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COMPANY INFORMATION

Executive directors A A Wilson (Managing Director)
M J Evans
M J Gordon
S P L Gordon
T J Mann
N H Poyntz-Wright
B K Pudney
J Roberts
W H West

Non-executive directors L-E G Petersson (Chairman)
J-M Bexhed
M M Campbell
G J Moberg
U G Spang

Secretary R Q Phillips

Actuary N H Poyntz-Wright

Bankers National Westminster Bank PLC
PO Box 315
High Street
Southampton
SO14 2BF

Auditors Ernst & Young
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

Registered office Skandia House
Portland Terrace
Southampton
SO14 7EJ
Telephone: 023 8033 4411

Registered in England No. 1363932

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The company continued to write long term assurance business throughout the year and this will continue in 2001.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, was £54,246,000. The directors have declared an interim dividend of £23,000,000. The directors do not recommend the payment of a final dividend. This results in £31,246,000 being added to reserves.

OVERSEAS BRANCHES

The company has branches in Finland, Germany and Norway.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

L-E G Petersson	(Chairman) (appointed 18 October 2000)
A A Wilson	(Managing Director)
J-M Bexhed	(appointed 22 September 2000)
M M Campbell	
J R Carendi	(resigned 3 August 2000)
C H G Danckwardt	(resigned 3 August 2000)
M J Evans	
M J Gordon	
S P L Gordon	
T J Mann	(appointed 26 September 2000)
G J Moberg	
N H Poyntz-Wright	
B K Pudney	
J Roberts	
U G Spang	(appointed 18 October 2000)
W H West	

T J Mann, J-M Bexhed and U G Spang retire by rotation at the Annual General Meeting and offer themselves for re-election. Details of directors' interests are shown in note 9 to the accounts.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made various charitable contributions totalling £20,125. No political contributions were made.

TRANSFER OF BUSINESS FROM PROFESSIONAL LIFE

On 31 December 2000, the assets and liabilities of Professional Life Assurance Company Limited, a fellow subsidiary undertaking, were transferred to Skandia Life Assurance Company Limited under the provisions of Schedule 2C of the Insurance Companies Act 1982. Details are given in note 2 to the accounts.

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DIRECTORS' REPORT (continued)

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and in accordance with section 385 of the Companies Act 1985 a resolution proposing their reappointment will be submitted at the Annual General Meeting.

Ernst & Young has stated that, subject to the approval of its partners, it is intending to transfer its business to a limited liability partnership during the year. If this happens, it is the current intention of the directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By order of the Board

R Q Phillips
Secretary

8 May 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Skandia Life Assurance Company Limited

We have audited the accounts on pages 6 to 23, which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 2000 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Southampton

8 May 2001

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Earned premiums	3		
Gross premiums written		2,012,067	949,364
Outward reinsurance premiums		(17,860)	(19,155)
Earned premiums, net of reinsurance		1,994,207	930,209
Investment income and realised gains	4	348,123	267,169
Unrealised gains on investments		-	1,043,681
Other technical income		26,205	14,514
TOTAL TECHNICAL INCOME		2,368,535	2,255,573
Claims incurred	5		
Claims paid			
- gross amount		481,889	376,200
- reinsurers' share		(12,666)	(15,206)
- net of reinsurance		469,223	360,994
Change in provision for claims			
- gross amount		665	4,717
- reinsurers' share		1,205	(490)
- net of reinsurance		1,870	4,227
Claims incurred, net of reinsurance		471,093	365,221
Change in other technical provisions			
Long term business provision			
- gross amount		61,476	91,932
- reinsurers' share		(225)	60
- net of reinsurance		61,251	91,992
Technical provision for linked business, net of reinsurance		1,048,269	1,620,809
Net change in other technical provisions		1,109,520	1,712,801
Other charges			
Net operating expenses	6	132,527	103,548
Interest payable		1,439	1,509
Investment administration charges		10,329	11,511
Unrealised losses on investments		551,945	-
Other insurance costs		705	421
Tax attributable to the long term business	10	39,220	48,724
		736,165	165,713
TOTAL TECHNICAL CHARGES		2,316,778	2,243,735
BALANCE ON THE TECHNICAL ACCOUNT			
- LONG TERM BUSINESS		51,757	11,838

All the above amounts derive from continuing activities.

