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Sun Alliance and London

Insurance plc

Report and Accounts
1995

Sun Alliance and London Insurance plc

Report and Accounts 1995

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Head office and registered office: 1 Bartholomew Lane, London EC2N 2AB

Sun Alliance and London Insurance plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 1 Bartholomew Lane, London EC2N 2AB, on Tuesday, 30th April, 1996 at 11.00 a.m. to transact the ordinary business of the Company.

By order of the directors

D. J. MILLER

5th April, 1996

Secretary

A member entitled to attend and vote at this Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.

Directors and management

Directors

Chairman	Sir Christopher Benson
Deputy Chairman	Henry Keswick

Robert Ayling
Sir Ewen Fergusson, GCMG, GCVO
Peter Foreman
Arthur Hayes
John Kemp-Welch
The Lord Kindersley
Scott Nelson
Sir Roger Neville, VRD
The Honourable Amschel Rothschild
Peter Taylor
Roger Taylor
Ian Trotter
The Duke of Westminster, OBE, TD, DL

Management

Group Chief Executive	R. J. Taylor, FCII
Group Executive Director	T. A. Hayes, FCII, ACIS
Group Finance Director	T. S. Nelson, CA
Group Marketing Director	P. G. Taylor, FCII
Managing Director, Overseas	P. F. Foreman, FCII
Managing Director, Worldwide Asset Management	I. M. Trotter, FCIS
Group Secretary	D. J. Miller, Barrister

Divisions

General Insurances	A. P. Latham, ACII
Direct & Retail	S. W. Broughton, FCII
Life & Pensions	R. H. W. Winch
Corporate Partnership	P. E. Croucher, FIA
Europe	K. D. Sinfield, ACII
Scandinavia	P. Zobel
Americas	N. D. Hooper, FCII
Asia Pacific	A. J. Barron, ACII
Group Properties	J. N. Coote, FRICS
Investment Management	J. S. Kent, ACIS, ACII
Planning & Services	M. J. Heaps, FCA

Sun Alliance and London Insurance plc

Summary of results

Premium income	1995 £m	*Restated 1994 £m*
General insurance	3,571·3	*3,402·1*
Long term insurance	1,261·5	*1,237·1*
	4,832·8	*4,639·2*

Profit and loss account	1995 £m	*Restated 1994 £m*
General insurance underwriting result	(30·7)	*(127·2)*
Long term insurance profits	94·2	*72·5*
Investment income	577·6	*482·1*
Income from associates	14·4	–
Investment expenses and charges	(39·4)	*(35·0)*
Other charges	(18·9)	*(1·2)*
	597·2	*391·2*
Profit (loss) on disposal of subsidiaries	(12·0)	*10·8*
Profit on ordinary activities before taxation	585·2	*402·0*
Taxation on profit on ordinary activities	(101·8)	*(72·4)*
Minority interests	(46·7)	*(13·1)*
Profit for financial year	436·7	*316·5*
Dividends	(255·0)	*(160·7)*
Retained profits transfer	181·7	*155·8*

Territorial analysis of premium income	1995	*Restated 1994*
General insurance	£m	*£m*
United Kingdom	1,674·2	*1,689·4*
Rest of Europe	906·5	*791·3*
USA	380·6	*361·3*
Australia	301·9	*265·5*
Other Overseas	308·1	*294·6*
	3,571·3	*3,402·1*
Long term insurance	£m	*£m*
United Kingdom	684·9	*711·3*
Rest of Europe	393·4	*368·5*
Australia	50·5	*75·9*
Other Overseas	132·7	*81·4*
	1,261·5	*1,237·1*

Directors' report

The directors submit their report and the accounts of the Group for the year ended 31st December, 1995.

Activities

The principal activity of the Company and its subsidiaries is the transaction in the United Kingdom and overseas of all major classes of insurance business.

Review of the year

A review of the business of the Group is included in the report and accounts of Sun Alliance Group plc. The Group profit, appropriations and financial position are shown on pages 13 to 15.

Dividend

The directors have resolved to declare at the Annual General Meeting on 30th April, 1996 a final dividend of 14·24p per share, to be paid on 1st July, 1996. With the interim dividend of 17·34p per share paid on 6th December, 1995 the dividends for the year totalled 31·58p per share.

Directors

The Duke of Westminster was appointed a director on 1st February, 1995, the Hon. Amschel Rothschild was appointed a director on 1st June, 1995 and Mr. P. F. Foreman and Mr. I. M. Trotter were appointed directors on 1st July, 1995. The other directors named on page 3 served during the year together with Mr. L. D. de Rothschild who, as indicated in last year's report, retired at the conclusion of the Annual General Meeting on 2nd May, 1995, and Mr. M. L. Dew and Mr. R. Petty who retired from the board on 30th June, 1995.

The Hon. Amschel Rothschild, Mr. P. F. Foreman and Mr. I. M. Trotter will retire at the forthcoming Annual General Meeting and will be proposed for re-election together with Mr. R. J. Ayling, Mr. Henry Keswick, Mr. P. G. Taylor and Mr. R. J. Taylor, who will retire by rotation.

