

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Annual FSA Insurance Returns for the year ended

31 December 2010

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

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Statement of solvency - long-term insurance businessName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	3 COLL (S)	GL	31	12	2010	£000
					As at end of this financial year	As at end of the previous year
					1	2

Capital resources

Capital resources arising within the long-term insurance fund	11	203219	168261
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13	203219	168261

Guarantee fund

Guarantee fund requirement	21	8083	7942
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	195136	160319

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31	24250	23826
Resilience capital requirement	32		
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	24250	23826
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	24250	23826
Excess (deficiency) of available capital resources to cover 50% of MCR	37	191094	156348
Excess (deficiency) of available capital resources to cover 75% of MCR	38	185031	150392

Enhanced capital requirement

With-profits insurance capital component	39	82112	62791
Enhanced capital requirement	40	106362	86617

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41	106362	86617
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42	96857	81644

Contingent liabilities

Quantifiable contingent liabilities in respect of long-term insurance business as shown in a supplementary note to Form 14	51		
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Covering Sheet to Form 2

Name of insurer

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Global business

Financial year ended

31 December 2010

.....
Director

.....
Director

.....
Director

Date

.....

Components of capital resources

Name of insurer

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Global business

Financial year ended

31 December 2010

Company registration number	GL/UK/CM	day	month	year	Units	
R3	3 COLL (S)	GL	31	12	2010	£000
	General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
	1	2	3	4		

Core tier one capital

Permanent share capital	11				
Profit and loss account and other reserves	12				
Share premium account	13				
Positive valuation differences	14		96229	96229	76034
Fund for future appropriations	15		106990	106990	92227
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		203219	203219	168261

Tier one waivers

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

Other tier one capital

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

Total tier one capital before deductions (19+24+25+26+27+28)	31		203219	203219	168261
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				
Total tier one capital after deductions (31-37)	39		203219	203219	168261

Components of capital resources

Name of insurer

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	3 COLL (S)	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year			Total as at the end of the previous year
		1	2	3			4

Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	41				
Perpetual non-cumulative preference shares excluded from line 25	42				
Innovative tier one capital excluded from line 27	43				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	44				
Perpetual cumulative preference shares	45				
Perpetual subordinated debt and securities	46				
Upper tier two capital in related undertakings	47				
Upper tier two capital (44 to 47)	49				

Fixed term preference shares	51				
Other tier two instruments	52				
Lower tier two capital in related undertakings	53				
Lower tier two capital (51+52+53)	59				

Total tier two capital before restrictions (49+59)	61				
Excess tier two capital	62				
Further excess lower tier two capital	63				
Total tier two capital after restrictions, before deductions (61-62-63)	69				

Components of capital resources

Name of insurer

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units
R3	3 COLL (S)	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72		203219	203219	168261
Inadmissible assets other than intangibles and own shares	73				
Assets in excess of market risk and counterparty limits	74				
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79		203219	203219	168261

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81		203219	203219	168261
Available capital resources for 50% MCR requirement	82		203219	203219	168261
Available capital resources for 75% MCR requirement	83		203219	203219	168261

Financial engineering adjustments

Implicit items	91				
Financial reinsurance - ceded	92				
Financial reinsurance - accepted	93				
Outstanding contingent loans	94				
Any other charges on future profits	95				
Sum of financial engineering adjustments (91+92-93+94+95)	96				

Analysis of admissible assetsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	3 COLL (S)	GL	31	12	2010	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings				11		4215	4215

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	2800	1914
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41	2906	2476	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	554552	542521	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	10150	16833
	Other	46	305	291
Variable interest securities	Approved	47		
	Other	48		
Participation in investment pools	49			
Loans secured by mortgages	50	220	350	
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52	66	87	
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	33	33
	More than one month withdrawal	55	31750	36763
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58	4050	5313
	Property linked	59	148946	90147

Analysis of admissible assetsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets
R13	3 COLL (S)	GL	31	12	2010	£000
					10	
					As at end of this financial year	As at end of the previous year
					1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	36	316
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75		
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78	11752	9573
	due in more than 12 months	79		

Other assets

Tangible assets	80	899	465
Deposits not subject to time restriction on withdrawal with approved institutions	81	21678	29011
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	1687	1659
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	796045	741967
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Analysis of admissible assetsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	3 COLL (S)	GL	31	12	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	796045	741967
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		1760
Capital resources requirement deduction of regulated related undertakings	94	1184	287
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98	743	917
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100	6695	6857
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	804667	751788
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

Long term insurance business liabilities and marginsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Summary**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	580386	564694	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	202337	168261	
Long term insurance business fund carried forward (11 to 13)	14	782723	732955	
Claims outstanding	Gross	15	11856	9506
	Reinsurers' share	16		
	Net (15-16)	17	11856	9506
Provisions	Taxation	21		
	Other risks and charges	22	6	95
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	81	41
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	182	150
	Other	38	668	880
Accruals and deferred income	39	1574	1304	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	14367	11976	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	797090	744931	

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	145577	84867

Total liabilities (11+12+49)	71	594752	576670
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73	6695	6857
Other adjustments to liabilities (may be negative)	74	96229	76034
Capital and reserves and fund for future appropriations	75	106990	92227
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76	804667	751788

Long term insurance business liabilities and marginsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **21 Scottish Friendly**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	462795	443629	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	153224	125557	
Long term insurance business fund carried forward (11 to 13)	14	616019	569186	
Claims outstanding	Gross	15	7828	5664
	Reinsurers' share	16		
	Net (15-16)	17	7828	5664
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33	81	41
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37	182	150
	Other	38	469	679
Accruals and deferred income	39	1574	1304	
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	10133	7838	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	626152	577024	

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	122614	62773

Total liabilities (11+12+49)	71	472928	451467
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **22 LANMAS**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	21425	21013	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	6318	5586	
Long term insurance business fund carried forward (11 to 13)	14	27743	26599	
Claims outstanding	Gross	15	135	94
	Reinsurers' share	16		
	Net (15-16)	17	135	94
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38		
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	135	94	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	27878	26693	

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	9320	8545

Total liabilities (11+12+49)	71	21560	21107
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **23 Rational Shelley business**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	6557	6666	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	4721	4964	
Long term insurance business fund carried forward (11 to 13)	14	11278	11630	
Claims outstanding	Gross	15	166	225
	Reinsurers' share	16		
	Net (15-16)	17	166	225
Provisions	Taxation	21		
	Other risks and charges	22		
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	2	2
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	168	227	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	11447	11857	

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		

Total liabilities (11+12+49)	71	6725	6893
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

Long term insurance business liabilities and marginsName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Total business/Sub fund **24 Scottish Legal**Units **£000**

As at end of this financial year	As at end of the previous year
1	2

Mathematical reserves, after distribution of surplus	11	89609	93386	
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12			
Balance of surplus/(valuation deficit)	13	38074	32154	
Long term insurance business fund carried forward (11 to 13)	14	127682	125540	
Claims outstanding	Gross	15	3727	3523
	Reinsurers' share	16		
	Net (15-16)	17	3727	3523
Provisions	Taxation	21		
	Other risks and charges	22	6	95
Deposits received from reinsurers	23			
Creditors	Direct insurance business	31		
	Reinsurance accepted	32		
	Reinsurance ceded	33		
Debenture loans	Secured	34		
	Unsecured	35		
Amounts owed to credit institutions	36			
Creditors	Taxation	37		
	Other	38	197	199
Accruals and deferred income	39			
Provision for "reasonably foreseeable adverse variations"	41			
Total other insurance and non-insurance liabilities (17 to 41)	49	3931	3817	
Excess of the value of net admissible assets	51			
Total liabilities and margins	59	131613	129357	

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	13643	13549

Total liabilities (11+12+49)	71	93539	97203
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		
Other adjustments to liabilities (may be negative)	74		
Capital and reserves and fund for future appropriations	75		
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		

With-profits insurance capital component for the fundName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **10 Summary**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	796045	741967
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	196987	140116
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	7792	5563
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	591265	596289
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	383398	424579
	Regulatory current liabilities of the fund	22	14367	11976
	Total (21+22)	29	397765	436555
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	16458	18263
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	414223	454818
Regulatory excess capital (19-39)		49	177042	141471

Realistic excess capital

Realistic excess capital	51	94930	78680
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	82112	62791
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	82112	62791

With-profits insurance capital component for the fund

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	634414	578498
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	151107	97115
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	6019	3903
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	477288	477479
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	311688	346514
	Regulatory current liabilities of the fund	22	10133	7838
	Total (21+22)	29	321821	354352
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	13467	14955
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	335289	369307
Regulatory excess capital (19-39)		49	141999	108172

Realistic excess capital

Realistic excess capital	51	94930	78680
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	47069	29492
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	47069	29492

With-profits insurance capital component for the fund

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	27695	26597
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	10644	9500
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	384	356
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	16667	16741
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	10781	11513
	Regulatory current liabilities of the fund	22	135	94
	Total (21+22)	29	10916	11607
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	431	461
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	11348	12068
Regulatory excess capital (19-39)		49	5319	4674

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	5319	4674
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	5319	4674

With-profits insurance capital component for the fund

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	11306	11630
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	1667	1612
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	76	74
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	9564	9944
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	4890	5054
	Regulatory current liabilities of the fund	22	168	227
	Total (21+22)	29	5058	5281
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	203	211
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	5261	5492
Regulatory excess capital (19-39)		49	4302	4452

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	4302	4452
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	4302	4452

With-profits insurance capital component for the fund

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Regulatory excess capital

Regulatory value of assets	Long-term admissible assets of the fund	11	122630	125242
	Implicit items allocated to the fund	12		
	Mathematical reserves in respect of the fund's non-profit insurance contracts	13	33570	31889
	Long-term admissible assets of the fund covering the LTICR of the fund's non-profit insurance contracts	14	1314	1229
	Long-term admissible assets of the fund covering the RCR of the fund's non-profit insurance contracts	15		
	Total (11+12-(13+14+15))	19	87747	92124
Regulatory value of liabilities	Mathematical reserves (after distribution of surplus) in respect of the fund's with-profits insurance contracts	21	56039	61497
	Regulatory current liabilities of the fund	22	3931	3817
	Total (21+22)	29	59970	65314
Long-term insurance capital requirement in respect of the fund's with-profits insurance contracts		31	2356	2637
Resilience capital requirement in respect of the fund's with-profits insurance contracts		32		
Sum of regulatory value of liabilities, LTICR and RCR (29+31+32)		39	62326	67951
Regulatory excess capital (19-39)		49	25421	24173

Realistic excess capital

Realistic excess capital	51		
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Excess assets allocated to with-profits insurance business

Excess (deficiency) of assets allocated to with-profits insurance business in fund (49-51)	61	25421	24173
Face amount of capital instruments attributed to the fund and included in capital resources (unstressed)	62		
Realistic amount of capital instruments attributed to the fund and included in capital resources (stressed)	63		
Present value of future shareholder transfers arising from distribution of surplus	64		
Present value of other future internal transfers not already taken into account	65		
With-profits insurance capital component for fund (if 62 exceeds 63, greater of 61+62-63-64-65 and zero, else greater of 61-64-65 and zero)	66	25421	24173

Realistic balance sheetName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **10 Summary**Financial year ends **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	591265	596289
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13	2800	1914
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	11132	12160
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24	3984	2201
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	603581	608735
Support arrangement assets	27		
Assets available to the fund (26+27)	29	603581	608735

Realistic value of liabilities of fund

With-profits benefit reserve	31	444928	467757	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	31389	19390
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	6711	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	23719	28141
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	(12345)	(11596)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	8895	9080
	Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	44947	45015
Realistic current liabilities of the fund	51	14367	11976	
Realistic value of liabilities of fund (31+49+51)	59	504242	524748	

Realistic balance sheetName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **21 Scottish Friendly**Financial year end **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	508651	530055
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	508651	530055
Risk capital margin for fund (62-59)	65	4409	5307
Realistic excess capital for fund (26-(59+65))	66	94930	78680
Realistic excess available capital for fund (29-(59+65))	67	94930	78680
Working capital for fund (29-59)	68	99339	83987
Working capital ratio for fund (68/29)	69	16.46	13.80

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheetName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **21 Scottish Friendly**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	477288	477479
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13	2800	1914
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	7386	7427
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24	3984	2201
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	485857	485193
Support arrangement assets	27		
Assets available to the fund (26+27)	29	485857	485193

Realistic value of liabilities of fund

With-profits benefit reserve	31	375619	387046	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34		
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35	6711	
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	13242	13624
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	(5766)	(7303)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47		
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	765	6322	
Realistic current liabilities of the fund	51	10133	7838	
Realistic value of liabilities of fund (31+49+51)	59	386518	401206	

Realistic balance sheet

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	390927	406513
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	390927	406513
Risk capital margin for fund (62-59)	65	4409	5307
Realistic excess capital for fund (26-(59+65))	66	94930	78680
Realistic excess available capital for fund (29-(59+65))	67	94930	78680
Working capital for fund (29-59)	68	99339	83987
Working capital ratio for fund (68/29)	69	20.45	17.31

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheetName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **22 Lanmas**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	16667	16741
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	384	356
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	17051	17097
Support arrangement assets	27		
Assets available to the fund (26+27)	29	17051	17097

Realistic value of liabilities of fund

With-profits benefit reserve	31	12918	9912	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	4218	7001
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	27	345
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	(246)	(254)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47		
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	3999	7091	
Realistic current liabilities of the fund	51	135	94	
Realistic value of liabilities of fund (31+49+51)	59	17051	17097	

Realistic balance sheet

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	17051	17097
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	17051	17097
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheetName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **23 Rational Shelley business**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	9564	9944
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	242	308
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	9806	10252
Support arrangement assets	27		
Assets available to the fund (26+27)	29	9806	10252