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
NON-TECHNICAL ACCOUNT			
Balance on the technical account - long term business		51,757	11,838
Tax attributable to shareholders' profits on long term business	10	14,458	8,902
		66,215	20,740
Investment income	4	2,311	2,187
Unrealised gains on investments		753	3,069
Other income		118	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		69,397	25,996
Tax on profit on ordinary activities	10	(15,151)	(9,564)
PROFIT FOR THE FINANCIAL YEAR		54,246	16,432
Dividends	23	(23,000)	(5,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR		31,246	11,432

All the above amounts derive from continuing activities.

There are no recognised gains or losses for 2000 or 1999 other than the profit on ordinary activities shown above. The inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is not deemed to be a departure from the unmodified historical cost basis of accounting, and a separate note of historical cost profits and losses is therefore unnecessary.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

		2000 £'000	1999 £'000
Profit for the financial year		54,246	16,432
Dividends		(23,000)	(5,000)
Total movements during the year		31,246	11,432
Shareholders' funds at the beginning of the year		119,542	108,110
Movements under Schedule 2C transfer	2, 15	6,344	-
Shareholders' funds at the end of the year		157,132	119,542

BALANCE SHEET

at 31 December 2000

	Notes	2000 £'000	1999 £'000
ASSETS			
Investments	11		
Shares in subsidiary undertaking		10	10
Other financial investments		441,572	326,616
		<u>441,582</u>	<u>326,626</u>
Assets held to cover linked liabilities	12	6,730,377	5,562,860
Reinsurers' share of technical provisions			
Long term business provision	17	495	270
Claims outstanding		4,807	6,013
		<u>5,302</u>	<u>6,283</u>
Debtors	13		
Debtors arising out of direct insurance operations		28,384	7,893
Other debtors		4,282	2,419
		<u>32,666</u>	<u>10,312</u>
Other assets			
Cash at bank and in hand		15,471	20,097
Prepayments and accrued income			
Accrued interest and rent		12,601	7,853
Deferred acquisition costs		122,827	82,929
Other prepayments and accrued income		2,758	2,825
Tax recoverable		9,998	4,584
		<u>148,184</u>	<u>98,191</u>
TOTAL ASSETS		<u>7,373,582</u>	<u>6,024,369</u>

BALANCE SHEET

at 31 December 2000

	Notes	2000 £'000	1999 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	14	26,456	26,456
Profit and loss account	15		
Non-distributable reserves		110,313	75,212
Distributable retained earnings		20,363	17,874
Shareholders' funds - equity interests		<u>157,132</u>	<u>119,542</u>
Technical provisions			
Long term business provision	17	300,232	234,080
Claims outstanding		26,238	25,395
		<u>326,470</u>	<u>259,475</u>
Technical provisions for linked liabilities	17	6,726,704	5,522,080
Provision for other risks and charges	18	35,305	23,415
Deposits received from reinsurers	19	9,550	9,242
Creditors			
Creditors arising out of direct insurance operations	20	72,428	38,493
Amounts owed to credit institutions		-	3,832
Other creditors including taxation and social security	21	45,993	48,290
		<u>118,421</u>	<u>90,615</u>
TOTAL LIABILITIES		<u>7,373,582</u>	<u>6,024,369</u>

Approved at a meeting of the Board of Directors on 8 May 2001 and signed on its behalf by:

A A Wilson
Managing Director

NOTES TO THE ACCOUNTS

at 31 December 2000

1. ACCOUNTING POLICIES

Basis of presentation

The accounts are prepared on the basis of the accounting policies set out below and comply with the special provisions relating to insurance companies in section 255 of, and schedule 9A to, the Companies Act 1985. In implementing these requirements the company has adopted the modified statutory solvency basis ("MSSB") for determining technical provisions.

The accounts comply with applicable accounting standards. In addition, the company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998.

Recognition of profits arising from long term insurance business

The statutory surplus arising in the period which is recognised in the long term business fund is required to be adjusted under the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 for certain items, including the deferral of acquisition costs and movements in certain reserves, to give the modified statutory result. The long term business result shown in the non-technical account is grossed up by an amount representing the overall effective rate of tax attributable to shareholders' profits.

