

Sun Alliance Life Limited

Report and Accounts 1994

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Sun Alliance Life Limited

Directors

T.A. Hayes, *Chairman*

P. Barrow

J.C. Hance

J.S. Kent

J.R. Knightley

T.S. Nelson

R.H.W. Winch, Managing Director

J.J. Woods, *Actuary*

Secretary

D.J. Miller, Barrister

Registered Office

1 Bartholomew Lane, London EC2N 2AB

Sun Alliance Life Limited

Directors' report for the year ended 31st December, 1994

Activities

The Company acts as the holding company for the long-term insurance business operations of the Sun Alliance Group in the United Kingdom.

Long-term insurance business of the Group

	1994 £m	1993 £m
NEW BUSINESS (net of reinsurance)		
Premiums - annual	73.4	78.7
- single	194.1	265.8
INCOME		
Premium income, less reinsurance	711.3	746.5
Investment income	472.3	472.5

The long-term insurance funds at the end of the year amounted to £8,661.6m.

Profit and dividend

The profit of the Group for the year is shown in the profit and loss account on page 7.

The directors recommend for payment on 3rd July, 1995 a dividend of £33,000,000.

Directors

Mr.P.Barrow and Mr.J.S.Kent were appointed directors on 4th May, 1994, Mr.T.A.Hayes and Mr.T.S.Nelson were appointed directors on 1st July, 1994 and Mr.J.C.Hance was appointed a director on 1st September, 1994.

The other directors whose names appear on page 2 served throughout the year.

Sir Roger Neville served until he retired on 30th June, 1994. Mr P.G.Taylor and Mr.R.J.Taylor also served until they resigned on 30th June, 1994.

The interests of directors in the shares of 25p each in Sun Alliance Group plc are as follows:-

	Shares held at 1st January, 1994 <u>or on appointment</u>	Shares held at <u>31st December, 1994</u>
P. Barrow	17,283	17,349
J.S. Kent	10,485	10,485
J.R. Knightley	7,290	3,577
J.J. Woods	17,232	17,633

Options to subscribe for shares

	Held at 1st January, 1994 <u>or on appointment</u>	During 1994 or since appointment		Held at <u>31st December, 1994</u>
		<u>Granted</u>	<u>Exercised</u>	
P. Barrow	53,806	-	-	53,806
J.C. Hance	58,850	-	-	58,850
J.S. Kent	116,477	-	-	116,477
J.R. Knightley	65,263	7,000	-	72,263
R.H.W. Winch	78,252	48,330	-	126,582
J.J. Woods	90,579	6,768	-	97,347

By order of the directors

D.J. MILLER

3rd March, 1995

Secretary

Sun Alliance Life Ltd

Directors' responsibilities for accounts

The directors are required by UK company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period subject to statutory exemptions applicable to insurance companies.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31st December, 1994. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Auditors' report

Report of the auditors to the members of
Sun Alliance Life Limited

We have audited the accounts on pages 5 to 15.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the accounts have been properly prepared in accordance with the Companies Act 1985 applicable to insurance companies.

London
6th March, 1995

COOPERS & LYBRAND
Chartered Accountants
and Registered Auditors

Sun Alliance Life Limited

Consolidated long-term insurance revenue account
for the year ended 31st December, 1994

	Notes	1994 £m	1993 £m
Premiums less reinsurance		711.3	746.5
Investment income	4	472.3	472.5
Realised and unrealised appreciation (depreciation) on investments		(862.3)	1,339.1
Transfer from shareholders' funds		10.0	-
		<u>331.3</u>	<u>2,558.1</u>
less:			
Claims and surrenders		676.2	659.6
Annuities		154.7	151.3
Commission		45.8	51.9
Expenses		141.0	122.5
Taxation	7	46.6	36.7
Transfer to profit and loss account		34.3	38.2
		<u>1,098.6</u>	<u>1,060.2</u>
Increase (decrease) in funds		<u>(767.3)</u>	<u>1,497.9</u>

Sun Alliance Life Limited

Consolidated long-term insurance balance sheet
at 31st December, 1994

	Notes	1994 £m	1993 £m
Long-term insurance funds including reserves		8,661.6	9,428.9
Other liabilities including provisions			
Outstanding claims		29.2	30.1
Borrowings	9	40.2	19.9
Sundry creditors		117.9	107.4
Due to a parent company		10.6	3.0
Due to fellow subsidiaries		0.2	0.2
Due to general fund		55.8	39.9
		<u>8,915.5</u>	<u>9,629.4</u>
Investments			
British Government and municipal securities		1,928.5	2,193.9
Overseas government and municipal securities		62.0	78.9
Debentures		721.7	789.2
Preference stocks and shares		37.8	31.4
Ordinary stocks and shares		4,559.8	4,891.7
Property		975.9	978.7
Mortgages and loans		63.2	67.7
Deposits at interest		382.9	397.7
		<u>8,731.8</u>	<u>9,429.2</u>
Other assets			
Debtors		181.6	199.2
Due from fellow subsidiaries		0.7	0.7
Bank balances and cash		1.4	0.3
		<u>8,915.5</u>	<u>9,629.4</u>

This balance sheet forms part of the balance sheet appearing on page 8.