Realistic value of liabilities of fund

With-profits benefit reserve	31	8004	7276	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	1291	2404
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	35	145
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	307	200
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47		
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	1634	2749	
Realistic current liabilities of the fund	51	168	227	
Realistic value of liabilities of fund (31+49+51)	59	9806	10252	

Realistic balance sheet

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	9806	10252
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	9806	10252
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

Realistic balance sheetName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**With-profits fund **24 Scottish Legal**Financial year ended **31 December 2010**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic value of assets available to the fund

Regulatory value of assets	11	87747	92124
Implicit items allocated to the fund	12		
Value of shares in subsidiaries held in fund (regulatory)	13		
Excess admissible assets	21		
Present value of future profits (or losses) on non-profit insurance contracts written in the fund	22	3120	4069
Value of derivatives and quasi-derivatives not already reflected in lines 11 to 22	23		
Value of shares in subsidiaries held in fund (realistic)	24		
Prepayments made from the fund	25		
Realistic value of assets of fund (11+21+22+23+24+25-(12+13))	26	90866	96193
Support arrangement assets	27		
Assets available to the fund (26+27)	29	90866	96193

Realistic value of liabilities of fund

With-profits benefit reserve	31	48387	63523	
Future policy related liabilities	Past miscellaneous surplus attributed to with-profits benefits reserve	32		
	Past miscellaneous deficit attributed to with-profits benefits reserve	33		
	Planned enhancements to with-profits benefits reserve	34	25880	9985
	Planned deductions for the costs of guarantees, options and smoothing from with-profits benefits reserve	35		
	Planned deductions for other costs deemed chargeable to with-profits benefits reserve	36		
	Future costs of contractual guarantees (other than financial options)	41	10414	14027
	Future costs of non-contractual commitments	42		
	Future costs of financial options	43		
	Future costs of smoothing (possibly negative)	44	(6640)	(4239)
	Financing costs	45		
	Any other liabilities related to regulatory duty to treat customers fairly	46		
	Other long-term insurance liabilities	47	8895	9080
Total (32+34+41+42+43+44+45+46+47-(33+35+36))	49	38549	28853	
Realistic current liabilities of the fund	51	3931	3817	
Realistic value of liabilities of fund (31+49+51)	59	90866	96193	

Realistic balance sheet

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 With-profits fund **Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Realistic excess capital and additional capital available

Value of relevant assets before applying the most adverse scenario other than the present value of future profits arising from business outside with-profits funds	62	90866	96193
Amount of present value of future profits (or losses) on long-term insurance contracts written outside the fund included in the value of relevant assets before applying most adverse scenario	63		
Value of relevant assets before applying the most adverse scenario (62+63)	64	90866	96193
Risk capital margin for fund (62-59)	65		
Realistic excess capital for fund (26-(59+65))	66		
Realistic excess available capital for fund (29-(59+65))	67		
Working capital for fund (29-59)	68		
Working capital ratio for fund (68/29)	69		

Other assets potentially available if required to cover the fund's risk capital margin

Additional amount potentially available for inclusion in line 62	81		
Additional amount potentially available for inclusion in line 63	82		

Long-term insurance business : Revenue account

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	118214	90180
Investment income receivable before deduction of tax	12	34182	28769
Increase (decrease) in the value of non-linked assets brought into account	13	29654	40214
Increase (decrease) in the value of linked assets	14	11970	14378
Other income	15	(706)	(1764)
Total income	19	193315	171777

Expenditure

Claims incurred	21	126422	108090
Expenses payable	22	14253	14708
Interest payable before the deduction of tax	23		
Taxation	24	(48)	404
Other expenditure	25	2920	1633
Transfer to (from) non technical account	26		
Total expenditure	29	143547	124835

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	49768	46942
Fund brought forward	49	732955	686013
Fund carried forward (39+49)	59	782723	732955

Long-term insurance business : Revenue account

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	113537	85310
Investment income receivable before deduction of tax	12	29395	25229
Increase (decrease) in the value of non-linked assets brought into account	13	22112	36301
Increase (decrease) in the value of linked assets	14	8192	9133
Other income	15	(706)	(1764)
Total income	19	172531	154209

Expenditure

Claims incurred	21	109814	89015
Expenses payable	22	13012	13365
Interest payable before the deduction of tax	23		
Taxation	24	(48)	404
Other expenditure	25	2920	1633
Transfer to (from) non technical account	26		
Total expenditure	29	125698	104417

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	46833	49792
Fund brought forward	49	569186	519394
Fund carried forward (39+49)	59	616019	569186

Long-term insurance business : Revenue account

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	270	303
Investment income receivable before deduction of tax	12	48	18
Increase (decrease) in the value of non-linked assets brought into account	13	1275	2152
Increase (decrease) in the value of linked assets	14	1751	1768
Other income	15		
Total income	19	3344	4241

Expenditure

Claims incurred	21	2030	2278
Expenses payable	22	170	195
Interest payable before the deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	2200	2473

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	1144	1768
Fund brought forward	49	26599	24831
Fund carried forward (39+49)	59	27743	26599

Long-term insurance business : Revenue account

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	170	195
Investment income receivable before deduction of tax	12	16	39
Increase (decrease) in the value of non-linked assets brought into account	13	992	974
Increase (decrease) in the value of linked assets	14		
Other income	15		
Total income	19	1178	1208

Expenditure

Claims incurred	21	1320	1283
Expenses payable	22	210	203
Interest payable before the deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	1530	1486

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	(352)	(278)
Fund brought forward	49	11630	11908
Fund carried forward (39+49)	59	11278	11630

Long-term insurance business : Revenue account

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	4238	4372
Investment income receivable before deduction of tax	12	4723	3483
Increase (decrease) in the value of non-linked assets brought into account	13	5275	787
Increase (decrease) in the value of linked assets	14	2026	3477
Other income	15		
Total income	19	16262	12119

Expenditure

Claims incurred	21	13258	15514
Expenses payable	22	861	945
Interest payable before the deduction of tax	23		
Taxation	24		
Other expenditure	25		
Transfer to (from) non technical account	26		
Total expenditure	29	14119	16459

Business transfers - in	31		
Business transfers - out	32		
Increase (decrease) in fund in financial year (19-29+31-32)	39	2142	(4340)
Fund brought forward	49	125540	129880
Fund carried forward (39+49)	59	127682	125540

Long-term insurance business : Analysis of premiums

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	59502		1414	60916	66561
Single premiums	12	55621	2085		57705	23992

Reinsurance - external

Regular premiums	13	407			407	373
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	59095		1414	60509	66188
Single premiums	18	55621	2085		57705	23992

Total

Gross	19	115123	2085	1414	118621	90553
Reinsurance	20	407			407	373
Net	21	114716	2085	1414	118214	90180

Long-term insurance business : Analysis of premiums

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	56238			56238	61653
Single premiums	12	55621	2085		57705	23992

Reinsurance - external

Regular premiums	13	407			407	335
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	55832			55832	61318
Single premiums	18	55621	2085		57705	23992

Total

Gross	19	111859	2085		113944	85645
Reinsurance	20	407			407	335
Net	21	111452	2085		113537	85310

Long-term insurance business : Analysis of premiums

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	270			270	303
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	270			270	303
Single premiums	18					

Total

Gross	19	270			270	303
Reinsurance	20					
Net	21	270			270	303

Long-term insurance business : Analysis of premiums

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	170			170	195
Single premiums	12					

Reinsurance - external

Regular premiums	13					
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	170			170	195
Single premiums	18					

Total

Gross	19	170			170	195
Reinsurance	20					
Net	21	170			170	195

Long-term insurance business : Analysis of premiums

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Regular premiums	11	2824		1414	4238	4410
Single premiums	12					

Reinsurance - external

Regular premiums	13					38
Single premiums	14					

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	2824		1414	4238	4372
Single premiums	18					

Total

Gross	19	2824		1414	4238	4410
Reinsurance	20					38
Net	21	2824		1414	4238	4372

Long-term insurance business : Analysis of claims

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	5884		649	6533	7669
Disability periodic payments	12					
Surrender or partial surrender	13	23746	730	1549	26025	26418
Annuity payments	14	6			6	167
Lump sums on maturity	15	93029		861	93890	73863
Total	16	122666	730	3059	126454	108117

Reinsurance - external

Death or disability lump sums	21	33			33	27
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	33			33	27

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	5851		649	6500	7642
Disability periodic payments	42					
Surrender or partial surrender	43	23746	730	1549	26025	26418
Annuity payments	44	6			6	167
Lump sums on maturity	45	93029		861	93890	73863
Total	46	122633	730	3059	126422	108090

Long-term insurance business : Analysis of claims

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	2185			2185	2329
Disability periodic payments	12					
Surrender or partial surrender	13	18206	730		18936	18103
Annuity payments	14					160
Lump sums on maturity	15	88726			88726	68450
Total	16	109117	730		109847	89042

Reinsurance - external

Death or disability lump sums	21	33			33	27
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26	33			33	27

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	2152			2152	2302
Disability periodic payments	42					
Surrender or partial surrender	43	18206	730		18936	18103
Annuity payments	44					160
Lump sums on maturity	45	88726			88726	68450
Total	46	109084	730		109814	89015

Long-term insurance business : Analysis of claims

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	413		413	532
Disability periodic payments	12				
Surrender or partial surrender	13	1564		1564	1726
Annuity payments	14	6		6	6
Lump sums on maturity	15	47		47	14
Total	16	2030		2030	2278

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26				

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
Total	36				

Net of reinsurance

Death or disability lump sums	41	413		413	532
Disability periodic payments	42				
Surrender or partial surrender	43	1564		1564	1726
Annuity payments	44	6		6	6
Lump sums on maturity	45	47		47	14
Total	46	2030		2030	2278

Long-term insurance business : Analysis of claims

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	97		97	81
Disability periodic payments	12				
Surrender or partial surrender	13	271		271	339
Annuity payments	14				1
Lump sums on maturity	15	951		951	862
Total	16	1320		1320	1283

Reinsurance - external

Death or disability lump sums	21				
Disability periodic payments	22				
Surrender or partial surrender	23				
Annuity payments	24				
Lump sums on maturity	25				
Total	26				

Reinsurance - intra-group

Death or disability lump sums	31				
Disability periodic payments	32				
Surrender or partial surrender	33				
Annuity payments	34				
Lump sums on maturity	35				
Total	36				

Net of reinsurance

Death or disability lump sums	41	97		97	81
Disability periodic payments	42				
Surrender or partial surrender	43	271		271	339
Annuity payments	44				1
Lump sums on maturity	45	951		951	862
Total	46	1320		1320	1283

Long-term insurance business : Analysis of claims

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Death or disability lump sums	11	3189		649	3838	4727
Disability periodic payments	12					
Surrender or partial surrender	13	3705		1549	5254	6250
Annuity payments	14					
Lump sums on maturity	15	3305		861	4166	4537
Total	16	10200		3059	13258	15514

Reinsurance - external

Death or disability lump sums	21					
Disability periodic payments	22					
Surrender or partial surrender	23					
Annuity payments	24					
Lump sums on maturity	25					
Total	26					

Reinsurance - intra-group

Death or disability lump sums	31					
Disability periodic payments	32					
Surrender or partial surrender	33					
Annuity payments	34					
Lump sums on maturity	35					
Total	36					

Net of reinsurance

Death or disability lump sums	41	3189		649	3838	4727
Disability periodic payments	42					
Surrender or partial surrender	43	3705		1549	5254	6250
Annuity payments	44					
Lump sums on maturity	45	3305		861	4166	4537
Total	46	10200		3059	13258	15514

Long-term insurance business : Analysis of expenses

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	1035			1035	1497
Commission - other	12					
Management - acquisition	13	3842	168		4010	5078
Management - maintenance	14	4764	169		4933	5479
Management - other	15	4275			4275	2654
Total	16	13916	337		14253	14708

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41	1035			1035	1497
Commission - other	42					
Management - acquisition	43	3842	168		4010	5078
Management - maintenance	44	4764	169		4933	5479
Management - other	45	4275			4275	2654
Total	46	13916	337		14253	14708

Long-term insurance business : Analysis of expenses

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11	1035			1035	1497
Commission - other	12					
Management - acquisition	13	3842	168		4010	5078
Management - maintenance	14	3523	169		3692	4136
Management - other	15	4275			4275	2654
Total	16	12675	337		13012	13365

Reinsurance - external

Commission - acquisition	21					
Commission - other	22					
Management - acquisition	23					
Management - maintenance	24					
Management - other	25					
Total	26					

Reinsurance - intra-group

Commission - acquisition	31					
Commission - other	32					
Management - acquisition	33					
Management - maintenance	34					
Management - other	35					
Total	36					

Net of reinsurance

Commission - acquisition	41	1035			1035	1497
Commission - other	42					
Management - acquisition	43	3842	168		4010	5078
Management - maintenance	44	3523	169		3692	4136
Management - other	45	4275			4275	2654
Total	46	12675	337		13012	13365

Long-term insurance business : Analysis of expenses

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 LANMAS**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	170		170	195
Management - other	15				
Total	16	170		170	195

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	170		170	195
Management - other	45				
Total	46	170		170	195

Long-term insurance business : Analysis of expenses

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	210		210	203
Management - other	15				
Total	16	210		210	203

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	210		210	203
Management - other	45				
Total	46	210		210	203

Long-term insurance business : Analysis of expenses

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	861		861	945
Management - other	15				
Total	16	861		861	945

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	861		861	945
Management - other	45				
Total	46	861		861	945

Long-term insurance business : Linked funds balance sheet

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11	13444	14961
Directly held assets in collective investment schemes of connected companies	12	19078	16617
Directly held assets in other collective investment schemes	13	120466	64016
Total assets (excluding cross investment) (11+12+13)	14	152988	95594
Provision for tax on unrealised capital gains	15	(12)	19
Secured and unsecured loans	16		
Other liabilities	17	3	115
Total net assets (14-15-16-17)	18	152997	95460

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31	152997	95460
Surplus units	32	7419	10593
Deficit units	33		
Net unit liability (31-32+33)	34	145577	84867