Cash flow statement

As a wholly owned subsidiary of a group that produces publicly available consolidated accounts, the company does not prepare a cash flow statement by taking advantage of the exemption granted by Financial Reporting Standard No. 1 (Revised).

Premium income

Premium income reflects premiums received in respect of issued policies.

Investment income

Income from investments is included in the technical account or non-technical account, as appropriate. Account is taken of dividend income when the related investment goes "ex-dividend" and other investment income is included on an accruals basis.

Claims

Death claims are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due. Surrenders are recorded on the earlier of the date when paid or when the policy ceases to be included within the long term business provision and the technical provisions for linked liabilities. Where claims are payable and the contract remains in force, the claim or instalment is recorded when due for payment. Claims payable include the direct and indirect costs of settlement. Reinsurance recoveries are recorded in the same accounting period as the related claim.

Acquisition costs

Acquisition costs comprise direct costs, such as acquisition commissions and indirect costs of obtaining and processing new business. They are allocated to particular categories of policies based on available management information. Such costs are deferred as an explicit deferred acquisition costs asset, gross of tax, which is amortised over the period in which the costs are expected to be recoverable out of margins in matching revenues from related policies and in accordance with the pattern of such margins.

At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

NOTES TO THE ACCOUNTS

at 31 December 2000

1. ACCOUNTING POLICIES (continued)

Valuation of investments

Assets held to cover linked liabilities are valued at midday market prices on the last business day of the year, reflect the terms of the related policies and are valued on a basis consistent with the related liabilities.

- Freehold property is included at the latest independent valuation plus buying expenses.
- Fixed interest and index-linked securities are valued at quoted offer prices.
- Equities and investment trusts are valued at quoted offer prices plus buying expenses.
- Unit trusts are valued at quoted offer prices less discounts normally available to the company, or at creation price plus a mark up percentage.

The non unit-linked assets are valued as follows:

- Fixed interest and index-linked securities are valued at quoted middle market prices on the last business day of the year.
- Equities and investment trusts are valued at quoted offer prices plus buying expenses.
- Unit trusts are valued at quoted offer prices less discounts normally available to the company, or at creation price plus a mark up percentage.

Long term business provision

The long term business provision is determined by the company's Appointed Actuary following his annual investigation of the long term business.

The statutory solvency basis of valuation is adjusted by eliminating the undistributed surplus determined by that valuation together with certain reserves required under insurance companies regulations. This adjusted basis is referred to as the modified statutory solvency basis. The long term business provision includes the non-unit liabilities in respect of unit linked business and is grossed up for the impact of reinsurance.

Taxation

The taxation charge in the non-technical account is based on the taxable profits for the year. In the technical account - long term business the taxation charge is based on the method of assessing taxation for long term funds.

Deferred taxation is provided in full on all timing differences that have originated but not reversed by the balance sheet date. No deferred tax is recognised on permanent differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

Allowance is made in the long term business provision and technical provisions for linked liabilities for deferred taxation at appropriate rates in respect of the unrealised gains on investments.

Foreign currencies

Assets and liabilities held in foreign currencies are translated to sterling rates of exchange ruling at the end of the year. Income and expenditure denominated in foreign currencies are translated at the appropriate rates prevailing during the year.

2. SCHEDULE 2C TRANSFER OF PROFESSIONAL LIFE ASSETS AND LIABILITIES

At 11.59 pm on 31 December 2000, the assets and liabilities of Professional Life Assurance Company Limited, a fellow subsidiary undertaking, were transferred to Skandia Life Assurance Company Limited under the provisions of Schedule 2C of the Insurance Companies Act 1982. Both the long term business and the shareholders assets and liabilities were transferred. No consideration was paid for the shareholders assets transferred, resulting in a gain of £118,000. There is no tax charge associated with this transaction.