Employees

The Group remains committed to employee involvement and equality of opportunity. Financial and other information on matters concerning employees is provided by in-house publications and in various other ways, centrally and through operating companies. Regular negotiations, consultations and discussions on a wide range of subjects are held between general management and recognised staff representative bodies under agreed procedures at joint meetings at national and local levels.

The continuing policy of the Group is to make available to the disabled, on recruitment or subsequently, the fullest opportunities for employment, training, career development and promotion.

Savings related and executive share option schemes are available for eligible employees of the Company and its subsidiaries to enable them to subscribe for shares in the Parent Company.

By order of the directors

D. J. MILLER

Secretary

6th March, 1996

Sun Alliance and London Insurance plc

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.

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, 1995. 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

To the members of Sun Alliance and London Insurance plc

We have audited the accounts on pages 7 to 32.

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 give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 1995 and of the profit and total recognised gains of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants
and Registered Auditors

London
6th March, 1996

Accounting policies

The principal accounting policies of the Group as set out below comply with U.K. accounting standards and the ABI Guidance on Accounting for Insurance Business issued in 1995. Advantage has been taken of the transitional provision within FRS5 which permits the offset of balances arising from insurance broking transactions.

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") came into effect for periods commencing after 23rd December, 1994 and accordingly have been applied for the first time in these accounts. The comparative figures for the year ended 31st December, 1994 have been restated to reflect the changes in the presentation of the accounts introduced by the Regulations. Compliance with SSAP19 requires a departure from the Companies Act 1985; an explanation of the departure is given in note (i) on page 10.

The majority of the changes relate to additional disclosure. Accounting policies have however changed in relation to the following.

(i) Realised investment gains and losses previously taken directly to retained profits are now accounted for in the profit and loss account.

(ii) In previous years the transfer to shareholders from the long term business fund, as determined in accordance with the Insurance Companies Act 1982, has also been used as the basis for recognising the profit from the Group's long term business activity. For the purpose of preparing the accounts in accordance with the Regulations two significant adjustments have been made:

   (1) the explicit deferral of new business acquisition costs, and

   (2) the allocation of the long term business fund between the long term business provision, the technical provisions for linked liabilities, the fund for future appropriations and shareholder reserves.

   This adjusted basis of recognising profit is known as the modified statutory basis and is adopted in these accounts.

(iii) Income on ordinary shares is now recognised on a ex-dividend rather than paid basis.

(iv) Internal claims handling provisions in relation to certain overseas territories have been increased to include indirect costs of settlement.

(v) The tax charge in the profit and loss account has been adjusted to reflect the above changes.

The effects of these changes are disclosed in note 12 on page 22.

(a) Group accounts

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

Major associated companies are accounted for by the equity method in the consolidated accounts. Associates which do not represent a material part of the Group's income or assets are included within other financial investments in the consolidated balance sheet.

Goodwill, being the difference between cost of acquisition and fair values of the assets acquired, arising on the acquisition of subsidiary companies and associated companies, is written off against consolidated retained profits in the year of purchase. From 1st January, 1995 fair values have been determined in accordance with the requirements of FRS7.

(b) General insurance business

(i) Underwriting results

Except for those classes of business referred to below, the underwriting results of general insurance business are determined on an annual basis. Premiums written are accounted for in the

Accounting policies *continued*

year in which the risks are assumed. The proportion of written premiums, including where relevant those of prior accounting periods, attributable to the risks borne during the year are accounted for as earned premium. The proportions attributable to future periods are deferred as unearned premium. The commission and other acquisition costs incurred in writing the business are deferred and amortised over the period in which the related premiums are earned. Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring in the year and adjustments to prior years' claims provisions. Deductions are made for salvage and other recoveries and the proportions attributable to reinsurers.

The underwriting result for London market marine and aviation business is determined using a fund basis of accounting as it is not possible to obtain sufficient and timely information in respect of provisions and claims. Under the fund basis the balance of each underwriting year fund is assessed to determine whether it is sufficient to cover present and anticipated future liabilities. Any deficiency identified in the individual underwriting year fund is recognised in the profit and loss account in the accounting period but surpluses are not recognised until the end of the second year following the year of account.

(ii) Technical provisions

Unearned premiums are calculated on a time apportionment basis.

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date, whether reported or not, and the balances of the open years' accounts for marine and aviation business. Mortgage indemnity claims are recognised as incurred based on those mortgages that are in arrears and which are projected to become repossessions. Claims provisions include estimates based on both past settlement experience and factors that are foreseeable and determinable at the time. In the case of an excess of loss reinsurance agreement made with The Chubb Corporation in 1985 the claims provision at 31st December, 1994 was discounted at the average interest rate applicable to the investment funds specifically held to meet the liability. The Chubb Corporation exercised their right under the reinsurance agreement to terminate the contract at 31st December, 1995. Full provision has been made for all liabilities remaining under the contract.

