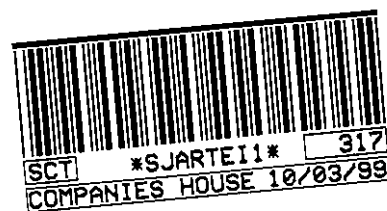


# SCOTTISH LIFE FINANCE PLC

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Report and Accounts for the year  
ended 31 December 1998

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SCOTTISH LIFE FINANCE PLC

NOTICE IS HEREBY GIVEN

that the Second Annual General Meeting of the Company will be held within 19 St Andrew Square, Edinburgh, on 2 March 1999 at 9.50 a.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 to 31 December 1998.

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.



D C Dunn

Secretary

2 March 1999

19 St Andrew Square  
EDINBURGH  
EH2 1YE

# SCOTTISH LIFE FINANCE PLC

## **Directors & Officials**

### **Directors**

Chairman

B J Duffin FFA

J Gilchrist

R M Budge FFA

Secretary

D 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.169821

**Report by the directors  
For the year ended 31 December 1998**

The directors have pleasure in submitting their Report and Accounts for the year ended 31 December 1998.

**Business activities**

The Company provides finance to The Scottish Life Assurance Company in the form of proceeds from the issue of £125,000,000 9% Undated Subordinated Guaranteed Bonds.

**Directors**

The present directors are shown on page 2, and all held office throughout the period covered by this Report. Mr G M Murray was a director until he retired on 31 December 1998.


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

**Year 2000 systems conversion**

The Company makes use of computer systems operated by its parent undertaking. Details of the project established to determine the extent of the year 2000 issue, including results of testing to date, and programmes implemented to address key areas of risk are disclosed in the financial statements of the parent undertaking, The Scottish Life Assurance Company.

**Auditor**

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



By Order of the Board

D C Dunn

Secretary

EDINBURGH, 2 March 1999

**Statement of directors' responsibilities**

The following statement, which should be read in conjunction with the auditor's 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 and of the profit or loss of the Company 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  
Scottish Life Finance Plc**

We have audited the accounts on pages 6 to 10.

**Respective responsibilities of directors and auditor**

As described on page 4 the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

**Basis of 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 the Company affairs as at 31 December 1998 and of its result 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  
2 March 1999

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**SCOTTISH LIFE FINANCE PLC**

**Profit and Loss Account  
For the year ended 31 December 1998**

		Year to 31 December 1998	Period from 7 November 1996 to 31 December 1997
	Note	£'000	£'000
Interest receivable	4	11,250	12,281
Interest payable	5	(11,250)	(12,281)
Profit on ordinary activities before tax		—	—
Taxation		—	—
Retained profit for year		—	—

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

The above result is derived solely from continuing operations.

The notes on pages 8 to 10 form an integral part of these accounts.

**SCOTTISH LIFE FINANCE PLC**

**Balance Sheet  
As at 31 December 1998**

	<b>Note</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
<b>Fixed assets</b>			
Investment			
Loan to parent undertaking		<u>125,000</u>	<u>125,000</u>
<b>Current assets</b>			
Amount due by parent undertaking		1,031	1,031
Cash at bank and in hand		<u>50</u>	<u>50</u>
		<u>1,081</u>	<u>1,081</u>
<b>Creditors : Amounts falling due within one year</b>			
Other creditors		<u>1,031</u>	<u>1,031</u>
<b>Net current assets</b>		<u>50</u>	<u>50</u>
<b>Total assets less current liabilities</b>		125,050	125,050
<b>Creditors : Amounts falling due after more than one year</b>			
Subordinated Guaranteed Bonds	6	<u>125,000</u>	<u>125,000</u>
		<u>50</u>	<u>50</u>
<b>Capital and reserves</b>			
Called up share capital	7	<u>50</u>	<u>50</u>

Approved by the Board of Directors on 2 March 1999

Signed on behalf of the Board of Directors

Brian J Duffin  Chairman

J Gilchrist  Director

The notes on pages 8 to 10 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 the provisions of Section 226 and Schedule 4 to the Companies Act 1985. The accounts have also been prepared in accordance with applicable accounting standards and under historical cost accounting rules.

**Investment income**

Credit is taken in the profit and loss account for interest due and receivable in the financial year.

**2. Auditor's remuneration**

The auditor's remuneration for the statutory audit amounted to £550 (1997 £500). This cost is met by the parent undertaking.

**3. Directors' emoluments**

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

**4. Interest receivable**

	<b>Year to 31 December 1998 £'000</b>	<b>Period from 7 November 1996 to 31 December 1997 £'000</b>
Interest receivable on loan to parent undertaking	<u>11,250</u>	<u>12,281</u>

**5. Interest payable**

	<b>Year to 31 December 1998 £'000</b>	<b>Period from 7 November 1996 to 31 December 1997 £'000</b>
Undated Subordinated Guaranteed Bonds	<u>11,250</u>	<u>12,281</u>

**Notes to the Accounts**

**6. Subordinated Guaranteed Bonds**

The £125,000,000 9% Undated Subordinated Guaranteed Bonds are guaranteed on a subordinated basis by The Scottish Life Assurance Company, and bear interest which is payable annually on 28 November.

<b>7. Share capital</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
Authorised:		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid:		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

**8. Reconciliation of movement in shareholders' funds**

	<b>Year to 31 December 1998 £'000</b>	<b>Period from 7 November 1996 to 31 December 1997 £'000</b>
Result for year	-	-
Opening shareholders' funds	<u>50</u>	<u>50</u>
Closing shareholders' funds	<u>50</u>	<u>50</u>

**9. 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.

**10. Segmental reporting**

As all business relates to the provision of finance to The Scottish Life Assurance Company in the United Kingdom, exemption from Statement of Standard Accounting Practice 25, Segmental Reporting, has been taken.

**Notes to the Accounts**

**11. 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.

**12. 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.