31 December 1999**

The directors have pleasure in submitting their Report and Accounts for the year ended 31 December 1999.

Dividend

The directors recommend that no dividend be paid and that the loss of £3 (1998 £1) be transferred to the Profit and Loss Account.

Business activities

The Company is an insurance company conducting credit insurance business only. No new business is being written and no new business is intended to be written. The Company is a wholly owned subsidiary of The Scottish Life Assurance Company, which is registered in Scotland.

Year 2000 systems conversion

The Company makes use of computer systems operated by its parent undertaking. Details of these systems are disclosed in the financial statements of the parent undertaking, The Scottish Life Assurance Company.

Directors

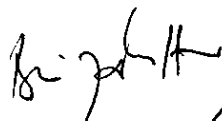
The present directors are shown on page 2 and all held office throughout the period covered by this Report.

The directors and their families had no beneficial interest in the Share Capital of the Company during the period.

Auditor

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Brian J Duffin

Chairman

EDINBURGH, 6 March 2000

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the statement of auditor's responsibilities on page 5, is made with a view to distinguishing for members the respective responsibilities of the directors and of the auditor in relation to the accounts.

The directors are required by Company Law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing the accounts the directors are responsible for ensuring that the Company has used accounting policies which they consider to be appropriate, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the accounts. The directors are required to use a going concern basis in preparing the accounts unless this is inappropriate.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**Auditor's report to the members of
The Scottish Life Guarantee Company Limited**

We have audited the accounts on pages 6 to 9.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 4, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditor, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 company is not disclosed.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
6 March 2000

Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Profit and Loss Account: Technical Account - General Business
For the year ended 31 December 1999

	Note	1999 £	1998 £
Earned Premiums	2	<u>117</u>	<u>163</u>
Balance on the technical account for general business		<u>117</u>	<u>163</u>

Profit and Loss Account: Non-Technical Account
For the year ended 31 December 1999

	1999 £	1998 £
Balance on the technical account for general business	117	163
Interest receivable	<u>40</u>	<u>66</u>
Operating profit	157	229
Administrative expenses	<u>160</u>	<u>230</u>
Loss on ordinary activities before tax	(3)	(1)
Taxation	—	—
Loss for the financial year after tax	<u>(3)</u>	<u>(1)</u>
Balance at 1 January	464	465
Loss for the financial year	<u>(3)</u>	<u>(1)</u>
Balance at 31 December	<u>461</u>	<u>464</u>

The Company has no recognised gains or losses other than the result for the period as reported above.

The operating profit is derived solely from continuing operations.

The notes on pages 8 and 9 form an integral part of these accounts.

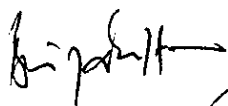
THE SCOTTISH LIFE GUARANTEE COMPANY LIMITED

Balance sheet
As at 31 December 1999

	Note	1999 £	1998 £
CURRENT ASSETS			
Other assets			
Cash at bank and in hand		<u>100,858</u>	<u>101,048</u>
Total Assets		<u><u>100,858</u></u>	<u><u>101,048</u></u>
LIABILITIES			
Capital and reserves			
Called up Share Capital			
Authorised, Issued and Fully Paid			
100,000 Ordinary Shares of £1 each		100,000	100,000
Profit and Loss Account		<u>461</u>	<u>464</u>
		<u><u>100,461</u></u>	<u><u>100,464</u></u>
Technical Provisions			
Provision for Unearned Premiums	2	<u>237</u>	<u>354</u>
Creditors due within one year			
Due to Parent Undertaking		<u>160</u>	<u>230</u>
Total Liabilities		<u><u>100,858</u></u>	<u><u>101,048</u></u>

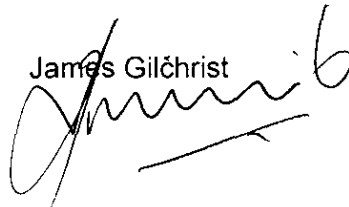
Approved by the Board of Directors on 6 March 2000

Signed on behalf of the Board of Directors



Brian J Duffin

Chairman



James Gilchrist

Director

The notes on pages 8 and 9 form an integral part of these accounts.

Notes to the Accounts

1. Principal accounting policies

Basis of presentation

The accounts have been prepared in accordance with applicable Accounting Standards and in compliance with Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and comply with the statement of recommended practice issued by the Association of British Insurers.

Interest receivable

Credit is taken in the Profit and Loss Account for interest on the basis of amounts receivable in the financial year. Full credit is taken for accrued interest on fixed deposits.

Provision for unearned premiums

The amount of unearned premiums is calculated by taking that proportion of each single premium net of commission and expenses of management which the unexpired term of the risk, measured to the higher integer, bears to the original term of the risk. The twenty-fourths method has not been adopted since it is appropriate to annual contracts only.

2. Provision for unearned premiums

	1999	1998
	£	£
Provision for unearned premiums brought forward at 1 January	354	517
Provision for unearned premiums carried forward at 31 December	<u>237</u>	<u>354</u>
Earned premiums for the year	<u>117</u>	<u>163</u>

3. Auditor's remuneration

The auditor's remuneration for the statutory audit amounted to £1,450 (1998 £1,550). These costs are met by the parent undertaking.

4. Directors' emoluments

The Chairman and directors receive neither fees nor other emoluments from the Company.

Notes to the accounts

5. Reconciliation of movements in shareholders' funds

	1999	1998
	£	£
Net loss for year	(3)	(1)
Opening shareholders' funds	<u>100,464</u>	<u>100,465</u>
Closing shareholders' funds	<u>100,461</u>	<u>100,464</u>

6. Cash flow statement

No cash flow statement has been prepared under Financial Reporting Standard 1 (amended) as the results of the Company are consolidated in the accounts of The Scottish Life Assurance Company, the ultimate parent undertaking, which is exempt from the requirement to prepare a cash flow statement.

7. Related parties

As a wholly owned subsidiary of The Scottish Life Assurance Company, advantage has been taken of the exemption granted by Financial Reporting Standard 8, Related Party Disclosures, not to report all details of transactions with entities which are more than 90% controlled by a common parent undertaking.

8. Parent undertaking

The Company's ultimate parent undertaking is The Scottish Life Assurance Company which is registered in Scotland. Copies of the group accounts can be obtained from 19 St Andrew Square, Edinburgh, EH2 1YE.