NOTES TO THE ACCOUNTS

at 31 December 2000

3. PREMIUM ANALYSIS**a) Premiums written**

	2000			1999		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
(i) Direct						
Life insurance business						
Individual						
- periodic premium	147,919	17,276	130,643	132,201	18,516	113,685
- single premium	658,545	-	658,545	330,393	-	330,393
	<u>806,464</u>	<u>17,276</u>	<u>789,188</u>	<u>462,594</u>	<u>18,516</u>	<u>444,078</u>
Pension business						
Individual						
- periodic premium	131,136	584	130,552	107,457	639	106,818
- single premium	638,673	-	638,673	255,711	-	255,711
Group contracts						
- single premium	195,685	-	195,685	92,369	-	92,369
	<u>965,494</u>	<u>584</u>	<u>964,910</u>	<u>455,537</u>	<u>639</u>	<u>454,898</u>
(ii) Reinsurance receivable	240,109	-	240,109	31,233	-	31,233
	<u>2,012,067</u>	<u>17,860</u>	<u>1,994,207</u>	<u>949,364</u>	<u>19,155</u>	<u>930,209</u>
Total premiums written						

Premiums shown above are almost exclusively unit-linked. Non-linked premiums included within single premiums represent less than 10% of the total and therefore, in accordance with the Companies Act 1985, are not disclosed.

b) Geographical analysis of premiums

	2000			1999		
	UK	Premiums written Other EU member states	Total	UK	Premiums written Other EU member states	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Premiums arising in:						
UK	1,541,654	-	1,541,654	774,897	-	774,897
Scandinavia	41,259	182,867	224,126	38,175	101,236	139,411
Other	6,025	154	6,179	3,657	166	3,823
	<u>1,588,937</u>	<u>183,021</u>	<u>1,771,958</u>	<u>816,729</u>	<u>101,402</u>	<u>918,131</u>

NOTES TO THE ACCOUNTS

at 31 December 2000

3. PREMIUM ANALYSIS (continued)

c) Gross new annualised periodic premiums

	2000 £'000	1999 £'000
Life insurance business - individual	30,735	26,272
Pension business - individual	54,532	29,597
Total gross new annualised periodic premiums	<u>85,267</u>	<u>55,869</u>

New periodic premiums reflect the total premiums payable in a full year and include increments.

4. INVESTMENT INCOME AND REALISED GAINS

	2000 £'000	1999 £'000
Technical account - long term business:		
Investment income:		
Income from land and buildings	3,346	1,898
Income from other investments	<u>110,445</u>	<u>94,676</u>
	113,791	96,574
Gains on the realisation of investments	<u>234,332</u>	<u>170,595</u>
	<u>348,123</u>	<u>267,169</u>
Non-technical account:		
Income from other investments	<u>2,311</u>	<u>2,187</u>

NOTES TO THE ACCOUNTS

at 31 December 2000

5. CLAIMS INCURRED

	2000			1999		
	Gross £'000	Reinsurance £'000	Net £'000	Gross £'000	Reinsurance £'000	Net £'000
Claims paid	481,323	12,666	468,657	375,655	15,206	360,449
Claims handling expenses	566	-	566	545	-	545
	481,889	12,666	469,223	376,200	15,206	360,994
Change in outstanding claims	665	(1,205)	1,870	4,717	490	4,227
	482,554	11,461	471,093	380,917	15,696	365,221

Analysed by type of benefit:

Death, disability and critical illness claims	48,667	11,397	37,270	45,947	15,634	30,313
Maturities	113,353	-	113,353	76,132	-	76,132
Surrenders	319,029	-	319,029	257,936	-	257,936
Annuities	939	64	875	357	62	295
Claims handling expenses	566	-	566	545	-	545
	482,554	11,461	471,093	380,917	15,696	365,221

6. NET OPERATING EXPENSES

2000
£'000

1999
£'000

Technical account - long term business:

Acquisition costs incurred	142,488	92,079
Change in deferred acquisition costs	(35,630)	(4,307)
Administrative expenses	25,669	15,776
	132,527	103,548

Operating expenses are stated after charging:

Operating lease rentals - land and buildings	130	83
Commission payable	91,915	56,403
Of which:		
Commission payable to Ernst & Young Financial Management Limited	158	134
Management fees from fellow subsidiary undertaking	73,430	48,629
Of which: Auditors' remuneration - audit services	166	170

The administration of management expenses, employees and fixed assets in the UK is provided by Skandia Life Business Services Limited, a fellow subsidiary undertaking. Skandia Life Business Services Limited charges a management fee for costs incurred and services provided.