Long-term insurance business : Revenue account for internal linked funds

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Value of total creation of units	11	74794	31669
Investment income attributable to the funds before deduction of tax	12	32	698
Increase (decrease) in the value of investments in the financial year	13	10853	14705
Other income	14		
Total income	19	85679	47072

Expenditure

Value of total cancellation of units	21	27924	14288
Charges for management	22	94	245
Charges in respect of tax on investment income	23		
Taxation on realised capital gains	24		
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	125	213
Other expenditure	26		
Total expenditure	29	28143	14746

Increase (decrease) in funds in financial year (19-29)	39	57537	32326
Internal linked fund brought forward	49	95460	63134
Internal linked funds carried forward (39+49)	59	152997	95460

Long-term insurance business : Summary of new business

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11	19583			19583	20878
Single premium business	12	710	98		808	624
Total	13	20293	98		20391	21502

**Amount of new regular
premiums**

Direct insurance business	21	5229			5229	5624
External reinsurance	22					
Intra-group reinsurance	23					
Total	24	5229			5229	5624

**Amount of new single
premiums**

Direct insurance business	25	59594	2233		61827	22167
External reinsurance	26					
Intra-group reinsurance	27					
Total	28	59594	2233		61827	22167

Long-term insurance business : Analysis of new business

Name of insurer

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
120	Conventional endowment with-profits OB savings	370	160		
140	Conventional endowment with-profits (Resolution Bond)	5	1		
140	Conventional endowment with-profits (Scottish Bond Plus)	1766	487		
140	Conventional endowment with-profits (tax exempt)	13052	3391		
140	Conventional endowment with-profits (taxable)	399	94		
300	Regular Premium non-profit WL OB (Over 50s Plan)	500	128		
305	Single Premium non-profit EA OB			111	240
325	Level term assurance	5	1		
435	Miscellaneous non-profit	81	3		
500	Life UWP single premium			1	3000
506	Life UWP whole life regular premium (ISA)	91	79	21	27
510	Life UWP endowment regular premium - savings	1307	322		
700	Life property linked single premium (taxable)			577	56327
715	Life property linked endowment regular premium - savings (tax exempt)	1262	340		
715	Index linked endowment regular premium - savings (taxable)	745	222		

Long-term insurance business : Analysis of new business

Name of insurer

SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD

Total business

Financial year ended

31 December 2010

Units

£000

UK Pension / Direct Insurance Business

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
160	Conventional pensions endowment with-profits - increments				484
180	Group conventional deferred annuity with-profits - increments				307
400	Annuity non-profit			27	304
725	Individual pensions property linked			71	1138

Long-term insurance business : Assets not held to match linked liabilities

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

Unadjusted assets	Economic exposure	Expected income from assets in column 2	Yield before adjustment	Return on assets in financial year
1	2	3	4	5

Assets backing non-profit liabilities and non-profit capital requirements

Land and buildings	11					
Approved fixed interest securities	12		47360	270	3.95	
Other fixed interest securities	13					
Variable interest securities	14					
UK listed equity shares	15					
Non-UK listed equity shares	16					
Unlisted equity shares	17					
Other assets	18	47360				
Total	19	47360	47360	270	3.95	

Assets backing with-profits liabilities and with-profits capital requirements

Land and buildings	21	4215	47158	1201	2.55	7.68
Approved fixed interest securities	22	10150	175885	1004	3.95	5.92
Other fixed interest securities	23	305	103361	877	0.85	9.49
Variable interest securities	24					
UK listed equity shares	25	1121	117180	521	0.44	16.52
Non-UK listed equity shares	26	1785	81889	439	0.54	12.64
Unlisted equity shares	27	2800	2800			
Other assets	28	575312	67415	265		0.55
Total	29	595689	595689	4306	1.68	9.05

Overall return on with-profits assets

Post investment costs but pre-tax	31					9.05
Return allocated to non taxable 'asset shares'	32					11.13
Return allocated to taxable 'asset shares'	33					8.91

Long-term insurance business : Fixed and variable interest assets

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Category of assets **10 Total long term insurance business assets**
 Financial year ended **31 December 2010**
 Units **£000**

		Value of assets 1	Mean term 2	Yield before adjustment 3	Yield after adjustment 4
UK Government approved fixed interest securities	11	213095	9.42	0.34	0.34

Other approved fixed interest securities	21	10150	9.10	4.00	4.00
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Other fixed interest securities

AAA/Aaa	31				
AA/Aa	32	6305	7.38	10.33	10.33
A/A	33	96751	4.09	0.23	0.23
BBB/Baa	34				
BB/Ba	35				
B/B	36				
CCC/Caa	37				
Other (including unrated)	38	305	28.95		
Total other fixed interest securities	39	103361	4.36	0.85	0.85

Approved variable interest securities	41				
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Other variable interest securities	51				
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Total (11+21+39+41+51)	61	326606	7.81	0.61	0.61
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Long-term insurance business : Summary of mathematical reserves

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	299153	21407	10814	331374	372948
Form 51 - non-profit	12	38463	11065	3542	53070	55401
Form 52	13	47604	843	1144	49591	49638
Form 53 - linked	14	108448	36028	1101	145577	84867
Form 53 - non-linked	15	191	6	9	207	411
Form 54 - linked	16	662		3389	4050	5312
Form 54 - non-linked	17	84		694	778	981
Total	18	494605	69350	20692	584648	569559

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	202	6493		6695	6857
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	202	6493		6695	6857

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	299153	21407	10814	331374	372948
Form 51 - non-profit	42	38261	4572	3542	46375	48544
Form 52	43	47604	843	1144	49591	49638
Form 53 - linked	44	108448	36028	1101	145577	84867
Form 53 - non-linked	45	191	6	9	207	411
Form 54 - linked	46	662		3389	4050	5312
Form 54 - non-linked	47	84		694	778	981
Total	48	494403	62857	20692	577953	562702

Long-term insurance business : Summary of mathematical reserves

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	255567	21407		276974	312908
Form 51 - non-profit	12	24195	10954		35149	40997
Form 52	13	31668	843		32510	31941
Form 53 - linked	14	87437	35176		122614	62773
Form 53 - non-linked	15					159
Form 54 - linked	16					
Form 54 - non-linked	17					
Total	18	398867	68380		467247	448778

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22	163	6493		6656	6813
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28	163	6493		6656	6813

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	255567	21407		276974	312908
Form 51 - non-profit	42	24032	4461		28493	34184
Form 52	43	31668	843		32510	31941
Form 53 - linked	44	87437	35176		122614	62773
Form 53 - non-linked	45					159
Form 54 - linked	46					
Form 54 - non-linked	47					
Total	48	398704	61887		460592	441965

Long-term insurance business : Summary of mathematical reserves

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12	1252	110	1362	997
Form 52	13	10781		10781	11513
Form 53 - linked	14	8830	490	9320	8545
Form 53 - non-linked	15		1	1	1
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	20863	601	21464	21057

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22	39		39	44
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28	39		39	44

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38				

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42	1213	110	1323	954
Form 52	43	10781		10781	11513
Form 53 - linked	44	8830	490	9320	8545
Form 53 - non-linked	45		1	1	1
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	20824	601	21425	21013

Long-term insurance business : Summary of mathematical reserves

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	4826		4826	4983
Form 51 - non-profit	12	1667		1667	1612
Form 52	13				
Form 53 - linked	14				
Form 53 - non-linked	15				
Form 54 - linked	16				
Form 54 - non-linked	17				
Total	18	6493		6493	6595

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				

Reinsurance - intra-group

Form 51 - with-profits	31				
Form 51 - non-profit	32				
Form 52	33				
Form 53 - linked	34				
Form 53 - non-linked	35				
Form 54 - linked	36				
Form 54 - non-linked	37				
Total	38				

Net of reinsurance

Form 51 - with-profits	41	4826		4826	4983
Form 51 - non-profit	42	1667		1667	1612
Form 52	43				
Form 53 - linked	44				
Form 53 - non-linked	45				
Form 54 - linked	46				
Form 54 - non-linked	47				
Total	48	6493		6493	6595

Long-term insurance business : Summary of mathematical reserves

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

UK Life	UK Pension	Overseas	Total Financial year	Total Previous year
1	2	3	4	5

Gross

Form 51 - with-profits	11	38761		10814	49574	55057
Form 51 - non-profit	12	11349	1	3542	14892	11795
Form 52	13	5155		1144	6299	6184
Form 53 - linked	14	12181	362	1101	13643	13549
Form 53 - non-linked	15	191	6	9	206	252
Form 54 - linked	16	662		3389	4050	5312
Form 54 - non-linked	17	84		694	778	981
Total	18	68382	369	20692	89443	93129

Reinsurance - external

Form 51 - with-profits	21					
Form 51 - non-profit	22					
Form 52	23					
Form 53 - linked	24					
Form 53 - non-linked	25					
Form 54 - linked	26					
Form 54 - non-linked	27					
Total	28					

Reinsurance - intra-group

Form 51 - with-profits	31					
Form 51 - non-profit	32					
Form 52	33					
Form 53 - linked	34					
Form 53 - non-linked	35					
Form 54 - linked	36					
Form 54 - non-linked	37					
Total	38					

Net of reinsurance

Form 51 - with-profits	41	38761		10814	49574	55057
Form 51 - non-profit	42	11349	1	3542	14892	11795
Form 52	43	5155		1144	6299	6184
Form 53 - linked	44	12181	362	1101	13643	13549
Form 53 - non-linked	45	191	6	9	206	252
Form 54 - linked	46	662		3389	4050	5312
Form 54 - non-linked	47	84		694	778	981
Total	48	68382	369	20692	89443	93129

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB	750	2002	32				1171
105	Conventional whole life with-profits IB	19418	13877	380				7531
115	Conventional whole life with-profits (tax exempt)	298	471	3				301
120	Conventional endowment with-profits OB savings	7600	39685	3787				14599
120	Conventional endowment with-profits OB savings - low cost endowment	788	10207	365				7717
120	Conventional endowment with-profits OB savings - recurring endowment	288	211	19				103
130	Conventional endowment with-profits IB	2169	8157	348				6632
130	Conventional endowment with-profits IB - Decennial	9846	6291	296				1765
130	Conventional endowment with-profits IB - Quinquennial	5976	1075	64				671
140	Conventional endowment with-profits (Resolution Bond)	1682	4578	454				658
140	Conventional endowment with-profits (Scottish Bond Plus)	2751	11478	765				8594
140	Conventional endowment with-profits (tax exempt)	163344	415363	40942				192423
140	Conventional endowment with-profits (tax exempt) - low cost endowment	182	1731	51				1126
140	Conventional endowment with-profits (tax exempt) - recurring endowment	84	99	12				33
140	Conventional endowment with-profits OB savings (tax exempt)	195	420	3				345

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
140	Conventional endowment with-profits (taxable)	514	1212	121				7
205	Miscellaneous conventional with-profits	180	697	13				595
210	Additional reserves with-profits OB							10794
215	Additional reserves with-profits IB							501
300	Regular Premium non-profit EA OB	3986	5328	0				4879
300	Regular Premium non-profit WL OB	230	181					111
300	Regular Premium non-profit WL OB (Over 50s Plan)	4918	16268	916				4008
305	Single Premium non-profit EA OB	7300	9839					8600
310	Non-profit IB - Decennial Endowment	975	712					268
310	Non-profit IB - Endowment	6165	919					887
310	Non-profit IB - Quinquennial Endowment	7360	245					179
310	Non-profit IB - Whole life	244404	4062					2933
325	Level term assurance	530	24079	73				73
340	Accelerated critical illness (guaranteed premiums)	16	588	4				4
395	Annuity non-profit (PLA)	32	21					163

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Pension / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
155	Conventional pensions endowment with-profits	1300	28500	80				17824
175	Group conventional deferred annuity with-profits	66	351					3583
390	Deferred annuity non-profit	2	1	0				1
400	Annuity non-profit (CPA)	419	628					9296
435	Miscellaneous non-profit	1234	50575	68				1658

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
325	Level term assurance	578	21500	83				209
440	Additional reserves non-profit OB							413
445	Additional reserves non-profit IB							630

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
105	Conventional whole life with-profits IB	762	2718	24				1580
105	Conventional whole life with-profits OB	54	206	7				68
115	Conventional whole life with-profits (tax exempt)	174	564	14				228
120	Conventional endowment with-profits OB savings	98	1474	30				1269
130	Conventional endowment with-profits IB	115	299	9				253
130	Conventional endowment with-profits IB - Decennial	86	42	2				13
130	Conventional endowment with-profits IB - Quinquennial	315	334	7				114
140	Conventional endowment with-profits (tax exempt)	357	1102	61				774
210	Additional reserves with-profits OB							290
215	Additional reserves with-profits IB							237
300	Regular Premium non-profit EA OB	347	663					516
300	Regular Premium non-profit WL OB	130	326					175
310	Non-profit IB - endowment	297	406					325
310	Non-profit IB - Whole life	1519	441					227
325	Level term assurance	42	2417	5				14

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
440	Additional reserves non-profit OB							110
445	Additional reserves non-profit IB							300

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB (taxable)	924	3164	120				1516
105	Conventional whole life with-profits IB (taxable)	2393	4027	251				1043
105	Conventional whole life with-profits IB quinquennial bonus (taxable)	2	3	0				2
115	Conventional OB whole life with-profits (tax exempt)	187	320	6				180
115	Conventional whole life with-profits IB (tax exempt)	130843	19032	356				11585
115	Conventional whole life with-profits IB quinquennial bonus (tax exempt)	14	17	1				5
120	Conventional endowment with-profits OB savings (taxable)	761	5031	115				3956
125	Conventional endowment with-profits OB target cash (taxable)	776	8890	332				6624
130	Conventional endowment with-profits IB (taxable)	824	1229	72				916
140	Conventional endowment with-profits IB (tax exempt)	276	348	13				282
140	Conventional endowment with-profits OB savings (tax exempt)	340	1652	63				1228
140	Conventional endowment with-profits OB target cash (tax exempt)	8	21	1				18
205	Miscellaneous conventional with-profits (IB tax exempt)	46	68	3				57
205	Miscellaneous conventional with-profits (IB taxable)	30	66	4				51
205	Miscellaneous conventional with-profits (OB tax exempt)	3	7	0				8902