Provision is made based on information available at the balance sheet date, for any estimated future underwriting losses relating to unexpired risks, after taking account of future investment income on unearned premiums, and for underwriting losses expected to arise on open years' accounts. The unexpired risk provision is assessed in aggregate for all business classes which in the opinion of the directors are managed together.

(c) Long term insurance business

(i) Basis of profit recognition

The profits on long term insurance business represent the transfer from the long term funds to shareholders following the actuarial valuation of liabilities, together with the movements in certain reserves attributable to shareholders held within the long term funds. Profits are shown in the non-technical account grossed up for tax at the full rate of corporation tax applicable in the period subject to the exclusion of tax neutral items.

(ii) Earned premiums

Earned premiums comprise written premiums and are accounted for when due, except in respect of certain linked business which is accounted for upon receipt, being the date at which the liability for the units is included in the technical provisions for linked liabilities.

(iii) New business premiums

New business premiums are recognised when the policy liability is set up. New single premiums include recurrent single premium contracts including DSS rebates and increments under group pension schemes.

Where products are substituted by the policyholder or pension contracts are vested, these transactions are reflected as new business only to the extent that they give rise to incremental premiums.

Accounting policies *continued*

(iv) Claims incurred

Claims arising on maturity are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or the date at which the policy ceases to be included in the long term business provision or the technical provisions for linked liabilities.

Claims paid include related internal and external claims handling costs.

(v) Bonuses

Reversionary bonuses are recognised in the technical account – long term business when declared; terminal bonuses are recognised when payable.

(vi) Acquisition costs

Acquisition costs comprise direct and indirect costs of obtaining and processing new business. These costs are deferred as an explicit deferred acquisition cost asset, gross of tax, and amortised over the period in which they are expected to be recovered out of margins in matching revenues from related policies.

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.

(vii) Long term business provision

The long term business provision has been computed by suitably qualified Actuaries on the basis of recognised actuarial methods. Details of the main assumptions made and the methods used are given in note 19 on page 26.

(viii) Technical provisions for linked liabilities

The technical provisions for linked liabilities are the repurchase value of units allocated to in-force policies at the balance sheet date, where the policy benefits are wholly or partly related to investments of any description, or to indices of the value of investments. Provisions for deferred taxation on unrealised appreciation of the related investments are included under the same heading.

Linked liabilities are established by reference to the value of the underlying assets which are held to meet those liabilities. These assets are included, predominantly, at mid-market value.

(ix) Fund for future appropriations

Certain long term funds comprise either participating or both participating and non-participating life insurance contracts where policyholders have a contingent interest in the excess of assets over liabilities in the fund. Accordingly the excess of assets over liabilities within these funds is not allocated between policyholders and shareholders and is taken to the fund for future appropriations.

(d) Exchange

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates ruling at the year-end. The resulting exchange adjustments, including the differences arising from the translation of the technical provisions at the beginning of the year at year-end rates, are taken in the case of general insurance business, to reserves and in the case of long term business are included within the technical account – long term business.

(e) Tangible assets

Expenditure on plant and machinery, motor vehicles and fixtures and fittings is capitalised and depreciated by equal annual instalments over the estimated useful lives of the assets, which range from three to ten years.

(f) Pension costs

The cost of providing pensions for the Group's employees is accounted for over the employees' working lives on a systematic basis as advised by qualified actuaries.

Accounting policies *continued*

(g) Investment income

Interest and dividends on investments other than ordinary shares are included on an accruals basis. Dividend income on ordinary shares is recognised when the related investment goes "ex-dividend". Investment income is grossed up to include related tax credits on dividend income.

(h) Taxation

Taxation in the consolidated non-technical account is based on the profits and the income for the year and includes deferred taxation on timing differences other than those considered likely to continue in the foreseeable future.

The taxation arising on long term business is based upon the taxation rules applicable to life insurance companies. Deferred taxation is provided on timing differences, including those arising from the recognition of shareholder reserves in the long term business funds, other than those likely to continue in the foreseeable future. For basic life insurance business the provision for deferred taxation on unrealised appreciation of investments of the long term business funds is included in technical provisions.

Provision for deferred taxation on unrealised appreciation of all investments other than that relating to basic life insurance business is made only where realisations giving rise to a taxation liability are anticipated in the foreseeable future.

No provision is made for taxation that might arise on the distribution of profits retained by overseas subsidiaries or associated companies.

(i) Investments

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

In accordance with SSAP19, no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over twenty years to run as these properties are held for investment. In respect of owner-occupied property the directors consider that residual values are such that their depreciation is insignificant and is thus not provided.

The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider it is necessary to adopt SSAP19 in order to give a true and fair view.

The difference between market values and book values of general fund investments, other than the amount attributable to minority interests, is taken to revaluation reserve. Profits and losses on the realisation of general fund investments, obtained by comparing net sale proceeds with original cost, are taken to the non-technical account.

Realised and unrealised investment gains and losses attributable to assets in the long term business fund, or in the case of overseas subsidiaries, attributed to long term business are taken to the technical account – long term business.