Sun Alliance Life Limited

Consolidated profit and loss account
for the year ended 31st December, 1994

	Notes	1994 £m	1993 £m
Long-term insurance profits	5	57.5	54.6
Investment and other income	6	20.4	22.7
Profit before taxation		77.9	77.3
Taxation	7	30.4	22.9
Profit after taxation	11	47.5	54.4
Dividend		33.0	46.0
Retained profits transfer		14.5	8.4

Statement of total recognised gains and losses for the year ended 31st December, 1994		1994 £m	1993 £m
Profit attributable to shareholders		47.5	54.4
Transfer to long-term fund	10	(10.0)	-
Realised investment profits less losses, after taxation	10	-	2.8
Unrealised appreciation (depreciation) of investments	10	(20.0)	11.0
Total recognised gains (losses)		17.5	68.2

Reconciliation of movements in shareholders' funds
for the year ended 31st December, 1994

	1994 £m	1993 £m
Shareholders' funds at 1st January	262.2	240.0
Total recognised gains (losses)	17.5	68.2
Dividend	(33.0)	(46.0)
Shareholders' funds at 31st December	246.7	262.2

Sun Alliance Life Limited

Consolidated balance sheet
at 31st December, 1994

	Notes	1994 £m	1993 £m
Share capital	8	78.4	78.4
Reserves			
Retained profits	10	108.6	104.1
Revaluation reserve	10	59.7	79.7
		<u>246.7</u>	<u>262.2</u>
General insurance funds including provisions	6	157.0	176.6
Other liabilities including provisions			
Sundry creditors		18.7	10.9
Due to parent company		110.4	40.4
Due to fellow subsidiaries		1.0	0.8
Proposed dividend		33.0	40.0
		<u>566.8</u>	<u>530.9</u>
Long-term insurance funds and liabilities (page 6)		8,915.5	9,629.4
		<u>9,482.3</u>	<u>10,160.3</u>
Investments			
British Government and municipal securities		116.8	133.8
Overseas government and municipal securities		83.2	88.9
Debentures		80.5	84.4
Ordinary stocks and shares		30.9	32.1
Property		2.2	4.2
Mortgages and loans		0.1	0.1
Deposits at interest		25.5	11.8
		<u>339.2</u>	<u>355.3</u>
Reinsurers' share of general insurance funds		2.1	1.8
Other assets			
Deferred acquisition costs		0.9	1.0
Agents' balances and debtors		12.7	27.1
Due from long-term insurance fund		55.8	39.9
Due from parent companies		155.0	99.4
Due from fellow subsidiaries		-	0.9
Bank balances and cash		1.1	5.5
		<u>566.8</u>	<u>530.9</u>
Long-term insurance assets (page 6)		8,915.5	9,629.4
		<u>9,482.3</u>	<u>10,160.3</u>

Sun Alliance Life Limited

Balance sheet
at 31st December, 1994

	Notes	1994 £m	1993 £m
Share capital	8	78.4	78.4
Reserves			
Retained profits	11	37.6	33.4
Revaluation reserve		130.7	150.4
		<u>246.7</u>	<u>262.2</u>
Liabilities and provisions			
Sundry creditors		0.1	0.1
Due to parent companies		37.7	40.4
Proposed dividend		33.0	40.0
		<u>317.5</u>	<u>342.7</u>
Investments			
British Government and municipal securities		2.0	2.3
Deposits at interest		2.5	-
Shares in subsidiaries	11 & 12	219.4	228.6
		<u>223.9</u>	<u>230.9</u>
Current assets			
Sundry debtors		-	0.1
Due from subsidiaries		93.5	111.3
Bank balances		0.1	0.4
		<u>317.5</u>	<u>342.7</u>

The accounts on pages 5 to 15 were approved by the directors on 3rd March, 1995 and were signed on their behalf by:-

T.A. HAYES, Director

Sun Alliance Life Limited

Notes on the accounts

1. Accounting policies

The principal accounting policies of the Group as set out below comply with U.K. accounting standards to the extent that they are applicable to life assurance companies. Reinsurance balances have been grossed up on the face of the balance sheet to reflect the requirements of Financial Reporting Standard 5 regarding offset. Advantage has been taken of the transitional provision within Financial Reporting Standard 5 which permits the offset of balances arising from insurance broking transactions.