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
205	Miscellaneous conventional with-profits (OB taxable)	9	31	1				30
210	Additional reserves with-profits OB (tax exempt)							250
210	Additional reserves with-profits OB (taxable)							763
215	Additional reserves with-profits IB (tax exempt)							250
215	Additional reserves with-profits IB (taxable)							1102
300	Regular premium non-profit WL/EA OB (tax exempt)	101	22					18
300	Regular premium non-profit WL/EA OB (taxable)	282	523	0				472
310	Non-profit IB (tax exempt)	500345	11860	78				8175
310	Non-profit IB (taxable)	15791	2940	36				2137
325	OB Level term assurance (taxable)	646	20122	71				283
330	OB Decreasing term assurance (tax exempt)	5	119	0				1
330	OB Decreasing term assurance (taxable)	8	254	0				1
350	Stand-alone critical illness (guaranteed premiums - taxable)	31	841	4				28
395	Annuity non-profit (PLA - tax exempt)	94	21					19
395	Annuity non-profit (PLA - taxable)	71	14					14

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
100	Conventional whole life with-profits OB (taxable)	73	434	15				172
105	Conventional whole life with-profits IB (taxable)	6148	8774	443				2515
105	Conventional whole life with-profits IB quinquennial bonus (taxable)	28	28	3				6
115	Conventional OB whole life with-profits (tax exempt)	20	100	7				3
115	Conventional whole life with-profits IB (tax exempt)	10749	1222	2				919
120	Conventional endowment with-profits OB savings (taxable)	246	2442	65				1783
125	Conventional endowment with-profits OB target cash (taxable)	291	3605	156				2619
130	Conventional endowment with-profits IB (taxable)	541	1237	49				668
140	Conventional endowment with-profits IB (tax exempt)	8	7	0				7
140	Conventional endowment with-profits OB savings (tax exempt)	25	150	13				85
140	Conventional endowment with-profits OB target cash (tax exempt)	2	55	4				18
205	Miscellaneous conventional with-profits (IB taxable)	524	948	79				608
210	Additional reserves with-profits OB (tax exempt)							161
210	Additional reserves with-profits OB (taxable)							340
215	Additional reserves with-profits IB (tax exempt)							161

Long-term insurance business : Valuation summary of non-linked contracts (other than accumulating with-profits contracts)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
215	Additional reserves with-profits IB (taxable)							749
300	Regular premium non-profit WL/EA OB (taxable)	138	357					323
310	Non-profit IB (tax exempt)	10674	26462	198				1735
310	Non-profit IB (taxable)	4148	1731	25				1120
325	OB Level term assurance (tax exempt)	66	3465	17				59
325	OB Level term assurance (taxable)	355	13193	63				218
330	OB Decreasing term assurance (taxable)	6	128	0				1
330	Stand-alone critical illness (guaranteed premiums - taxable)	16	492	3				21
350	Stand-alone critical illness (guaranteed premiums - tax exempt)	10	347	3				19
445	Additional reserves non-profit IB							45

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium	1272	13		9832	9832	11	9843
506	Life UWP whole life regular premium (ISA)	5499		1333	16127	16127	284	16411
510	Life UWP endowment regular premium - savings	9051	38322	2912	4237	4237	70	4306
610	Additional reserves UWP						1108	1108

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium (0% Guarantee)	728	4310		3449	3449	117	3566
500	Life UWP single premium (3% Guarantee)	1037	5897		6560	6560	119	6679
575	Miscellaneous UWP	91			144	144		144
610	Additional reserves UWP						392	392

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
Total business / subfund **24 Scottish Legal**
Financial year ended **31 December 2010**
Units **£000**
UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium (taxable)	379	38		2280	2280	51	2332
510	Life UWP endowment regular premium - savings (tax exempt)	1038	2393	261	2519	2519	15	2534
510	Life UWP endowment regular premium - savings (taxable)	67	161	18	164	164	3	167
610	Additional reserves UWP						123	123

Long-term insurance business : Valuation summary of accumulating with-profits contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
500	Life UWP single premium (tax exempt)	18	2		935	935	0	935
510	Life UWP endowment regular premium - savings (tax exempt)	25		20	147	147	0	147
610	Additional reserves UWP						61	61

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life Property linked single premium	1096			86189	86189		86189
715	Index linked endowment regular premium - savings (taxable)	1644	3873	516	647	647		647
715	Life property linked endowment regular premium - savings (tax exempt)	2003	4089	546	601	601		601

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium	875	3227		6205	6205		6205
715	Life property linked endowment regular premium - savings	387	1914	171	2625	2625		2625

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium (taxable)	222	22		2369	2369	4	2373
710	Life property linked regular premium (taxable)	330	5710	105	627	627	133	760
715	Life property linked endowment regular premium - savings (tax exempt)	2710	7065	660	7870	7870	39	7909
715	Life property linked endowment regular premium - savings (taxable)	197	530	52	589	589	10	599
800	Additional reserves property linked (property linked part of UWP) - taxable	92	9		726	726	5	731

Long-term insurance business : Valuation summary of property linked contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
700	Life property linked single premium (taxable)	22	2		137	137	2	139
710	Life property linked regular premium (taxable)	6	194	3	9	9	6	15
715	Life property linked endowment regular premium - savings (tax exempt)	11		8	57	57	0	57
725	Individual pensions property linked	109		97	882	882	1	883
800	Additional reserves property linked (property linked part of UWP) - tax exempt	3	0		15	15	0	15

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**
 UK Life / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
910	Index linked endowment regular premium - savings (tax exempt) - Capital	3	7	0	8	8	0	8
910	Index linked endowment regular premium - savings (tax exempt) - Cash	6	12	0	13	13	0	13
910	Index linked endowment regular premium - savings (taxable) - Capital	55	270	13	307	307	1	308
910	Index linked endowment regular premium - savings (taxable) - Cash	60	295	15	334	334	1	335
915	Additional reserves index linked						82	82

Long-term insurance business : Valuation summary of index linked contracts

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
Total business / subfund **24 Scottish Legal**
Financial year ended **31 December 2010**
Units **£000**
Overseas / Gross

Product code number	Product description	Number of policyholders / scheme members	Amount of benefit	Amount of annual office premiums	Nominal value of units	Discounted value of units	Other liabilities	Amount of mathematical reserves
1	2	3	4	5	6	7	8	9
900	Life index linked single premium (tax exempt) - Capital	42	4		24	24	0	24
900	Life index linked single premium (tax exempt) - Cash	4	0		11	11	0	11
900	Life index linked single premium (taxable) - Capital	11	1		59	59	0	60
900	Life index linked single premium (taxable) - Cash	22	2		117	117	1	118
910	Life index linked endowment regular premium - savings (tax exempt) - Capital	16	29	9	46	46	3	49
910	Life index linked endowment regular premium - savings (tax exempt) - Cash	12	49	6	33	33	0	33
910	Life index linked endowment regular premium - savings (taxable) - Capital	251	1459	87	1200	1200	3	1202
910	Life index linked endowment regular premium - savings (taxable) - Cash	399	2343	141	1899	1899	4	1903
915	Additional reserves index linked						682	682

Long-term insurance business: Analysis of valuation interest rate

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Total business **21 Scottish Friendly**

Financial year ended **31 December 2010**

Units **£000**

Product group 1	Net mathematical reserves 2	Net valuation interest rate 3	Gross valuation interest rate 4	Risk adjusted yield on matching assets 5
UK Life NP Form 51 policies (Taxable)	17672	2.20	2.20	3.95
UK Life NP Form 51 policies (tax exempt)	6360	2.20	2.75	3.95
UK Life NP Form 53 policies (taxable)	86846	2.20	2.20	3.95
UK Life WP Form 51 policies (taxable)	39738	2.20	2.20	1.68
UK Life WP Form 51 policies (tax exempt)	219481	2.20	2.75	1.68
UK Life WP Form 52 policies (taxable)	14166	2.20	2.20	1.68
UK Life WP Form 52 policies (tax exempt)	17502	2.20	2.75	1.68
UK Pension NP Form 51 policies (taxable)	2865	2.20	2.20	3.95
UK Pension NP Form 51 policies (tax exempt)	1596	2.20	2.75	3.95
UK Pension NP Form 53 policies (taxable)	25962	2.20	2.20	3.95
UK Pension NP Form 53 policies (tax exempt)	9321	2.20	2.75	3.95
UK Pension WP Form 51 policies (taxable)	3583	2.20	2.20	1.68
UK Pension WP Form 51 policies (tax exempt)	17900	2.20	2.75	1.68
UK Pension WP Form 52 policies (tax exempt)	843	2.20	2.20	1.68
UK Life NP Form 53 policies (tax exempt)	603	2.20	2.75	3.95
Total	464437			

Long-term insurance business : Distribution of surplus

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **Summary**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	782723	732955
Bonus payments in anticipation of a surplus	12	14438	3043
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	797161	735998
Mathematical reserves	21	577953	562702
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	219209	173296

Composition of surplus

Balance brought forward	31	168261	93075
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	50948	80221
Total	39	219209	173296

Distribution of surplus

Bonus paid in anticipation of a surplus	41	14438	3043
Cash bonuses	42		
Reversionary bonuses	43	2433	1992
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	16871	5035
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	16871	5035
Surplus carried forward	49	202337	168261
Total (48+49)	59	219209	173296

Percentage of distributed surplus allocated to policyholders

Current year	61		
Current year - 1	62		
Current year - 2	63		
Current year - 3	64		

Long-term insurance business : Distribution of surplus

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **21 Scottish Friendly**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	616019	569186
Bonus payments in anticipation of a surplus	12	12117	1089
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	628136	570275
Mathematical reserves	21	460592	441965
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	167545	128310

Composition of surplus

Balance brought forward	31	125557	60871
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	41988	67439
Total	39	167545	128310

Distribution of surplus

Bonus paid in anticipation of a surplus	41	12117	1089
Cash bonuses	42		
Reversionary bonuses	43	2203	1664
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	14321	2754
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	14321	2754
Surplus carried forward	49	153224	125557
Total (48+49)	59	167545	128310

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	100.00

Long-term insurance business : Distribution of surplus

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **22 Lanmas**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	27743	26599
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	27743	26599
Mathematical reserves	21	21425	21013
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	6318	5586

Composition of surplus

Balance brought forward	31	5586	4027
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	732	1559
Total	39	6318	5586

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
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		
Total distributed surplus (46+47)	48		
Surplus carried forward	49	6318	5586
Total (48+49)	59	6318	5586

Percentage of distributed surplus allocated to policyholders

Current year	61	n/a	n/a
Current year - 1	62	n/a	n/a
Current year - 2	63	n/a	n/a
Current year - 3	64	n/a	n/a

Long-term insurance business : Distribution of surplus

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **23 Rational Shelley business**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11	11278	11630
Bonus payments in anticipation of a surplus	12	317	251
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	11596	11881
Mathematical reserves	21	6493	6595
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	5103	5287

Composition of surplus

Balance brought forward	31	4964	5569
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	139	(282)
Total	39	5103	5287

Distribution of surplus

Bonus paid in anticipation of a surplus	41	317	251
Cash bonuses	42		
Reversionary bonuses	43	64	71
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	381	323
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	381	323
Surplus carried forward	49	4721	4964
Total (48+49)	59	5103	5287

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	100.00
Current year - 3	64	100.00	n/a

Long-term insurance business : Distribution of surplus

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
 Total business / subfund **24 Scottish Legal**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Valuation result

Fund carried forward	11	127682	125540
Bonus payments in anticipation of a surplus	12	2004	1702
Transfer to non-technical account	13		
Transfer to other funds / parts of funds	14		
Subtotal (11 to 14)	15	129686	127242
Mathematical reserves	21	89443	93129
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	40243	34113

Composition of surplus

Balance brought forward	31	32154	22608
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	8089	11505
Total	39	40243	34113

Distribution of surplus

Bonus paid in anticipation of a surplus	41	2004	1702
Cash bonuses	42		
Reversionary bonuses	43	166	257
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46	2169	1959
Net transfer out of fund / part of fund	47		
Total distributed surplus (46+47)	48	2169	1959
Surplus carried forward	49	38074	32154
Total (48+49)	59	40243	34113

Percentage of distributed surplus allocated to policyholders

Current year	61	100.00	100.00
Current year - 1	62	100.00	100.00
Current year - 2	63	100.00	n/a
Current year - 3	64	n/a	n/a

Long-term insurance business : With-profits payouts on maturity (normal retirement)

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
Original insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LIMITED**
Date of maturity value / open market option **01 March 2011**

Category of with-profits policy	Original term (years)	Maturity value / open market option	Terminal bonus	MVA	CWP / UWP	MVA permitted?	Death benefit
1	2	3	4	5	6	7	8
Endowment assurance	10	6901.81	1290.58		0 CWP	N	6901.81
Endowment assurance	15	12228.97	2286.72		0 CWP	N	12228.97
Endowment assurance	20	22321.35	4173.91		0 CWP	N	22321.35
Endowment assurance	25	38075.63	7119.83		0 CWP	N	38075.63
Regular premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Regular premium pension	10	28066.29	0		0 UWP	Y	28066.29
Regular premium pension	15	51003.34	9537.21	n/a	CWP	N	49978.87
Regular premium pension	20	132930.43	24856.91	n/a	CWP	N	74326.08
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14722.47	0		0 UWP	Y	14722.47
Single premium pension	15	23201.8	4338.55	n/a	CWP	N	18009
Single premium pension	20	39864.94	7454.42	n/a	CWP	N	21911