(j) Investments in subsidiary companies.

Investments in subsidiaries are included in the parent company balance sheet at net asset value.

Consolidated profit and loss account

for the year ended 31st December, 1995

Technical account – general business

	Notes	1995 £m	*Restated 1994 £m*
Gross premiums written		4,467·4	*4,324·9*
Outward reinsurance premiums		(896·1)	*(922·8)*
Net premiums written		3,571·3	*3,402·1*
Change in the gross provision for unearned premiums		(99·8)	*(9·5)*
Change in the provision for unearned premiums, reinsurers' share		69·3	*28·1*
Change in the net provision for unearned premiums		(30·5)	*18·6*
Earned premiums, net of reinsurance		3,540·8	*3,420·7*
Claims paid			
Gross amount		(3,030·9)	*(2,838·3)*
Reinsurers' share		520·1	*422·2*
		(2,510·8)	*(2,416·1)*
Change in the provision for claims			
Gross amount		(92·5)	*(163·2)*
Reinsurers' share		192·5	*67·6*
		100·0	*(95·6)*
Claims incurred, net of reinsurance	2	(2,410·8)	*(2,511·7)*
Net operating expenses	3&4	(1,160·7)	*(1,036·2)*
Balance on the technical account for general business		(30·7)	*(127·2)*

All figures relate to continuing operations.

Sun Alliance and London Insurance plc

Consolidated profit and loss account

for the year ended 31st December, 1995

Technical account – long term business

	Notes	1995 £m	*Restated 1994 £m*
Gross premiums written		1,299·8	*1,275·7*
Outward reinsurance premiums		(38·3)	*(38·6)*
Earned premiums, net of reinsurance		1,261·5	*1,237·1*
Investment income	5(a)	1,156·7	*1,139·5*
Unrealised gains on investments		1,220·1	–
Claims paid			
Gross amount		(1,321·4)	*(1,330·6)*
Reinsurers' share		32·8	*34·1*
		(1,288·6)	*(1,296·5)*
Change in the provision for claims			
Gross amount		0·7	*2·7*
Reinsurers' share		(3·6)	*3·5*
		(2·9)	*6·2*
Claims incurred, net of reinsurance		(1,291·5)	*(1,290·3)*
Changes in other technical provisions			
Long term business provision			
Gross amount		(540·1)	*179·0*
Reinsurers' share		9·7	*(11·5)*
		(530·4)	*167·5*
Technical provisions for linked business, net of reinsurance		(334·6)	*162·0*
Net change in technical provisions		(865·0)	*329·5*
Bonuses and rebates, net of reinsurance		(235·2)	*(231·6)*
Net operating expenses	3&4	(273·8)	*(275·5)*
Investment expenses and charges	5(b)	(23·6)	*(26·9)*
Unrealised losses on investments		–	*(1,544·6)*
Taxation attributable to the long term business	7	(93·8)	*(132·6)*
Transfers (to) from the fund for future appropriations		(786·1)	*835·8*
Balance on the technical account for long term business		69·3	*40·4*

All figures relate to continuing operations.

Consolidated profit and loss account

for the year ended 31st December, 1995

Non-technical account

	Notes	1995 £m	*Restated 1994 £m*
Balance on the technical account for general business		(30·7)	*(127·2)*
Balance on the technical account for long term business		69·3	*40·4*
Tax credit attributable to balance on the technical account		24·9	*32·1*
		94·2	*72·5*
Investment income	5(a)	577·6	*482·1*
Income from associates	29	14·4	–
Investment expenses and charges	5(b)	(39·4)	*(35·0)*
Other charges	27	(18·9)	*(1·2)*
		597·2	*391·2*
Profit (loss) on disposal of subsidiaries	23	(12·0)	*10·8*
Profit on ordinary activities before taxation		585·2	*402·0*
Taxation on profit on ordinary activities	7	(101·8)	*(72·4)*
Profit on ordinary activities after taxation		483·4	*329·6*
Minority interests		(46·7)	*(13·1)*
Profit for the financial year		436·7	*316·5*
Dividends	9	(255·0)	*(160·7)*
Retained profits transfer	12	181·7	*155·8*

All figures relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31st December, 1995

	1995 £m	*Restated 1994 £m*
Profit for the financial year	436·7	*316·5*
Foreign exchange gains	53·6	*11·6*
Unrealised appreciation (depreciation) of investments	503·7	*(388·6)*
Total recognised gains (losses) arising in the year	994·0	*(60·5)*
Prior year adjustments (as explained in note 12)	42·6	
Total gains and losses recognised since last annual report	1,036·6	

Reconciliation of movements in shareholders' funds

for the year ended 31st December, 1995

	Notes	1995 £m	*Restated 1994 £m*
Shareholders' funds at 1st January (originally £1,862·8m before prior year adjustment of £42·6m)	12	1,905·4	*2,141·9*
Total recognised gains (losses)		994·0	*(60·5)*
Goodwill written back (off)	23	21·1	*(15·3)*
Dividends	9	(255·0)	*(160·7)*
Shareholders' funds at 31st December		2,665·5	*1,905·4*