(a) Group accounts

The consolidated accounts of the Group include the audited accounts of all subsidiaries drawn up to 31st December.

The results of associated companies attributable to the Group's shareholdings are not of sufficient significance to be included in the consolidated accounts except to the extent of dividends received.

(b) Exchange

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year-end. Overseas revenue transactions are translated at rates prevailing during the year.

(c) Long-term insurance business

The profits on long-term insurance business are determined annually by actuarial valuation. The shareholders' proportion of these profits is grossed up in the consolidated profit and loss account by the estimated tax in the long-term insurance funds attributable to such profits.

(d) Investment income

Interest and dividends on investments other than ordinary shares are included on an accruals basis. Investment income is grossed up to include related tax credits on dividend income and is shown after deduction of interest payable and investment management expenses.

(e) Taxation

The taxation charge in the consolidated long-term insurance revenue account is based on the income and realised investment profits less losses of the year, less reliefs.

Taxation in the consolidated profit and loss account is based on the profits and income of the year.

Provision is made for deferred taxation on the unrealised appreciation of investments in unit-linked life funds and is deducted in arriving at the balance sheet market values.

Provision for deferred taxation on the unrealised appreciation of investments for non-linked policies is made only where realisations giving rise to a taxation liability are anticipated in the foreseeable future.

Sun Alliance Life Limited

Notes on the accounts continued

(f) Investments

Investments are stated in the balance sheets at market values comprising stock exchange values for listed securities, open market valuations by the Group's qualified surveyors for properties, values determined in accordance with the policy terms for investments in unit-linked funds and directors' valuations for other investments.

The difference between market values and book values of general fund investments is taken to revaluation reserve and profits and losses on the realisation of general fund investments, less taxation, are taken to retained profits.

In the long-term insurance accounts unrealised appreciation and profits and losses on the realisation of investments are dealt with in the revenue account.

2. Accounting and disclosure requirements

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to insurance companies. As permitted by section 230 of the Act a separate profit and loss account for the Company is not presented.

3. Pension costs

The majority of the staff in the U.K. are employed by Sun Alliance and London Insurance plc and are members of a defined benefits pension scheme details of which are disclosed in the accounts of Sun Alliance Group plc.

4. Investment income

Interest on bank and other loans, deducted from investment income in the consolidated long-term insurance revenue account, amounted to £0.8m (1993 £1.2m).

5. Long-term insurance profits

The amount included in the consolidated profit and loss account for the shareholders' proportion of long-term insurance profits is made up as follows:-

	1994 £m	1993 £m
Transfer from revenue account	34.3	38.2
Related taxation	23.2	16.4
	<u>57.5</u>	<u>54.6</u>

The transfer from the revenue account is shown net of a £20m loss arising in the year in a subsidiary.

Sun Alliance Life Limited

Notes on the accounts continued

6. General insurance business

The results of general insurance business written by a subsidiary are included in investment and other income in the consolidated profit and loss account. The premium income written was £14.2m (1993 £16.7m) and the profit for the year was £6.0m (1993 £7.8m).

The general insurance funds in the consolidated balance sheet include the provision for claims under an excess of loss reinsurance agreement made with Chubb Corporation in 1985. This provision has been discounted at the average interest rate applicable to the investment funds specifically held to meet the liability.

7. Taxation

The charges for taxation comprise:-

	Consolidated long-term insurance revenue account		Consolidated profit and loss account	
	1994	1993	1994	1993
	£m	£m	£m	£m
United Kingdom taxation				
Corporation tax	32.8	22.9	6.8	6.3
Tax attributable to U.K. dividend income and to the long-term insurance transfer	14.7	13.5	23.5	16.6
Prior year adjustment	(0.7)	-	-	-
Deferred taxation	(0.3)	(0.7)	-	-
	<hr/> 46.5	<hr/> 35.7	<hr/> 30.3	<hr/> 22.9
Less Double taxation relief	1.7	0.8	-	0.1
	<hr/> 44.8	<hr/> 34.9	<hr/> 30.3	<hr/> 22.8
Overseas taxation on profits	1.8	1.8	0.1	0.1
	<hr/> 46.6	<hr/> 36.7	<hr/> 30.4	<hr/> 22.9

The charge for U.K. corporation tax in the profit and loss account is calculated at 33% (1993 33%).