Long-term insurance business : With-profits payouts on surrender

Name of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**
Original insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LIMITED**
Date of surrender value **01 March 2011**

Category of with-profits policy 1	Duration at surrender (years) 2	Surrender value 3	Terminal bonus 4	MVA 5	CWP / UWP 6	MVA permitted? 7	Death benefit 8
Endowment assurance	5	2453.74	0	n/a	CWP	N	13345.11
Endowment assurance	10	6754.98	0	n/a	CWP	N	14032.19
Endowment assurance	15	11731.53	0	n/a	CWP	N	17716.45
Endowment assurance	20	24122.12	0	n/a	CWP	N	24360.76
With-profits bond	2	10106.23	0		0 UWP	Y	10207.2923
With-profits bond	3	10928.61	520.41		0 UWP	Y	11037.8961
With-profits bond	5	11039.85	0		0 UWP	Y	11150.2485
With-profits bond	10	13768.4	0		0 UWP	Y	13906.084
Single premium pension	2	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	3	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	5	n/a	n/a	n/a	n/a	n/a	n/a
Single premium pension	10	14722.47	0		0 UWP	Y	14722.47

Long-term insurance capital requirementName of insurer **SCOTTISH FRIENDLY ASSURANCE SOCIETY LTD**

Global business

Financial year ended **31 December 2010**Units **£000**

LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	LTICR Financial year	LTICR Previous year
1	2	3	4	5	6

Insurance death risk capital component

Life protection reinsurance	11	0.0%					
Classes I (other), II and IX	12	0.1%					
Classes I (other), II and IX	13	0.15%			1.00		
Classes I (other), II and IX	14	0.3%	565658	565658		1697	1850
Classes III, VII and VIII	15	0.3%					
Total	16		565658	565658		1697	1850

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21						
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%					
Classes I (other), II and IX	32	1%	534332	526074	0.98	5261	5108
Classes III, VII and VIII (investment risk)	33	1%	23805	23805	1.00	238	254
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%	22149	22070	1.00	221	204
Classes III, VII and VIII (other)	35	25%					
Class IV (other)	36	1%	8437	8437	1.00	84	82
Class V	37	1%					
Class VI	38	1%					
Total	39					5804	5647

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%					
Classes I (other), II and IX	42	3%	534332	526074	0.98	15782	15323
Classes III, VII and VIII (investment risk)	43	3%	23805	23805	1.00	714	762
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%	22149	22070			
Classes III, VII and VIII (other)	45	0%					
Class IV (other)	46	3%	8437	8437	1.00	253	245
Class V	47	0%					
Class VI	48	3%					
Total	49		588723	580386		16749	16329

Long term insurance capital requirement	51					24250	23826
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Notes to Return

***0301* Reconciliation of net admissible assets to total capital resources** **Net admissible assets per FSA return**

Total admissible assets (13.89)	796,045
Plus: Capital resources requirement deduction of regulated related undertakings (13.94)	1,184
Plus: Other differences in the valuation of assets (13.98)	743
Less: Mathematical reserves (14.11)	580,386
Less: Other liabilities (14.49)	14,367
Capital Resources	203,219

***0310* Valuation Differences**

The positive valuation differences in line 14 relate to Adjustment to realistic liabilities in respect of FRS 27.

***1312* Counterparty Exposure**

The Society had exposure to the following counterparties for amounts in excess of 5% of its long term business amount:

£174.6m of units in Legal & General All Stocks Gilt Index Trust, a gilts tracker unit trust (a UCITs scheme).

£97.1m of units in Legal & General High Income Trust, a corporate bond tracker unit trust (a UCITs scheme).

£103.3m of units in Legal & General UK Index Trust, a FTSE All-Share tracker unit trust (a UCITs scheme).

£38.9.0m of units in Legal & General All Stocks Index Linked Gilt Trust a gilts tracker unit trust (a UCITs scheme).

***1316* Tangible Leased Assets**

Tangible assets consist of computer equipment, motor vehicles and fixtures and fittings.

***1319* Counterparty Guidelines – Scottish Friendly Main Fund**

Exposure to the three main asset classes (equities, fixed-interest and cash, and property) to be kept within 10% (in absolute terms) of the Scottish Friendly Life Index benchmark (provided by WM) as adjusted for market movements. A move away from these provisions can be made with the sanction of the Board following advice from the Actuary.

Within individual asset classes:

UK Equities – at least 80% of the equity holdings to be index trackers, with the remainder to be in aggressive actively managed funds. Of the holdings in trackers, up to 20% of the total equity holdings can be in UK-based international index trackers.

Fixed Interest – at least 80% of the fixed interest holdings to be index trackers.

Cash – The Society's short-term monies should be placed with UK banks that have Prime-1 ratings on the Moody's Credit Rating Scale. Those currently used are HSBC and Lloyds. A reserve list of further banks (Barclays and Royal Bank of Scotland) is also maintained if the need arises to open further deposit accounts.

Property – no individual investment in a property collective investment scheme (or PICs issue) should amount to more than 8% of the main fund's total assets. The Society's main fund should not hold more than 10% of the units of any one issuer. A minimum of two collective vehicles or PICs issues should be held.

Overseas Assets - exposure to overseas assets will be obtained by collective investment vehicles however total overseas assets at market value in sterling may not exceed 5% of Society portfolio at market value. Overseas assets are defined as securities that are not listed on any UK Recognised Exchange or the prices of which are not quoted in Sterling.

The above counterparty guidelines apply to all counterparties, approved or otherwise.

***1401* Provision for Reasonably Foreseeable Adverse Deviations**

The Society has no exposure to derivative contracts in respect of its admissible assets and so no provision is required.

***1402* Details of liabilities and charges**

Prior Charges

There are no prior charges over the assets of the Society

Provision for Capital Gains Tax Liability

No provision for a capital gains tax liability is required at year end asset values.

Other Contingent Liabilities

There are no other contingent liabilities not included in Form 14

Guarantees, Indemnities or Other Contractual Commitments

There are no guarantees, indemnities or other contractual commitments offered by the Society other than in the ordinary course of its insurance business in respect of existing or future liabilities of any associated bodies.

***1403* Provisions – other risks and charges**

This relates to provision for pension review costs.

***1405* Adjustment to Liabilities**

The figure Shown in Line 74 is the Adjustment to realistic liabilities in respect of FRS 27.

***1700* Form 17**

Form 17 has not been included because all the entries in both this and the previous financial year would be blank

***4002* Other expenditure and Income**

Other expenditure relates to an actuarial loss on Scottish Legal Pension Scheme of £2.9m. Other income relates to exchange gains/losses & the subsidiary co's income.

***4005* Foreign Currencies**

Transactions in foreign currencies have been translated at the rates of exchange ruling on the dates on which the transaction occurred.

***4006* Principles and Methods of Apportionment**

Investment income is allocated between the Industrial and Ordinary Business funds in proportion to the mean balances of the funds in the year. Sufficient investment gains are recognised to ensure that the hypothecated funds are equal to the actuarial reserves (after bonus distribution) at the end of the year.

Expenses are allocated to the funds by identifying direct costs in each, and by apportioning others on a basis, which is consistent with the distribution of work involved. Taxation is allocated to the funds in accordance with the income and expenditure of each fund.

The amount of investment income relating to linked assets included in line 12 in respect of the Ordinary Business fund is as detailed in Form 44 as all linked business is written in the Ordinary Business fund.

***4008* Arrangements**

The Society provides management services for three of its subsidiaries, Scottish Friendly Asset Managers Ltd, Scottish Friendly Insurance Services Ltd and Scottish Friendly Trustee Company Ltd.

***4401* Valuation Basis for Assets**

Listed assets are shown at bid value at the balance sheet date.

***4404* Surplus Units**

The surplus units are held to ensure that the linked funds are of an economic size (in terms of investment management).

***46, 47* Hybrid Contracts**

Personal pensions which have a choice of linked and accumulating with-profits funds are shown as linked business in these forms. ISA Life business classed as 'Other' business.

***4801* Scottish Legal Asset Mix**

The Scottish Legal UK Asset Mix is:

Asset Mix	£000s
Land and buildings	5,851
Approved fixed interest securities	31,406
Other fixed interest securities	7,307
Variable interest securities	0
UK listed equity shares	19,104
Non-UK listed equity shares	17,328
Unlisted equity shares	0
Other assets	27,742

The Scottish Legal ROI Asset Mix is:

Asset Mix	£000s
Land and buildings	0
Approved fixed interest securities	10,150
Other fixed interest securities	0
Variable interest securities	0
UK listed equity shares	0
Non-UK listed equity shares	3,114
Unlisted equity shares	0
Other assets	0

***4806* Investment Returns**

Investment Returns are calculated for the assets in each category on Form 48 – there is no allocation of individual securities (within the asset categories) between the with profits and non-profit business.

***4901* Rating Agency**

The rating agency used to provide the split of credit ratings on Form 49 is S&P.

***5103* Use of code 205 & 435**

Miscellaneous Conventional With-Profits relates to sundry with-profits contracts, being both endowment and whole of life.

Miscellaneous Non-Profit relates to sundry non-profit contracts, being both endowment and whole of life.

For Scottish Legal, the line UK Life Gross; Miscellaneous conventional with-profits (OB tax exempt) includes £8.9m in relation to the Scottish Legal pension escrow account.

***52* Hybrid Contracts**

Details other than the mathematical reserves in respect of personal pension contracts which have a choice of linked and accumulating with-profits funds are shown as linked business in Form 53.

***5203* Use of code 575**

Miscellaneous UWP is a with-profits ISA product.

***5403* Code 910**

This relates to the index linked part of UWP contracts recorded in Form 52.

***5500* Exclusion of Form 55**

Form 55 has not been included as there are no internal linked funds which exceed the lesser of £100m and 10% of the total internal linked funds.

***5600* Index Linked Business**

Form 56 has not been included as the subfund which includes the index-linked liabilities is less than £100m.

Information required by Rule 9.29: Additional Information on Derivative Contracts

- a. The Society's investment guidelines in force at the balance sheet date do not permit derivative contracts to be used except on the specific authority of the Board of Management of the Society and subject to meeting the conditions set out in INSPRU 3.2.

No derivative contracts were entered into by the Society at any time during 2010.

**Information required by Rule 9.30 – Additional Information on Shareholder
Controllers**

The Society is a friendly society and so is a mutual organisation with no shareholders.

Scottish Friendly Assurance Society Limited

Abstract of Valuation Report

1. Introduction.

- (1) The date to which this investigation relates is 31 December 2010.
- (2) The date to which the latest previous investigation relates is 31 December 2009.
- (3) There have been no interim valuations since the last previous investigation at 31 December 2009.

2. Product Range

In partnership with RestEazy, the Society launched the Over 40s Whole of Life plan. This is a non-profit whole of life contract available from age 40 up to age 80.

There have been no other significant changes to Scottish Friendly's products during the financial year.

The with-profits fund is open to new business.

3. Discretionary charges and benefits

- (1) During the financial year, MVAs have been applied to the following products:
 - (a) Growth & Security Bond
MVAs have been applied for the whole of 2010 to the policy years of entry from 2000, 2001 and 2007. Up to August, MVAs were applied to entry dates in 1998. Up to November, MVAs were applied to entry dates in 1999 and 2006.
 - (b) Personal Pension Plan
MVAs have been applied for the whole of 2010 to the policy years of entry of 2000. Up to August, MVAs were applied to entry dates in 1999 and 2001.
 - (c) ISAS
MVAs were applied to all single premium policies for the whole of 2010 to those starting in 2001, 2002, 2006 and 2007. Up to November, MVAs were applied to single premium policies starting in 1999, 2005 and 2008 and regular premium policies starting in 2004 and 2005.

(d) Scottish Legal UWP

No MVAs applied were applied in 2010

(e) LANMAS UWP

MVAs are calculated on a policy-by-policy basis and were applied on most policies throughout 2010.

- (2) For Scottish Legal, there have been no changes to the underlying premium rates on reviewable protection policies. Scottish Friendly and LANMAS have no reviewable protection policies.
- (3) There are no non-profit deposit administration benefits.
- (4) There have been no changes to service charges on the in force linked policies of Scottish Friendly, Scottish Legal and LANMAS.
- (5) There have been no changes to benefit charges on the linked policies.
- (6) There have been no changes to unit management charges on linked policies or notional charges to accumulating with-profit policies.
- (7) (a) The creation and cancellation of units is carried out at a price (creation and cancellation price respectively) which results in a neutral effect on the underlying unit value.

For each internal fund an Offer Price and a Bid Price is determined at least once a month and normally daily. To calculate the Offer Price and Bid Price a maximum and minimum value of the net assets of the fund is first determined. The maximum value of any asset will not exceed the market price at which it might be bought and the minimum value of any asset will not be less than the price at which it might be sold. The values of Stock Exchange securities and collective investment schemes will be based on quoted prices. The values of all other assets are determined by the Society's Head of Actuarial Function.

The asset valuation takes place at mid-day, with transactions being actioned using the appropriate forward price.

The maximum Offer Price of a unit is calculated as the maximum value of the fund divided by the number of units then in issue, and multiplied by 100/95, the result being rounded up by not more than 0.1p. The actual Offer Price may vary below this level. The minimum Bid Price of a unit is calculated as the minimum value of the fund divided by the number of units of that type then in issue, the result being rounded down by not more than 0.1p. The actual Bid Price may vary above this level. All rounding adjustments to unit prices accrue to the Society.

- (b) The pricing basis has remained the same for all policies.