Sun Alliance and London Insurance plc

Consolidated balance sheet

at 31st December, 1995

	Notes	1995 £m		*Restated 1994 £m*	
Assets					
Investments					
Land and buildings	13	2,014·6		*2,010·1*	
Interests in associates	29	130·8		*106·7*	
Other financial investments	13	19,998·9		*16,865·1*	
Deposits with ceding undertakings		73·6		*74·7*	
			22,217·9		*19,056·6*
Assets held to cover linked liabilities			2,375·8		*2,040·3*
Reinsurers' share of technical provisions					
Provision for unearned premiums		341·5		*253·7*	
Long term business provision	19	119·7		*109·0*	
Claims outstanding		1,171·4		*979·5*	
Technical provisions for linked liabilities		0·2		*0·2*	
			1,632·8		*1,342·4*
Debtors					
Debtors arising out of direct insurance operations	14	833·0		*786·3*	
Debtors arising out of reinsurance operations	15	297·3		*267·3*	
Other debtors	16	325·7		*288·1*	
Bank customer advances	27	553·0		*456·8*	
			2,009·0		*1,798·5*
Other assets					
Tangible assets	17(a)	137·1		*125·5*	
Cash at bank and in hand		182·8		*185·9*	
			319·9		*311·4*
Prepayments and accrued income					
Accrued interest and rent		288·7		*271·3*	
Deferred acquisition costs	18	826·7		*794·8*	
Other prepayments and accrued income		23·6		*42·1*	
			1,139·0		*1,108·2*
			29,694·4		*25,657·4*

Consolidated balance sheet

at 31st December, 1995

	Notes	1995 £m	*Restated 1994 £m*
Liabilities			
Capital and reserves			
Called up share capital	11	201·8	*201·8*
Share premium account		270·3	*270·3*
Revaluation reserve	12	1,750·1	*1,238·8*
Profit and loss account	12	443·3	*194·5*
Equity shareholders' funds		2,665·5	*1,905·4*
Interests of minority shareholders		276·9	*212·3*
Shareholders' funds including minority interests		2,942·4	*2,117·7*
Fund for future appropriations		1,884·1	*1,098·0*
Technical provisions			
Provision for unearned premiums		2,078·3	*1,949·5*
Long term business provision	19	12,532·7	*11,273·4*
Claims outstanding		5,503·8	*5,341·7*
		20,114·8	*18,564·6*
Technical provisions for linked liabilities		2,357·7	*2,030·5*
Provisions for other risks and charges	21	74·0	*63·6*
Deposits received from reinsurers		33·5	*29·5*
Creditors			
Creditors arising out of direct insurance operations		96·1	*82·6*
Creditors arising out of reinsurance operations		329·7	*206·9*
Amounts owed to credit institutions	26	44·1	*64·5*
Proposed ordinary dividend	9	115·0	*140·5*
Other creditors including taxation and social security	20	819·2	*649·6*
Banking borrowings	27	697·0	*451·3*
		2,101·1	*1,595·4*
Accruals and deferred income		186·8	*158·1*
		29,694·4	*25,657·4*

Sun Alliance and London Insurance plc

Parent company balance sheet

at 31st December, 1995

	Notes	1995 £m	*Restated 1994 £m*
Assets			
Investments			
Land and buildings	13	480·4	*503·8*
Investments in subsidiary undertakings	22	2,213·2	*1,812·6*
Other financial investments	13	2,909·4	*2,567·3*
Deposits with ceding undertakings		3·0	*–*
		5,606·0	*4,883·7*
Reinsurers' share of technical provisions			
Provision for unearned premiums		1,191·4	*1,158·2*
Claims outstanding		3,348·0	*3,383·9*
		4,539·4	*4,542·1*
Debtors			
Debtors arising out of direct insurance operations	14	21·2	*19·9*
Debtors arising out of reinsurance operations	15	9·3	*29·2*
Other debtors	16	1,190·0	*1,007·2*
		1,220·5	*1,056·3*
Other assets			
Tangible assets	17(b)	58·7	*56·3*
Cash at bank and in hand		11·3	*34·1*
		70·0	*90·4*
Prepayments and accrued income			
Accrued interest and rent		25·0	*25·2*
Other prepayments and accrued income		8·9	*11·3*
		33·9	*36·5*
		11,469·8	*10,609·0*

Parent company balance sheet

at 31st December, 1995

	Notes	1995 £m	*Restated 1994 £m*
Liabilities			
Capital and reserves			
Called up share capital	11	201·8	*201·8*
Share premium account		270·3	*270·3*
Revaluation reserve	22	1,745·3	*1,059·2*
Profit and loss account	22	448·1	*374·1*
Equity shareholders' funds		2,665·5	*1,905·4*
Technical provisions			
Provision for unearned premiums		1,179·6	*1,155·1*
Claims outstanding		3,377·7	*3,395·9*
		4,557·3	*4,551·0*
Provisions for other risks and charges	21	22·1	*27·9*
Deposits received from reinsurers		3·4	–
Creditors			
Creditors arising out of reinsurance operations		64·0	*25·5*
Amounts owed to credit institutions	26	9·6	*6·8*
Proposed ordinary dividend	9	115·0	*140·5*
Other creditors including taxation and social security	20	3,962·0	*3,882·4*
		4,150·6	*4,055·2*
Accruals and deferred income		70·9	*69·5*
		11,469·8	*10,609·0*