NOTES TO THE ACCOUNTS

at 31 December 2000

7. STAFF COSTS

	2000 £'000	1999 £'000
Wages and salaries	1,212	1,038
Social security costs	98	63
Other pension costs	96	134
	<u>1,406</u>	<u>1,235</u>

	2000 No.	1999 No.
The average monthly number of employees during the year was as follows:	<u>19</u>	<u>14</u>

All employees are involved in the administration of the company's activities in the overseas branches.

As shown in note 6, the services of employees in the UK are provided by Skandia Life Business Services Limited, a fellow subsidiary undertaking.

8. DIRECTORS' EMOLUMENTS

Directors' emoluments shown below are included in management fees from fellow subsidiary undertakings shown in note 6.

	2000 £'000	1999 £'000
Aggregate directors' emoluments:		
Aggregate emoluments excluding pension contributions	328	263
Company pension contribution to money purchase schemes	59	54

During the year, of the directors whose emoluments are disclosed within these accounts, 3 directors had money paid to money purchase schemes (1999: 2).

Two directors, including the highest paid director, were eligible for shares or share options under a long term incentive scheme (1999: 2).

Emoluments of the highest paid director:

Aggregate emoluments excluding pension contributions	144	135
Company pension contribution to money purchase schemes	30	28

The highest paid director exercised share options during the year.

Certain directors receive remuneration in respect of services to other group companies and accordingly their emoluments are disclosed in the accounts of those companies.

NOTES TO THE ACCOUNTS

at 31 December 2000

9. DIRECTORS' INTERESTS

Details of directors' options over the shares of Skandia Life Assurance (Holdings) Limited are shown below.

	Number of options:	
	Granted/ amended	Exercised 30 Apr 00
S P L Gordon	-	25,000
N H Poyntz-Wright	-	25,000
T J Mann	-	6,666

All options exercised during the year were re-purchased by Skandia UK Limited, formerly Skandia (UK) Holdings Limited, the parent undertaking.

Options granted and exercised by other directors are disclosed in the accounts of Skandia Life Assurance (Holdings) Limited. There are no other directors' interests requiring disclosure under the Companies Act 1985.

10. TAXATION

	2000 £'000	1999 £'000
(a) Analysis of charge in period		
Technical account:		
UK corporation tax at rates between 20% and 30% (1999: rates between 20% and 30.25%)	22,574	42,128
Overseas tax	274	227
Group relief payable at 30% (1999: rates between 30.25% and 100%)	2,771	2,581
Deferred tax	11,890	1,501
	<u>37,509</u>	<u>46,437</u>
Prior years:		
Corporation tax payable underprovided	1,479	1,372
Group relief payable underprovided	232	915
	<u>39,220</u>	<u>48,724</u>
Non-technical account:		
Tax attributable to shareholders' long term business profits		
UK corporation tax at 30% (1999: 30.25%) in respect of the current year	2,771	7,362
Adjustments to tax charge in respect of previous periods	(203)	39
Current tax	2,568	7,401
Deferred tax	11,890	1,501
	<u>14,458</u>	<u>8,902</u>
Group relief payable at 30% (1999: 30.25%) on shareholders' income	693	662
	<u>15,151</u>	<u>9,564</u>
Of which:		
Current tax	3,261	8,063
Deferred tax	11,890	1,501
	<u>15,151</u>	<u>9,564</u>

NOTES TO THE ACCOUNTS

at 31 December 2000

10. TAXATION (continued)

	2000 £'000	1999 £'000
(b) Factors affecting tax charge for period		
Profit on ordinary activities before tax	<u>69,397</u>	<u>25,996</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (1999: 30.25%)	20,819	7,864
Effects of:		
Dividends receivable from UK companies	(6,410)	(69)
Deferred acquisition costs	(10,689)	(1,303)
Other	(256)	(268)
Group relief rate adjustment	-	1,800
Adjustments to tax charge in respect of previous periods	(203)	39
Current tax charge for period	<u>3,261</u>	<u>8,063</u>

(c) Factors that may affect future tax charges

A deferred tax asset of £7,461,000 (1999: £7,783,000) in respect of provisions against shareholder assets and for the Investors' Compensation Scheme levy has not been recognised because it is expected that it will take some time for these provisions to become tax deductible.

The company anticipates that non-taxable dividends receivable from UK companies will be reduced in future years. Hence future effective tax rates are likely to increase.