- (c) Most open-ended collective investment schemes are priced daily on a forward basis; it would not normally be possible to deal at the quoted price after the pricing point on the valuation date, but the following day's price would be used for any investment trade.
- (8) For funds subject to capital gain tax an allowance for tax is deducted from (added to) the fund at the time of realisation (or deemed disposal) of gains and losses; indexation relief is estimated where appropriate and the net amount is taxed at 18%.
- (9) The provision for tax on realised gains is calculated as 100% of the liability arising to the unit fund on the sale of a security; the provision for unrealised gains values the prospective tax at a discounted rate of 18% of the unrealised gain. In both cases, some element of approximation is imposed due to the delay in publishing indexation factors.
- (10) Shares in an OEIC (the Scottish Friendly Investment Funds ICVC) are held by some of the internal linked funds; these shares are single priced and no initial charge is applied on their purchase. In addition, a rebate of 0.5% annual management charge is credited to the internal linked funds in recognition of the higher charges of the OEIC compared to the linked funds.

Shares in an authorised unit trust (the Legal & General All Stocks Gilt Index Trust) are held by some of the internal linked funds; these shares are single priced and no initial charge is applied on their purchase. The annual management charge of these holdings is met from the 1% fund management charge so no double charging arises.

4. Valuation basis (other than for special reserves)

- (1) The gross premium method of valuation has been used, with an explicit expense reserve, unless otherwise specified. For Scottish Friendly protection business, a reserve of the annual gross premium is used. This reflects the low volume and the low claim experience of the products. With the protection business of the other subfunds, a higher multiple is used to be more prudent as the claim experience is not as readily available.

The exceptions to gross premium valuations are:-

Ordinary Branch

Term Assurance - the reserve has been taken as the annual gross premium.

Low Cost Endowment - the endowment portion has been valued using the gross premium method and an addition to the reserve of 1% of the additional sum at risk has been made in respect of the decreasing term portion.

Single Premium Pure Endowment – the reserve is equal to the present value of the sum assured.

Linked and Accumulating With-Profits Business - the liabilities in respect of unit linked policies and of accumulating with profits policies have been calculated as the value of units allocated at the valuation date together with additional amounts where necessary to provide for any guarantees, loyalty bonuses, expenses and mortality to the extent that these may exceed charges under the policy. The value of the liabilities for the Growth & Security Bond and ISA plan includes an adjustment in respect of the level of MVA applicable at the valuation date.

Industrial Branch

Family Income Benefit and Term Assurance - the reserve has been taken as the gross annual premium.

Rational Shelley

Term Assurance - the reserve has been taken as three times the annual gross premium.

Scottish Legal

Term Assurance - the reserve has been taken as four times the annual gross premium.

Critical Illness - the reserve has been taken as seven times the annual gross premium.

LANMAS

Term Assurance - the reserve has been taken as three times the annual gross premium.

(2) Valuation interest rate table:

Product Group	Financial year	Previous year
Ordinary and Industrial branch life assurance policies – tax exempt	2.75%	3.25%
Ordinary and Industrial branch life assurance policies – taxable	2.2%	2.6%
Low cost endowments	2.2%	2.6%
Single Premium Pure Endowment	2.2%	2.6%
Linked and accumulating with-profits – tax exempt	2.75%	3.25%
Linked and accumulating with-profits - taxable	2.2%	2.6%
Pension deferred annuities	5.4%	5.7%
Life and pension annuities in payment	3.90%	4.17%
Rational Shelley policies – tax exempt	2.75 %	3.25 %
Rational Shelley policies – taxable	2.2%	2.6%
Scottish Legal policies – tax exempt	2.75%	3.25%
Scottish Legal policies – taxable	2.2%	2.6%
LANMAS non-linked policies	2.75%	3.25%
LANMAS unit linked policies	2.75%	3.25%
LANMAS unitised with profit policies	2.75%	3.25%

(3) No adjustment to the yield is deemed necessary to compensate for the risk that the aggregate income will not be maintained.

(4) Mortality table

Product Group	Financial year	Previous year
Ordinary Branch life assurance except WoL (over 50s plan)	AM92	AM92
Industrial Branch life assurance	ELT(15)M	ELT(15)M
Pension deferred annuities*	PMA00/ PFA00	PMA00/ PFA00
Life annuities in payment**	IMA92 / IFA92 ult -1	IML00 / IFL00 ult -1
Pension annuities in payment**	RMC00 ult / RFC00 ult + 1	RMC00 ult - 2 / RFC00 ult - 1
OB WoL (over 50s plan)	AM/AF 92 +100% for non smokers and +350% for smokers	AM/AF 92 +100% for non smokers and +350% for smokers
Scottish Legal Industrial Branch	ELT(15)M	ELT(15)M
Scottish Legal Ordinary Branch	AM92	AM92
LANMAS	AM92	AM92

* Pension deferred annuities – Both tables are adjusted for mortality improvements per the latest CMI projections. The improvement is given as

the medium cohort improvement subject to a minimum of 1.5%pa for males and 1%pa for females.

** Life and Pension annuities in payment – Both tables are adjusted for mortality improvements per the latest CMI medium and long projections. The improvement is given as the average of the long and medium cohort improvement subject to a minimum of 1.5%pa.

Product Group	Expectation of life at age 65, 45 now		Expectation of life at age 65, 55 now	
	Male	Female	Male	Female
Pension deferred annuities	26.55	27.07	25.01	26.16
	Expectation of life at age 65		Expectation of life at age 75	
Life annuities in payment	26.26	29.18	16.92	18.86
Pension annuities in payment	24.02	26.60	15.21	17.08

(5) There are no contracts representing a significant amount of business where a morbidity table is required for valuation purposes.

(6) Expenses

The per policy expense assumptions used at end 2010 and end 2009 were:

Product Group	Financial year	Previous year
Scottish Friendly OB non-linked premium paying	0.33% fund based charge + 3.55% of premium	£8 + 0.65% of premium
Scottish Friendly OB non-linked paid-up	0.33% fund based charge	£2
Scottish Friendly IB non-linked premium paying	0.33% fund based charge + 25.23% of premium	8.34% of premium
Scottish Friendly IB non-linked paid-up	0.33% fund based charge	£0.16
Scottish Friendly single premium pure endowment and term assurance policies	0.33% fund based charge	No explicit allowance
Scottish Friendly accumulating with profits – per policy	0.33% fund based charge + 3.55% of premium	£35pa
Scottish Friendly unit linked policies – per policy	0.2% fund based charge + 3.55% of premium	£35pa
Scottish Legal OB UK non-linked premium paying	0.435% fund based charge + 10% of premium	£12.85+ 3.5% of premium
Scottish Legal OB UK non-linked paid- up	0.435% fund based charge	£9.64
Scottish Legal IB UK non-linked premium paying	0.435% fund based charge + 10% of premium	£6.43 + 3.5% of premium
Scottish Legal IB UK non-linked paid- up	0.435% fund based charge	£0.43
Scottish Legal OB ROI non-linked premium paying	0.435% fund based charge + 10% of premium	€18.12+ 3.5% of premium
Scottish Legal OB ROI non-linked paid-up	0.435% fund based charge	€14.51
Scottish Legal IB ROI non-linked premium paying	0.435% fund based charge + 10% of premium	€10.50 + 3.5% of premium
Scottish Legal IB ROI non-linked paid-up	0.435% fund based charge	€0.48
Scottish Legal UK accumulating with profits – per policy	0.33% fund based charge + 10% of premium	£31.50pa
Scottish Legal UK unit linked policies – per policy	0.2% fund based charge + 10% of premium	£31.50pa
Scottish Legal ROI accumulating with profits – per policy	0.33% fund based charge + 10% of	€75pa

	premium	
Scottish Legal ROI unit linked policies – per policy	0.2% fund based charge + 10% of premium	€75pa
LANMAS	1.17 % fund based charge + 9.95% of premium	£34.28
Rational Shelley non-linked premium paying	2.265 % fund based charge + 10.99% of premium	£33.86 + 15% of premium
Rational Shelley non-linked paid-up	2.265 % fund based charge	£16.92

- (7) Table below shows unit growth rates for gross and net linked business before management charges and the inflation rates assumed for future expenses and future increases in policy charges.

Product Group	Financial year	Previous year
Scottish Friendly accumulating with profits and unit linked policies – gross unit growth rate	3.5%	3.5%
Scottish Friendly accumulating with profits and unit linked policies – net unit growth rate	2.8%	2.8%
Scottish Friendly accumulating with profits and unit linked policies – expense inflation rate	3.5%	3.5%
Scottish Legal accumulating with profits and unit linked policies – gross unit growth rate	3.5%	3.5%
Scottish Legal accumulating with profits and unit linked policies – net unit growth rate	2.8%	2.8%
Scottish Legal accumulating with profits and unit linked policies – expense inflation rate	3.5%	3.5%
LANMAS accumulating with profits and unit linked policies – gross unit growth rate	3.5%	3.5%
LANMAS accumulating with profits and unit linked policies – net unit growth rate	2.8%	2.8%
LANMAS accumulating with profits and unit linked policies – expense inflation rate	3.5%	3.5%

- (8) For the Scottish Friendly accumulating with-profits business the rate of future bonus is set at 2.5% and 3% for taxable and tax exempt business respectively. These bonus rates then reduce by 0.5% pa commencing in the year following this financial year end.

No future bonus rates are assumed for Scottish Legal or for LANMAS unitised with-profits business, except for LANMAS Table 74 where the 3% guaranteed bonus applies.

- (9) For Scottish Friendly accumulating with profits policies, it is assumed that 20% of the policies will be surrendered on MVA free dates.
- (10) N/A
- (11) There are no derivative contracts held.
- (12) N/A

5. Options and guarantees

- (1) The basic reserves of products offering guaranteed annuity rate option is less than 1% of the total gross mathematical reserves.
- (2) The MVA-free guarantees on unitised with-profits contracts have been modelled using Black Scholes formulae on an individual policy basis.

The figures in the table below are in £000.

Product Name	Basic Reserve	Spread of Outstanding Durations	Guarantee Reserve	Guarantee Amount	MVA free Conditions	In-force Premiums	Increments Allowed
Growth & Income Bond (formerly called Growth & Security Bond)	9,832	A total of 45% from 2011 to 2015 *	326	10,065	See Note (1)	Single Premium	No
ISA Life Plan	16,127	A total of 68% from 2011 to 2015 *	782	16,427	See Note (2)	989	Yes
LANMAS Capital Investment Bond	10,248		391	10,248	See Note (3)	Single Premium	No

Notes

- * The percentage refers to the guaranteed amount available at the MVA free date.
- (1) 10th policy anniversary and withdrawals up to 7.5% of the original amount for all policies.
- (2) 10th policy anniversary for all policies.
- (3) Withdrawals up to 7.5% of the original amount policies which selected this option at entry

- (3) The basic reserves of products offering guaranteed insurability options are less than 1% of the total gross mathematical reserves.
- (4) There are no other guarantees and options.

6. Expense reserves

- (1) The aggregate gross amount of expense loadings expected to arise during the year following the valuation, according to the explicit reserves in the valuation, is £2.7m. This all arises from explicit allowances.
- (2) There are no implicit allowances for expenses.
- (3) The maintenance expenses shown at line 14 of Form 43 are £3.2m. Included in this total is subfund expense recharges of £1.241M.
- (4) Based on the Society’s budgeted future new business volumes and corresponding expenses, the expense loadings expected to arise during the year more than adequately cover the estimated costs of continuing to transact new business during the twelve months following the valuation date. No specific additional reserve is required.
- (5) In calculating the reserve required to meet the costs of closure to new business if the Society ceased to transact new business twelve months after the valuation date, the principal items of additional expense which were considered were the expected redundancy costs amongst surplus staff and the wastage of existing marketing material already printed. Offsetting these expenses, were the ongoing savings that would result from the reduction in future staff costs. An additional reserve of £662.5k is required.
- (6) N/A

7. Mismatching reserves

- (1) Liabilities are analysed by currency as follows (figures in £000):

Currency	Mathematical Reserve	Value of Matching Assets
Sterling	563,754	780,809
Euro	20,692	20,449

There were no deposits received from reinsurers.

- (2) N/A
- (3) Assets and liabilities are well matched by currency and no mismatching reserve is held.
- (4) N/A

(5) N/A

(6) N/A

8. Other special reserves

The Scottish Legal Pension Escrow account of £8.9m is an amount of cash held to cover any future shortfalls in the Scottish Legal Pension scheme. This fund is part of the Scottish Legal subfund. There were no other special reserves exceeding the lesser of £10m and 0.1% of total mathematical reserves.

9. Reinsurance

(1) N/A

(2) There is no treaty that is a 'financing arrangement'.

The Society had business in force at the valuation date ceded under the following reinsurance treaty:

The reinsurer is Hannover Life Re.

Reinsurance on a risk premium basis of the Society's portfolio of annuities in payment.

Premiums payable in respect of this financial year were £304,000.

The treaty does not include any deposit back arrangements.

The treaty is open to new business.

There is no amount of any undischarged obligation of the Society.

All of the mathematical reserves of £6,656,000 were ceded under the treaty.

The Society reinsures 100% of the new policies.

The reinsurer is authorised to carry on insurance business in the United Kingdom and is not connected to the Society.

The treaty is not subject to requirement of any material contingencies.

The Society has no liability to refund reinsurance commission in the event of lapse or surrender.

(3) N/A

10. Reversionary (or annual) bonus

Reversionary bonus rates applicable by business type are set out in the following table.