The accounts on pages 7 to 32 were approved by the directors on 6th March, 1996 and were signed on their behalf by:–

Christopher Benson CHRISTOPHER BENSON, *Chairman*

R. J. TAYLOR, *Group Chief Executive*

T. S. Nelson T. S. NELSON, *Group Finance Director*

Sun Alliance and London Insurance plc

Notes on the accounts

1. Accounting and disclosure requirements

The consolidated accounts of the Group are prepared in accordance with the special provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985. As permitted by section 230 of the Act, a separate profit and loss account for the Company is not presented.

2. Mortgage indemnity

In 1994 there was a charge of £167m for losses on U.K. domestic mortgage indemnity business, of which £100m arose from a change whereby likely losses were recognised by reference to mortgage arrears rather than repossessions. There was no charge in 1995 relating to this business.

3. Net operating expenses

	Consolidated technical account general business		Consolidated technical account long term business	
	1995	*1994*	1995	*1994*
	£m	*£m*	£m	*£m*
Acquisition costs	1,029·4	*976·7*	194·9	*202·5*
Change in deferred acquisition costs	(28·6)	*(32·2)*	(7·1)	*(9·7)*
Administrative expenses	270·6	*202·9*	98·5	*96·3*
Reinsurance commissions and profit participation	(110·7)	*(111·2)*	(12·5)	*(13·6)*
Net operating expenses	1,160·7	*1,036·2*	273·8	*275·5*

4. Employees and staff costs

	1995	*1994*
The average monthly number of persons employed by the Group during the year was:		
United Kingdom:		
– Insurance business	12,814	*13,256*
– Other activities	–	*179*
Overseas	8,374	*8,910*
	21,188	*22,345*

	1995	*1994*
	£m	*£m*
Staff costs amounted to:		
Wages and salaries	458·2	*440·5*
Social security costs	45·4	*41·6*
Pension costs	38·2	*34·4*
	541·8	*516·5*

5. (a) Investment income

	Consolidated non-technical account		Consolidated technical account long term business	
	1995	*1994*	1995	*1994*
	£m	*£m*	£m	*£m*
Income from other investments:				
Income from land and buildings	54·2	*53·2*	99·5	*81·7*
Income from other investments	421·0	*384·7*	839·7	*755·5*
Realised investment gains	102·4	*44·2*	217·5	*302·3*
	577·6	*482·1*	1,156·7	*1,139·5*

Notes on the accounts *continued*

5. (b) Investment expenses and charges

	Consolidated non-technical account 1995 £m	*1994 £m*	Consolidated technical account long term business 1995 £m	*1994 £m*
Interest payable:				
On bank loans and overdrafts	2·5	*1·6*	0·1	*0·2*
On other loans	20·6	*19·1*	3·0	*8·7*
Investment expenses	16·3	*14·3*	20·5	*18·0*
Investment expenses and charges	39·4	*35·0*	23·6	*26·9*

6. Long term insurance business

Net new business written during the year was as follows:-

	1995 Life £m	1995 Pensions £m	1995 Total £m	*1994 Life £m*	*1994 Pensions £m*	*1994 Total £m*
Annual premiums–						
Conventional	88·0	21·3	109·3	*101·8*	*26·0*	*127·8*
Linked	15·7	11·6	27·3	*13·4*	*11·8*	*25·2*
	103·7	32·9	136·6	*115·2*	*37·8*	*153·0*
Single premiums–						
Conventional	27·9	117·5	145·4	*32·9*	*141·3*	*174·2*
Linked	106·3	61·1	167·4	*101·5*	*84·7*	*186·2*
	134·2	178·6	312·8	*134·4*	*226·0*	*360·4*

Gross new business premiums are not materially different to the above. Linked life single premiums in 1995 include £54m received as part of a portfolio purchase agreement in New Zealand.

7. Taxation

The charges (credits) for taxation comprise:–

	Consolidated non-technical account 1995 £m	*1994 £m*	Consolidated technical account long term business 1995 £m	*1994 £m*
United Kingdom taxation:				
Corporation tax	43·7	*24·5*	25·6	*30·0*
Tax attributable to UK dividend income and to UK long term insurance transfers	26·4	*31·5*	12·2	*14·7*
Prior year adjustments	(0·4)	*(11·2)*	(40·5)	*(0·7)*
Advance corporation tax	(2·3)	*(0·4)*	–	*–*
	67·4	*44·4*	(2·7)	*44·0*
Double taxation relief	(29·4)	*(16·2)*	(1·0)	*(1·7)*
	38·0	*28·2*	(3·7)	*42·3*
Overseas taxation on profits	59·8	*44·2*	97·5	*90·3*
Tax on associates	4·0	*–*	–	*–*
	101·8	*72·4*	93·8	*132·6*

U.K. corporation tax has been calculated at 33% *(1994 33%)* in the consolidated non-technical account, and at an aggregate rate between 25% and 33% in the technical account – long term business in accordance with the rules applicable to life insurance companies.