NOTES TO THE ACCOUNTS

at 31 December 2000

11. INVESTMENTS

	Current value		Historical cost	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Shares in subsidiary undertaking:	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Other financial investments:				
Variable yield securities	104,862	88,838	103,672	81,751
Debt securities and other fixed income securities	149,334	63,627	144,498	60,567
Loans secured by mortgages	12,672	11,933	12,672	9,000
Loans secured on policies	3,176	3,474	3,176	3,474
Deposits with credit institutions	171,528	158,744	171,528	158,744
	<u>441,572</u>	<u>326,616</u>	<u>435,546</u>	<u>313,536</u>
	<u>441,582</u>	<u>326,626</u>	<u>435,556</u>	<u>313,546</u>

All variable yield securities, debt securities and other fixed income securities included within other financial investments above are listed investments. Loans secured by mortgages are shown at the lower of the original loan and the recoverable amount, and can be in excess of the cost to the company.

12. ASSETS HELD TO COVER LINKED LIABILITIES

	Current value		Historical cost	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Assets held to cover linked liabilities	<u>6,730,377</u>	<u>5,562,860</u>	<u>5,353,211</u>	<u>3,694,102</u>

The assets held to cover linked liabilities and their equivalent technical provisions differ primarily due to "pipeline" assets purchased to match cash received where no technical provision has yet been established.

NOTES TO THE ACCOUNTS

at 31 December 2000

13. DEBTORS

	2000 £'000	1999 £'000
Arising out of direct insurance operations:		
- policyholders	426	422
- other	<u>27,958</u>	<u>7,471</u>
	<u>28,384</u>	<u>7,893</u>
Other debtors:		
- due from fellow subsidiary	3,469	1,511
- other	<u>813</u>	<u>908</u>
	<u>4,282</u>	<u>2,419</u>

14. SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised:		
120,000,000 ordinary shares of 25p each	30,000	30,000
103,500 deferred shares of 5p each	<u>5</u>	<u>5</u>
	<u>30,005</u>	<u>30,005</u>
Allotted, called up and fully paid:		
105,802,102 ordinary shares of 25p each	26,451	26,451
103,250 deferred shares of 5p each	<u>5</u>	<u>5</u>
	<u>26,456</u>	<u>26,456</u>

Shareholders participate in profits in proportions of 69.4% to the ordinary shareholders and 30.6% to the deferred shareholders once dividends equating to the value of the amount subscribed for the ordinary shares plus compound interest at 10% have been paid to the ordinary shareholders.

On winding up, shareholders participate in surplus assets in proportions of 69.4% to the ordinary shareholders and 30.6% to the deferred shareholders once the nominal value of shares held and the value of the specific retained profits reserves have been paid to the ordinary and deferred shareholders respectively.

Voting rights for ordinary and deferred shareholders are proportionate to the nominal value of the shares held.

NOTES TO THE ACCOUNTS

at 31 December 2000

15. PROFIT AND LOSS ACCOUNT

	Distributable:	Non-distributable reserves:		
	Retained earnings £'000	Surplus retained £'000	Modified statutory £'000	Total £'000
Balance at 1 January 1999	13,279	17,244	51,131	81,654
Result for the year after taxation	4,595	8,332	3,505	16,432
Transfer to retained earnings	5,000	(5,000)		
Dividends	(5,000)			(5,000)
Balance at 31 December 1999	17,874	20,576	54,636	93,086
2000:				
Result for the year after taxation	2,489	27,514	24,243	54,246
Transfer to retained earnings	23,000	(23,000)		
Movements under Schedule 2C transfer		2,842	3,502	6,344
Dividends	(23,000)			(23,000)
Balance at 31 December 2000	20,363	27,932	82,381	130,676

The transfer from the long term business fund is as determined by the directors subject to the approval of the appointed actuary.

16. FINANCIAL AND CAPITAL COMMITMENTS

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

	2000 £'000	1999 £'000 (restated)
Land and buildings:		
Operating leases which expire:		
Between two and five years	63	63
Over five years	99	-
	163	63

There are no material capital commitments.