Scottish Friendly

	Mathematical reserves (£000)	Reversionary bonus rate	
		2010	2009
Ordinary branch – tax exempt business	193,803	0.5% compound	0.25%/1.75%
Ordinary branch – taxable business	43,018	0.4% compound	0%/1.5%
Industrial branch – whole life & endowments	14,357	1.0% simple	1.0% simple
Unitised with profits – taxable business	13,082	2.5%	2.5%
Unitised with profits – tax exempt business	18,344	3%	3%

Scottish Legal

	Mathematical reserves (£000)	Reversionary bonus rate	
		2010	2009
Ordinary branch – Series 4	6,322	0%	0%
Ordinary branch – Series 5	7,130	0.5% compound	0.5% compound
Ordinary branch – Series 6	1,203	0.5% compound	0.5% compound
Ordinary branch – Series 7	3,282	1.25% compound	1.25% compound
Industrial branch – Series 1	1,262	0.25% simple	0.25% simple
Industrial branch – Series 3	14,357	0.25% simple	0.25% simple
Industrial branch – Series 5	3,825	0.75% simple	0.75% simple
Unitised with profits – UK taxable business	2,498	2.75 %	2.75 %
Unitised with profits – UK tax exempt business	2,534	3.5%	3.75%
Unitised with profits – ROI tax exempt business	1,258	3.5%	3.75%

LANMAS

	Mathematical reserves (£000)	Reversionary bonus rate	
		2010	2009
Unitised with profits – 3% Guarantee	6,682	3.0%	3.0%
Unitised with profits – no guarantee	3,566	0.0%	0.0%

Rational Shelley

	Mathematical reserves (£000)	Reversionary bonus rate	
		2010	2009
Ordinary Branch	2,340	3.0%	3.0%
Industrial Branch	1,960	2.0%	2.0%

Abstract of Valuation Report for Realistic Valuation

1. Introduction

- (1) The date to which this investigation relates is 31 December 2010.
- (2) The date to which the latest previous investigation relates is 30 June 2010.
- (3) N/A

2. Assets

- (1) The present value of future profits of the non-profit business (PVFP) written in the with profits fund has been calculated by subtracting the non-profit liabilities calculated using a realistic interest rate of 4.0% from the non-profit liabilities calculated on the statutory basis. This releases the prudence embedded in the statutory interest rate assumption. The long term insurance capital requirement for the non-profit business is also released as an immediate profit.
- (2) N/A
- (3) N/A
- (4) N/A
- (5) N/A

3. With-Profits Benefits Reserve Liabilities

- (1) Classes of with-profits business have been valued using either a retrospective or a prospective method. The results by class of business are as follows:

Class of Business	Valuation Method	Amount of the with-profits benefit reserve (£m)	Amount of future policy – related liabilities (£m)
Scottish Friendly	Retrospective	375.6	0.8
Scottish Legal	Retrospective	48.4	38.5
LANMAS	Retrospective	12.9	4.0
Rational Shelley	Prospective	8.0	1.6

- (2) N/A
- (3) N/A
- (4) N/A

4. With-profits benefits reserve – Retrospective method

(1) (a),(b) 100% of with-profits benefit reserves, calculated using a retrospective method, are computed on a policy-by-policy basis.

(c) N/A

(2) There have been no significant changes in valuation method.

(3) LANMAS and Scottish Legal sub funds are allocated expenses based on expense agreements put in place when the business was transferred to Scottish Friendly. The total company expenses, after allowing for charges received from these 3 sub funds are then apportioned between the Scottish Friendly IB & OB blocks of business by size

(a) The previous expense investigation was carried out on 30th June 2010.

(b) Expense investigations are carried out annually

(c) The expenses allocated to the with-profits benefit reserve are as follows:

£000	Charged as Initial	Charged as Maintenance	Not charged to Benefit Reserve
21 Scottish Friendly	5,123	3,018	-
22 Lanmas	-	132	-
24 Scottish Legal	0	485	-

(4) Annual management charges deducted in respect of unitised with-profit business:

	£000
Scottish Friendly	306,129
Scottish Legal	61,494
LANMAS	157,874

(5) N/A

(6) The ratio of total claims paid to with-profits benefit reserve for those claims (plus any miscellaneous surplus or deficit) are as follows

	2008	2009	2010
Scottish Friendly	106%	100%	97%
Scottish Legal	94%	95%	129%
LANMAS	102%	99%	100%

(7) Investment returns for year are:

	% Return
Scottish Friendly	11.58%
Scottish Legal (UK)	9.92%
Scottish Legal (Irish)	3.59%
LANMAS	12.09%

5. With-profits benefits reserve – Prospective method

- (1) The assumptions used for Rational Shelley are:
- The discount rate is the risk free rate shown later in this document.
 - No risk adjustments were made. The following returns were earned (N/A indicates no holding in this asset class).

Land and buildings	N/A
Approved fixed interest securities	6.48%
Other fixed interest securities	N/A
Variable interest securities	N/A
UK listed equity shares	16.29%
Non-UK listed equity shares	N/A
Unlisted equity shares	N/A
Other assets	N/A
TOTAL	9.92%

- (c) Other assumptions are detailed in the table below

	OB	IB
Expense inflation	4%	4%
Annual simple bonus rate	3%	2%
Final bonus rate	75%	75%
Fund based charge	2.265%	2.265%
Variable renewal expense (% premium)	10.99%	10.99%

6. Costs of guarantees, options and smoothing

- The total cost of guarantees and smoothing do exceed the minimum value for disclosure.
- The cost of guarantees is valued for all classes of business on a grouped basis. The cost of guarantees is the excess of guaranteed benefits over asset share on a claim event. The cost is modelled using a stochastic Monte Carlo risk neutral valuation approach.
 - (i),(ii) All contracts have been valued on a grouped basis.
 - Numbers of individual & grouped contracts are detailed as follows:

	No of Individual Contract	No of Model Points
Scottish Friendly	242,437	828
Scottish Legal	151,956	517
LANMAS	1,855	18
Rational Shelley	1,961	55

Data is grouped by moneyness, term outstanding, currency and product type. Moneyness is a function of asset share and guaranteed benefit.

A grid of asset shares plotted by term outstanding and moneyness is compared against market prices for put options. Each cell is compared against market price information. If market prices are relatively constant within the cell, then no significant information is lost in grouping the data within the cell.

(c) N/A

- (3) There have been no significant changes to the valuation methods for valuing the costs of guarantees, options or smoothing since the previous valuation.
- (4) (a)(i) The guarantee is a minimum benefit payout on claim. The guarantee is out of the money.
- (ii) The asset model uses a single currency Hull & White interest rate model. Equities & Property are modelled as indices, calibrating to a term structure of volatility. Corporate bonds are modelled by modelling the credit spread using a Cox Ingersoll Ross model.

Current parameters are:

Yield Curve (Bank of England + 10 basis points for Sterling and ECB + 10 basis points for Euro)

	GBP	EUR
Year	Yield	Yield
1	0.75	1.52
2	1.13	2.05
3	1.59	2.50
4	2.02	2.89
5	2.41	3.22
6	2.76	3.49
7	3.05	3.73
8	3.31	3.92
9	3.53	4.09
10	3.72	4.22
11	3.87	4.34
12	4.00	4.43
13	4.10	4.51
14	4.19	4.58
15	4.25	4.63
16	4.31	4.68
17	4.35	4.71
18	4.39	4.74
19	4.41	4.76
20	4.43	4.78
21	4.45	4.79
22	4.45	4.80
23	4.46	4.81
24	4.46	4.81
25	4.46	4.82
26	4.47	4.82
27	4.47	4.82
28	4.48	4.82
29	4.48	4.81
30	4.49	4.81

Equity Volatility Surface

(GBP)

	1	3	6	12	24	36	48	60	120	180
0.8	29.0104	26.8691	26.1421	25.5389	25.3483	25.4410	25.7347	26.1671	28.6553	30.1041
0.9	25.3091	23.6959	23.2859	23.0849	23.5020	23.9706	24.4389	24.9989	27.7628	29.3753
0.95	21.1889	21.0279	21.1725	21.4682	22.2604	22.9270	23.5187	24.1686	27.1422	28.8337
1	17.2402	18.4841	19.1562	19.9274	21.0775	21.9307	22.6385	23.3732	26.5630	28.3338
1.05	14.7340	16.3262	17.3532	18.5143	19.9767	20.9952	21.8069	22.6182	26.0250	27.8711
1.1	14.5286	14.9315	15.9310	17.2962	18.9859	20.1359	21.0336	21.9102	25.5283	27.4419
1.2	11.0799	12.0266	13.2518	15.4454	17.8523	19.1141	20.0337	20.9112	24.8786	26.9114

(EUR)

	1	3	6	12	24	36	48	60	120	180
0.8	31.5461	30.6856	29.7962	29.5493	28.4377	27.9593	27.9041	27.9905	28.8392	30.2972
0.9	27.5213	27.0618	26.5409	26.7099	26.3664	26.3434	26.4992	26.7409	27.9409	29.5638
0.95	23.9604	24.5856	24.4910	25.1272	25.1604	25.3127	25.5840	25.9141	27.3464	29.0505
1	20.6361	22.2058	22.5224	23.6043	24.0001	24.3217	24.7051	25.1204	26.7855	28.5712
1.05	18.0941	20.0403	20.7114	22.1731	22.9003	23.3796	23.8690	24.3641	26.2571	28.1197
1.1	16.9671	18.2816	19.1716	20.8761	21.8789	22.4974	23.0828	23.6504	25.7568	27.6876
1.2	12.9396	14.7249	15.9474	18.6423	20.5726	21.3558	21.9855	22.5721	25.1014	27.1524

Property Volatility Surface

	1	3	6	12	24	36	48	60	120	180
0.9	15	15	15	15	15	15	15	15	15	15
0.95	15	15	15	15	15	15	15	15	15	15
1	15	15	15	15	15	15	15	15	15	15
1.05	15	15	15	15	15	15	15	15	15	15
1.1	15	15	15	15	15	15	15	15	15	15

The credit spread was assumed to be 311 basis points with the credit volatility of 1% over the gilt bond volatility.

The correlation between fixed interest and equities was calibrated to result in a long-term correlation of around -25% between interest rates and equity and property processes.

- (iii) Risk free rates from the model and values derived from the asset model in relation to specific assets and options are shown on the following page:

K	0.75				1				1.5			
Duration (n)	5	15	25	35	5	15	25	35	5	15	25	35
r%	2.41	4.25	4.46	4.52	X	X	X	X	X	X	X	X
Risk-free zero coupon bond					X	X	X	X	X	X	X	X
	887,745	535,623	335,931	213,067								
FTSE AllShare (p=1)	72,719	187,392	280,779	383,261	186,644	328,912	442,404	570,468	531,152	667,253	806,734	974,798
FTSE AllShare (p=0.8)	67,829	146,815	196,884	242,835	176,410	263,673	316,566	369,873	509,030	549,456	590,780	646,282
Property (p=1)	27,179	88,630	159,588	247,059	115,774	202,929	296,265	410,002	474,728	531,847	638,424	786,226
Property (p=0.8)	24,311	60,893	96,769	136,698	106,383	147,364	188,232	235,945	450,862	413,262	432,645	478,352
15yr risk free (p=1)	328	739	10,574	54,159	43,990	43,712	85,836	175,564	450,375	424,229	458,547	560,266
15yr risk free (p=0.8)	190	33	1,011	9,399	35,992	12,105	20,079	48,025	423,906	277,895	219,420	239,000
15yr corporate (p=1)	2,343	37,451	112,045	208,668	58,235	131,561	240,266	366,965	450,604	464,750	579,515	742,476
15yr corporate (p=0.8)	1,726	20,124	58,130	106,035	50,011	82,581	138,079	198,114	424,351	340,290	373,536	435,128
65% FTSE AllShare, 35% property (p=1)	24,118	90,637	159,627	248,492	112,251	206,536	296,937	414,858	473,520	532,756	641,195	797,113
65% FTSE AllShare, 35% property (p=0.8)	21,406	62,192	97,004	136,195	102,908	150,376	188,458	237,122	449,365	414,716	434,209	484,526
65% FTSE AllShare, 35% ZCB (p=1)	30,028	98,205	166,565	252,019	123,782	216,647	305,073	417,322	479,276	544,402	649,497	798,981
65% FTSE AllShare, 35% ZCB (p=0.8)	26,920	68,855	102,059	139,037	114,344	159,231	195,827	240,697	455,592	426,458	441,925	487,084
40% FTSE AllShare, 15% Property, 22.5% ZCB, 22.5% corp (p=1)	-	12,768	78,271	175,390	15,894	87,880	196,371	327,177	448,672	433,760	536,425	699,099
40% FTSE AllShare, 15% Property, 22.5% ZCB, 22.5% corp (p=0.8)	-	4,374	34,321	82,133	10,158	44,326	101,012	165,482	422,100	300,230	327,785	393,503

Notes to Table

Row 1 has been completed showing the value of cash payments of £1,000,000 due n years after the valuation date.

Rows 2 to 15 inclusive have been completed for the appropriate asset classes showing the value of a put option on a portfolio worth £1,000,000 on the valuation date exercisable n years after the valuation date with strike price of $K * £1,000,000 * (1+r*p)^n$.

All references to 15 year bonds mean rolling bonds traded to maintain the 15 year duration at all future dates. The corporate bonds are assumed to be rolling AA rated zero coupon bonds.

Row 16 has been omitted – we do not hold any guaranteed annuity options, so calibration to swaption prices is not applicable.

- (iv) N/A – only total returns are used within modelling & valuation of the guarantees.
- (v) The values derived from the asset model in relation to Euro-denominated assets and options are shown in the following table:

K	1			
Duration (n)	5	15	25	35
r%	3.22	4.63	4.82	5.35
Risk-free zero coupon bond	853,455	507,174	308,245	161,506
DJ EuroStoxx 50 Index (p=1)	223,659	385,275	507,561	784,539

- (vi) The following table shows the policy count of the outstanding maturity duration for endowment business by business class:

Maturity Years	2011–2015	2016–2020	2021–2025	2026–
Scottish Friendly CWP	82,779	68,660	25,127	6,317
Scottish Friendly UWP	9,933	8,634	1,389	18
Scottish Legal CWP	2,326	1,670	454	137
Scottish Legal UWP	1,526	-	-	-
Rational Shelley CWP	353	174	39	5
LANMAS UWP	271	-	-	-
Total	99,200	81,154	29,030	8,503
As a %	45.5%	37.2%	13.3%	3.9%

For single premium UWP cases, this table assumes that all policies exit at the 10th anniversary MVA free date.