Notes on the accounts *continued*

7. Taxation *(continued)*

The taxation charge in the consolidated non-technical account has benefited from the utilisation of prior year losses and from investment profits where the measure of the tax profit is below that of the accounts profit. Included in the charge is deferred taxation of £8·1m *(1994 £2·8m)*.

Included in the balance sheet within other debtors is taxation recoverable of £8·2m *(1994 £10·4m)* in respect of deferred taxation on the pension fund creditor set up under SSAP24.

Included in the balance sheet within provisions for other risks and charges is £6·8m *(1994 £1·3m)* in respect of deferred tax relating to overseas operations.

Under an agreement with the Inland Revenue the United Kingdom corporation tax liabilities attributable to the general insurance business of the Company's United Kingdom subsidiaries have been aggregated with the Company's own liability to be assessed in the Company's name. Accordingly, the provisions for United Kingdom tax liabilities of the relevant subsidiaries have been transferred to the Company.

The potential liability for deferred taxation 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:

	1995 £m	*1994 £m*
On unrealised appreciation of investments	695·0	*460·0*
Tax losses carried forward and continuing timing differences	(84·0)	*(149·0)*
	611·0	*311·0*

In relation to investments in the long term insurance fund, provision for deferred taxation has been made in the long term business provisions. The combined figures above include the balance not provided on such investments which would arise if they were sold at the balance sheet date.

8. Pension costs

The majority of the staff pension schemes operated by the Group throughout the world are of the defined benefit type and the assets of these schemes are held mainly in separate trustee-administered funds. The principal exception is Denmark where a defined contribution scheme is operated. The total pension cost for the Group was £38·2m *(1994 £34·4m)* of which £26·0m *(1994 £22·3m)* related to overseas schemes.

The pension cost relating to the main scheme in the United Kingdom is assessed using the projected unit method, in accordance with the advice of the actuary to the scheme, who is an employee of the Group. The last actuarial valuation of the scheme for the purpose of assessing the pension cost was made as at 31st March, 1994 for which purpose an investment return of 9·0% p.a. was assumed, with provision for pension increase of 5·0% p.a. and salary increases of 7·5% p.a. The market value of the assets of the scheme at 31st March, 1994 was £1,597m and their actuarial value was sufficient to cover 127% of the benefits that accrued to members, after allowing for projected increases in earnings and pensions. The surplus resulting from this valuation is being applied to reduce pension costs over the estimated working lives of employees.

Included in provisions for other risks and charges at 31st December, 1995 is an amount of £25·0m *(1994 £30·6m)* resulting from the difference between the amounts charged to revenue and the amounts contributed to the main scheme in the United Kingdom. Also included are provisions amounting to £31·2m *(1994 £29·1m)* in respect of unfunded overseas schemes and £3·1m *(1994 £2·6m)* in respect of post-retirement benefits relating to U.S.A. subsidiaries.

Notes on the accounts *continued*

9. Dividends

	1995 £m	*1994 £m*
Ordinary		
Interim dividend of 17·34p *(1994 2·5p)*	140·0	*20·2*
Final dividend of 14·24p *(1994 17·4p)*	115·0	*140·5*
	255·0	*160·7*

10. Segmental analysis

An analysis of the result and net assets of the Group is provided below in accordance with SSAP25. An analysis of premium income is included in the summary of group results on page 4. Premium income by destination does not differ materially from premium income by territory of origin as most risks are located in the territories where the policies are written.

Result

	1995 General business £m	1995 Long term business £m	1995 Total £m	*1994 General business £m*	*1994 Long term business £m*	*1994 Total £m*
United Kingdom	230·3	59·9	290·2	*181·6*	*43·3*	*224·9*
Rest of Europe	14·5	29·8	44·3	*(19·0)*	*25·0*	*6·0*
USA	38·3	–	38·3	*32·1*	–	*32·1*
Australia	23·2	(3·6)	19·6	*12·4*	*(2·4)*	*10·0*
Other Overseas	8·5	8·1	16·6	*14·3*	*6·6*	*20·9*
	314·8	94·2	409·0	*221·4*	*72·5*	*293·9*
Investment/borrowings			85·8			*53·1*
Realised gains on investments			90·4			*55·0*
Profit before taxation			585·2			*402·0*