NOTES TO THE ACCOUNTS

at 31 December 2000

17. TECHNICAL PROVISIONS

The long term business provision has been calculated on the basis of the following principal assumptions:

Class of business	Mortality experience	Interest rate %	
		2000	1999
Non-participating:			
- single premium whole life	40% A67/70 ult	3.20	3.40
- regular premium whole life	80% - 90% A67/70 ult *	3.20	3.40
- endowment assurance	90% A67/70 ult	3.20	3.40
Pensions business - deferred annuity	90% A67/70 ult	4.00	4.25
Pension annuities in payment	100% PMA80 (C=2010) ult (with an age deduction of 5 years)	4.20	5.40
Offshore business	Relevant unadjusted local mortality table		

* adjusted where relevant to allow for extra mortality due to AIDS.

The technical provisions for linked liabilities are equal to the value of assets to which the contracts are linked. Additional technical provisions in respect of guaranteed benefits on linked policies, future expenses and mortality and morbidity risks are included in the long term business provision.

The total amount of net assets representing the long term fund, valued in accordance with the provisions of the Companies Act 1985, was £7,058,779,000 (1999: £5,780,831,000) which included a transfer of £163,959,000 from Professional Life Assurance Company Limited, a fellow subsidiary undertaking as described in note 2.

18. PROVISION FOR OTHER RISKS AND CHARGES

	2000 £'000	1999 £'000
Deferred taxation:		
Balance at the beginning of the year	23,415	21,914
Profit and loss account transfer	11,890	1,501
Balance at the end of the year	<u>35,305</u>	<u>23,415</u>
Analysed by component:		
Deferred acquisition costs	33,983	22,106
Other	1,322	1,309
	<u>35,305</u>	<u>23,415</u>

Deferred taxation has been provided in full.

NOTES TO THE ACCOUNTS

at 31 December 2000

19. DEPOSITS RECEIVED FROM REINSURERS

The company has entered into reinsurance arrangements to assist in both the financing of the acquisition costs of new long term business and for solvency purposes generally. The net amount of the financing outstanding is £9.5 million (1999: £9.2million).

20. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

All creditors are payable within five years.

	2000 £'000	1999 £'000
Due to parent or fellow subsidiary undertaking	117	179
Other	72,311	38,314
	<u>72,428</u>	<u>38,493</u>

21. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2000 £'000	1999 £'000
Other taxes and social security costs	15,683	37,515
Due to parent or fellow subsidiary undertaking	30,271	8,744
Other	39	2,031
	<u>45,993</u>	<u>48,290</u>

22. INVESTORS' COMPENSATION SCHEME AND CONTINGENT LIABILITIES

The directors have provided a total of £5.6million within the long term business provision for future payments under the Investors' Compensation Scheme in respect of the alleged mis-selling of pension products. Together with payments already made, the cumulative cost is in excess of £6.7million.

It is currently not possible to estimate with reasonable accuracy the amount or allocation of such a levy; however the directors consider the current provision to be prudent.

There are no additional contingent liabilities.

NOTES TO THE ACCOUNTS

at 31 December 2000

23. DIVIDENDS

	2000 £'000	1999 £'000
Interim dividend proposed	<u>23,000</u>	<u>5,000</u>

24. SUBSIDIARY UNDERTAKING

Skandia Life (Pensions Trustee) Limited is a wholly owned subsidiary undertaking and is incorporated in England. Group accounts are not produced as the company operates only in a custodian capacity and does not trade.

25. RELATED PARTY TRANSACTIONS

The company has utilised exemptions under Financial Reporting Standard No. 8 as a wholly owned subsidiary not to disclose transactions with other group entities.

The company's life assurance and pension products are available to the directors and staff of the Skandia Life Assurance (Holdings) Limited group on preferential staff terms.

26. ULTIMATE HOLDING COMPANY

The company's accounts are consolidated within the accounts of Skandia Insurance Company Limited (publ), the ultimate holding company, incorporated in Sweden. The accounts are available from:

The Company Secretary
Skandia Insurance Company Limited (publ)
Sveavagen 44
S-103 50
Stockholm
Sweden

Skandia Insurance Company Limited (publ) accounts are prepared in accordance with Swedish accounting principles.

The smallest group within which the company's accounts are consolidated is Skandia Life Assurance (Holdings) Limited, a company registered in England. The accounts are available from:

The Company Secretary
Skandia Life Assurance (Holdings) Limited
Skandia House
Portland Terrace
Southampton
SO14 7EJ