The asset model was calibrated to implied volatility of a range of swaptions. The table below shows the differences between the market swaption implied volatility and the model derived equivalent at key terms to maturity and moneyness:

	1	2	3	4	5	6	7
Year 1	11.16%	5.79%	7.34%	1.68%	-2.35%	-4.35%	-5.79%
Year 2	-7.27%	0.97%	-1.91%	-2.70%	-2.51%	-3.73%	-4.42%
Year 3	3.58%	-0.55%	-1.92%	-1.85%	-1.00%	-1.76%	-2.07%
Year 4	-8.04%	-5.49%	-4.49%	-3.22%	-1.46%	-1.54%	-1.44%
Year 5	-5.80%	-3.29%	-2.33%	-0.88%	1.00%	0.90%	1.55%
Year 20	16.17%	15.72%	15.80%	15.88%	15.95%	13.48%	11.27%
Year 30	-1.04%	-2.50%	-3.87%	-5.17%	-6.37%	-7.22%	-8.15%

(vii) Asset values were projected for all asset classes and discounted to the valuation date. These were plotted over projection term and the resulting values were not significantly different from 1.

(viii) 3000 scenarios were performed. A confidence interval for the total guarantee costs at the 95% level is \pm £225,913

(b) N/A

(c) N/A

(5) (a) If free assets fall to 5% of total assets then the investment strategy changes to 100% cash. Terminal bonuses and reversionary bonuses are also cut to 0 (reducing smoothing costs).

(b) The best estimates of equity backing in future years for each with profit fund are summarised as follows:

EBR	Forward rates – 17.5% in 5 years	Forward rates + 17.5% in 5 years	Forward rates – 17.5% in 10 years	Forward rates + 17.5% in 10 years
Scottish Friendly	45%	45%	45%	45%
Scottish Legal	55%	55%	55%	55%
LANMAS	25%	25%	25%	25%
Rational Shelley	35%	35%	35%	35%

(6) The persistency assumptions used to determine the cost in (4) are summarised in the table below:

Average surrender / paid-up rate for the policy years	1-5	6-10	11-15	16-20
CWP savings endowment surrender	3.5%	1.9%	1.0%	1.0%
CWP target cash endowment surrender	3.5%	1.9%	1.0%	1.0%
UWP savings endowment surrender	2.0%	n/a	n/a	n/a
UWP target cash endowment surrender	n/a	n/a	n/a	n/a
UWP bond surrender	2.0%	2.0%	n/a	n/a
UWP bond automatic withdrawals	0%	0%	n/a	n/a
CWP pension regular premium PUP	n/a	1.9%	1.0%	1.0%
CWP pension regular premium surrender	n/a	1.9%	1.0%	1.0%
CWP pension single premium surrender	n/a	1.9%	1.0%	1.0%
UWP indiv pension regular premium PUP	2.0%	2.0%	n/a	n/a
UWP indiv pension regular premium surrender	2.0%	2.0%	n/a	n/a
UWP indiv pension single	2.0%	2.0%	n/a	n/a

(7) No policyholder actions are assumed.

7. Financing costs

N/A

8. Other long-term insurance liabilities

N/A

9. Realistic current liabilities

The current liabilities included in line 51 of Form 19 of £14.3m (all subfunds) reflect claims outstanding and other current liabilities and provisions including pension liabilities reported on an FRS17 basis. They equal regulatory current liabilities.

10. Risk capital margin

(a) The risk capital margin was £4.4m for Scottish Friendly sub fund and 0 for all other sub funds.

(i) For the market risk scenario, equities were tested for a rise or fall in market value of 20%. Real estate was tested for a 12.5% rise or fall of 12.5%. A fall in both equities & property was most onerous for all sub funds.

(ii) For the market risk scenario the nominal change in yields was a rise and fall of 0.69%. This is equivalent to a 17.5% change in the long-term fixed interest yield. The fall in yields was the most onerous test.

(iii) In respect of credit risk, average changes in spreads and consequent changes in asset values are as follows

(a) for bonds, spreads are assumed to increase on average by 311 basis points and asset values fall overall by 5%.

(b) no change is assumed for debts, as these are not considered to present a significant credit risk.

(c) no allowance is made for reinsurance credit risk as the volume of reinsured with-profits business is immaterial.

(d) no change is assumed for non-reinsurance financing agreements. These are not considered to present a significant credit risk.

(e) no change is assumed for other assets, as these are not considered to present a significant credit risk.

(iv) Lapse rates are assumed to drop by 32.5% for all sub funds. This results in a rise in realistic value of £1.6m.

(v) N/A

(b) (i) For the Rational Shelley, LANMAS and Scottish Legal subfunds, in the RCM scenario planned enhancements are reduced to offset the impact of the RCM shock.

(ii) The RCM before management actions are taken as:

	£000
LANMAS	55
Scottish Legal	1,668
Rational Shelley	43

(iii) No change in equity assets or bonus rates resulting from additional actions.

(iv) The requirements of INSPRU 1.3.188R would be met if any such additional actions and assumption changes had been integrated into the protection of assets and liabilities.

(c) The assets hypothecated to back the risk capital margin are set out in the following table:

Assets backing RCM	Equities	Property	Gilts	Corporate Bonds
Scottish Friendly	45%	10%	20%	25%
Scottish Legal	50%	15%	5%	30%
LANMAS	25%	0%	25%	50%
Rational Shelley	35%	0%	65%	0%

All assets backing the RCM are within each WP sub fund respectively.

11. Tax

Tax is modelled as a 20% reduction in asset share returns on taxable business.

12. Derivatives

Not applicable.

13. Analysis of change in working capital

	Scottish Friendly (£m)	LANMAS (£m)	Rational Shelley (£m)	Scottish Legal (£m)
Working Capital at 31 December 2009	84.0	-	-	-
Reversal of zeroisation by closed funds	-	7.0	2.4	10.0
Working Capital at 31 December 2009 prior to zeroisation	84.0	7.0	2.4	10.0
Modelling changes and opening adjustments	4.4	3.2	1.5	0.2
Assumptions - Economic experience	3.0	0.1	0.0	0.2
Assumptions - Non economic experience	6.4	0.1	0.1	9.3
2010 economic experience	1.7	0.3	0.3	6.4
2010 non-economic experience	0.6	1.1	0.0	0.0
Impact of new business	1.0	-	-	-
Changes in other liabilities shown in Form 19	0.5	1.0	0.0	0.1
Working Capital at 31 December 2010 prior to zeroisation	99.3	4.2	1.3	25.9
Zeroisation by closed funds	-	4.2	1.3	25.9
Working Capital at 31 December 2010	99.3	-	-	-

14. Optional disclosure

Not applicable.

15. Methodology & Assumption Changes

Not applicable.

Information required by Rule 9.36 – Information on With Profits Actuary

The following information is provided in respect of Mr G Beamer BSc, FIA, who was the With Profits Actuary until 14th March 2010. Mr Beamer is an employee of the firm of OAC plc. He was not a member of the Society at any time during 2010:

- (a). Mr Beamer had no interest in any shares in, or debentures of, any companies owned by the Society at any time during the period.
- (b). Neither Mr Beamer nor any member of his family had any pecuniary interest in any transaction between the actuary and the Society subsisting at any time during the year save his interest as an employee of the firm of OAC, in respect of the amounts disclosed in (c) below. He has no policies with the Society.
- (c). The only remuneration was the fee for professional services paid to OAC plc for the services provided by Mr Beamer and his support team, and the amount payable in this respect amounted to £5,058 inclusive of Value Added Tax for the year ended 31 December 2010. No other benefits, emoluments, pensions or compensation were paid.
- (d). Mr Beamer did not receive, and will not receive, any other pecuniary benefit.

From 15th March 2010 to 31st December 2010, the With Profits Actuary to the Society was Mr DJ Lechmere FIA. Mr Lechmere is an employee of the firm of OAC plc. He was not a member of the Society at any time during 2010:

- (a). Mr Lechmere had no interest in any shares in, or debentures of, any companies owned by the Society at any time during the period.
- (b). Neither Mr Lechmere nor any member of his family had any pecuniary interest in any transaction between the actuary and the Society subsisting at any time during the year save his interest as an employee of the firm of OAC, in respect of the amounts disclosed in (c) below. He has no policies with the Society.
- (c). The only remuneration was the fee for professional services paid to OAC plc for the services provided by Mr Lechmere and his support team, and the amount payable in this respect amounted to £92,417 inclusive of Value Added Tax for the year ended 31 December 2010. No other benefits, emoluments, pensions or compensation were paid.
- (d). Mr Lechmere did not receive, and will not receive, any other pecuniary benefit.

The Society requested the With Profits Actuary to furnish it with the particulars specified in Rule 9.36 and he has confirmed that the information given above is correct.

Directors' Certificate required by rule 9.34 of the Accounts and Statements Rules

Scottish Friendly Assurance Society Limited Financial year ended 31 December 2010

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU (INS), GENPRU and INSPRU; and

(b) we are satisfied that:
 - (i) throughout the financial year in question, the Society has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU (INS), GENPRU, and INSPRU; and
 - (ii) it is reasonable to believe that the Society has continued so to comply subsequently, and will continue so to comply in future.

2. (a) that in our opinion, premiums for contracts entered into during the financial year and the resulting income earned are sufficient, under reasonable actuarial methods and assumptions, and taking into account the other financial resources of the Society that are available for the purpose, to enable the Society to meet its obligations in respect of those contracts and, in particular, to establish adequate mathematical reserves;

(b) that the sum of the mathematical reserves and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the financial year in question for the long term insurance liabilities (including all liabilities arising from deposit back arrangements, but excluding other liabilities which had fallen due before the end of the financial year) including any increase in those liabilities arising from a distribution of surplus as a result of an actuarial investigation as at that date into the financial condition of the long term insurance business;

(c) that the with-profits fund has been managed in accordance with the Principles and Practice of Financial Management, as established, maintained and recorded under COBS 20.3; and

(d) that we have, in preparing the return, taken and paid due regard to-
 - (i) advice in preparing the return from every actuary appointed by the Society to perform the actuarial function in accordance with SUP 4.3.13R; and
 - (ii) advice from every actuary appointed by the Society to perform the with-profits actuary function in accordance with SUP 4.3.16R.

MJ Walker, Chairman

J W Jack, Director

J Galbraith, Deputy Chief Executive

23 March 2011

Independent auditor's report to the Directors pursuant to rule 9.35 of the Interim Prudential Sourcebook for Insurers ("IPRU(INS)")

Scottish Friendly Assurance Society Limited Financial year ended 31 December 2010

We have examined the following documents prepared by the Society pursuant to the Accounts and Statements Rules set out in Part I and Part IV of Chapter 9 to IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU the General Prudential Sourcebook and INSPRU the Insurance Prudential Sourcebook, ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 2, 3, 13,14, 18, 19, 40 to 45, 48, 49, 58, and 60, (including the supplementary notes) on pages 1 to 50, 54, 55, 93 to 97 and 100 ('the Forms');
- the statement required by IPRU(INS) rule 9.29 on page 105;
- the valuation reports required by IPRU(INS) rule 9.31(a)(i) and 9.31(b) on pages 109 to 122 and 123 to 135 ("the valuation reports")

We are not required to examine and do not express an opinion on:

- Forms 46, 47, 50 to 55, 57, 59A and 59B (including the supplementary notes) on pages 51 to 53, 56 to 91, 92, 98 and 99;
- the statements required by IPRU(INS) rules 9.30 and 9.36 on pages 107 and 137;
- the certificate required by IPRU(INS) rule 9.34(1) on page 139.

This report is made solely to the Society's directors, as a body, in accordance with the requirements of IPRU(INS) rule 9.35. We acknowledge that the directors are required to submit this report to the FSA, to enable the FSA to verify that an auditor's report has been commissioned by the Society's directors and issued in accordance with the requirements of IPRU(INS) rule 9.35 and to facilitate the discharge by the FSA of its regulatory functions in respect of the Society, conferred on the FSA by or under the Financial Services and Markets Act 2000. Our work (including our examination) has been undertaken so that we might state to the Society's directors, as a body, those matters we are required to state to them in an auditor's report issued pursuant to IPRU(INS) rule 9.35 and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's directors as a body, for our work (including our examination), for this report, or for the opinions we have formed.

Respective responsibilities of the Society and its auditor

The Society is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation reports) under the provisions of the Rules. Under IPRU(INS) rule 9.11, the Forms, the Statement and the valuation reports, are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the Society and used to perform the actuarial investigation as set out in the valuation reports are required to reflect appropriately the requirements of INSPRU 1.2 and 1.3.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation reports meet these requirements, and to report our opinions to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms, the Statement and the valuation reports are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our examination.

Basis of opinion

We conducted our work in accordance with Practice Note 24 'The audit of friendly societies in the United Kingdom (Revised)] 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, the Statement, the valuation reports. The evidence included that previously obtained by us relating to the audit of the financial statements of the Society for the financial year. It also included an assessment of the significant estimates and judgements made by the Society in the preparation of the Forms, the Statement, the valuation reports.

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, the Statement, the valuation reports are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with IPRU(INS) rule 9.11.

In accordance with IPRU(INS) rule 9.35(1A), to the extent that any document, Form, Statement, analysis or report to be examined under rule IPRU(INS) 9.35(1) contains amounts or information abstracted from the actuarial investigation performed pursuant to IPRU(INS) rule 9.4, we have obtained and paid due regard to advice from a suitably qualified actuary who is independent of the Society.

Opinion

In our opinion:

- i) the Forms, the Statement, the valuation reports fairly state the information provided on the basis required by the Rules and have been properly prepared in accordance with the provisions of those Rules; and
- ii) the methods and assumptions determined by the Society and used to perform the actuarial investigation as set out in the valuation reports appropriately reflect the requirements of INSPRU 1.2 and 1.3.

Simon Pashby
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
191 West George Street, Glasgow
23 March 2011