Sun Alliance Life Limited

Notes on the accounts continued

7. Taxation continued

The potential liability for deferred taxation on unrealised appreciation of investments which is not expected to be payable in the foreseeable future and for which, therefore, no provision has been made is estimated to amount to:-

	1994 £m	1993 £m
Long-term insurance funds	134.0	250.0
General funds	9.0	14.0

8. Share capital

	1994 £m	1993 £m
Authorised: 100,000,000 ordinary shares of £1 each	<u>100.0</u>	<u>100.0</u>
Issued and fully paid: 78,366,110 ordinary shares of £1 each	<u>78.4</u>	<u>78.4</u>

9. Borrowings

The borrowings in the consolidated long-term insurance balance sheet are as follows:-

	1994 £m	1993 £m
Bank overdrafts	17.4	9.0
Loans due to group companies, at commercial rate of interest, repayable within one year	<u>22.8</u>	<u>10.9</u>
	<u>40.2</u>	<u>19.9</u>

10. Consolidated reserves

Consolidated reserves and reserve movements are as follows:

	Retained profits		Revaluation reserve	
	1994 £m	1993 £m	1994 £m	1993 £m
Balance at 1st January	104.1	92.9	79.7	68.7
Retained profit for the year	14.5	8.4	-	-
Realised investment profits less losses, after taxation	-	2.8	-	-
Unrealised (depreciation) appreciation of investments	-	-	(20.0)	11.0
Development transfer to long- term fund to meet statutory solvency requirement of a subsidiary company	(10.0)	-	-	-
Balance at 31st December	<u>108.6</u>	<u>104.1</u>	<u>59.7</u>	<u>79.7</u>

Sun Alliance Life Limited

Notes on the accounts *continued*

11. Company's accounts

The Company's profit after taxation for the year amounted to £57.2m (1993 £68.1m).

Shares in subsidiaries are stated in the Company's balance sheet at net asset value and the excess over book value is taken to revaluation reserve.

12. Subsidiaries

The Company owns the whole of the issued share capitals of Phoenix Assurance plc, Sun Alliance and London Assurance Company Limited, Sun Alliance Linked Life Insurance Limited and Sun Alliance Pensions Limited, all of which are registered in England and Wales.

13. Associated companies and other participating interests

Investments include interests in companies, not being subsidiaries, in which the shareholdings exceed 10% of the equity share capitals of those companies. None of these investments materially affects the investment income or assets of the Group.

14. Directors' emoluments

Directors' emoluments amounted to £548,124 (1993 £528,016) in respect of other services. No emoluments were paid by the Company to the Chairman nor to the previous Chairman. The emoluments, excluding pension fund contributions, of the highest paid director were £181,881 (1993 £143,476).

The following table shows the number of directors of the Company whose emoluments were within the ranges stated.

Emoluments (excluding pension fund contributions)			1994	1993
	£			
0	-	5,000	6	2
35,001	-	40,000	1	-
45,001	-	50,000	-	1
50,001	-	55,000	-	1
60,001	-	65,000	1	-
90,001	-	95,000	-	1
100,001	-	105,000	1	-
115,001	-	120,000	-	1
120,001	-	125,000	1	-
140,001	-	145,000	-	1
180,001	-	185,000	1	-
			<u>11</u>	<u>7</u>

Six directors received no emoluments during the year. They were employed by Sun Alliance and London Insurance plc and did not receive remuneration for their services to the Company. It is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

15. Transactions and arrangements involving directors of the Company and its parent companies.

The following loan under staff house purchase scheme repayable out of the proceeds of collaterally charged life assurance policies applied throughout 1994: Mr.A.J.Barron £24,000, on which interest was charged at between 4.0% and 8.1% per annum.

Sun Alliance Life Limited

Notes on the accounts *continued*

16. Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries amounted to £210,500 (1993 £206,500). The auditors of the Company also received fees of £75,604 (1993 £ 68,654) in respect of non-audit services, for the Company and its subsidiaries.

17. SIB Pension Review

Following guidance issued by both the Department of Trade and Industry and The Securities and Investments Board during 1994, and whilst the outcome of further investigations remains uncertain, liabilities in the long-term fund of the Pensions linked business subsidiary include £20m to cover the costs of compensating customers who may have been given non compliant advice either to transfer from or opt out of an Occupational Pension Scheme or State Earnings Related Pension scheme and to take out a Personal Pension Plan.

18. Parent companies

The Company's immediate parent company is Sun Alliance Insurance Overseas Limited which is registered in England and Wales.

The Company's ultimate parent company is Sun Alliance Group plc which is registered in England and Wales. A copy of that company's accounts can be obtained from 1 Bartholomew Lane, London EC2N 2AB.