Net Assets

	1995 General business £m	1995 Long term business £m	1995 Total £m	*1994 General business £m*	*1994 Long term business £m*	*1994 Total £m*
United Kingdom	669·7	60·3	730·0	*560·8*	*32·4*	*593·2*
Rest of Europe	362·6	270·4	633·0	*316·5*	*230·9*	*547·4*
USA	152·2	–	152·2	*144·5*	–	*144·5*
Australia	120·8	27·3	148·1	*84·7*	*20·8*	*105·5*
Other Overseas	123·2	21·5	144·7	*117·8*	*18·1*	*135·9*
	1,428·5	379·5	1,808·0	*1,224·3*	*302·2*	*1,526·5*
Investment/borrowings			1,134·4			*591·2*
Shareholders' funds including minority interests			2,942·4			*2,117·7*

Net assets of the general insurance business have been attributed to territorial segments of the Group's business on the basis of management's view of the assets committed locally to support the general business operation. The net assets of the long term business represents the shareholders interest in the long term funds of U.K. linked subsidiaries and the entire attributable shareholders funds of overseas companies. The territorial disposition of the remaining net assets is determinable by group management and these have therefore not been segmented.

The result for general business represents the profit(loss) from insurance operations including investment income on the attributed net assets. The long term insurance business result represents the balance on the technical account for long term business together with the related tax credit. The investment/borrowings result represents investment income, net of interest payable, arising on the remaining net assets together with the results from non-insurance operations.

Sun Alliance and London Insurance plc

Notes on the accounts *continued*

11. Share capital

	1995 £m	*1994 £m*
Ordinary share capital		
Authorised:		
900,000,000 *(1994 900,000,000)* shares of 25p each	225·0	*225·0*
Issued and fully paid:		
807,390,126 *(1994 807,390,126)* shares of 25p each	201·8	*201·8*

12. Consolidated reserves

	Profit and loss account		Revaluation reserve	
	1995 £m	*1994 £m*	1995 £m	*1994 £m*
Balance at 1st January	344·0	*209·5*	1,046·7	*1,424·3*
Prior year adjustment (see below)	(149·5)	*(178·6)*	192·1	*214·6*
Balance at 1st January as restated	194·5	*30·9*	1,238·8	*1,638·9*
Profit and loss account transfer	181·7	*155·8*	–	–
Foreign exchange gains and losses	46·0	*23·1*	7·6	*(11·5)*
Goodwill written back (off)	21·1	*(15·3)*	–	–
Unrealised appreciation (depreciation) of investments	–	–	503·7	*(388·6)*
Balance at 31st December	443·3	*194·5*	1,750·1	*1,238·8*

Prior year adjustments

Foreign exchange and other items, principally goodwill, previously charged to revaluation reserve amounting to £192·1m have been reallocated to retained profits. In addition a prior year adjustment increasing retained profits by £42·6m has been made which is comprised of:

(i) recognition of shareholders reserves after adjusting for deferred acquisition costs and tax within the long term business funds, amounting to £53·9m.

(ii) recognition under the ex-dividend basis of additional investment income on equity investments amounting to £8·7m.

(iii) recognition of an additional internal claims handling provision in relation to the Group's overseas operations giving rise to a charge of £20m after minorities.

The impact of the accounting policy changes as set out on page 7 has been to increase the reported 1994 profit before tax by £40·6m and to increase the current year profit before tax by £106m.

13. Investments

Land and buildings	Consolidated balance sheet 1995 £m	*1994 £m*	Parent Company balance sheet 1995 £m	*1994 £m*
Freehold	1,883·8	*1,843·4*	417·1	*437·9*
Long leasehold	115·3	*150·7*	51·5	*53·4*
Short leasehold	15·5	*16·0*	11·8	*12·5*
	2,014·6	*2,010·1*	480·4	*503·8*
Group occupied	313·0	*308·4*	86·3	*101·5*

A full valuation of properties was undertaken as at 31st December, 1995. The property valuations have been prepared on the basis of open market value in accordance with the Practice Statements in the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and have been certified by the Group's qualified valuation surveyors.

Other financial investments:	Consolidated balance sheet market value 1995 £m	*1994 £m*	Parent Company balance sheet market value 1995 £m	*1994 £m*
Shares and other variable yield securities and units in unit trusts	7,903·6	*6,654·4*	1,906·5	*1,463·6*
Debt securities and other fixed income securities	10,808·5	*8,961·2*	767·3	*659·0*
Loans secured by mortgages	197·3	*190·7*	–	–
Other loans	66·5	*67·5*	0·2	*0·3*
Deposits with credit institutions	1,023·0	*991·3*	235·4	*444·4*
	19,998·9	*16,865·1*	2,909·4	*2,567·3*

Included above are listed investments:	1995 £m	*1994 £m*	1995 £m	*1994 £m*
Shares and other variable yield securities and units in unit trusts	7,772·8	*6,599·9*	1,778·9	*1,368·2*
Debt securities and other fixed income securities	10,715·1	*8,845·4*	762·0	*653·6*

Included within other loans in the combined balance sheet are amounts of £40·8m *(1994 £38·9m)* relating to policyholder loans.

The historical costs of investments for the Group and Parent Company are £17,453·4m *(1994 £15,902·4m)* and £2,382·1m *(1994 £2,374· 3m)* respectively. The historical cost of assets held to cover linked liabilities is £1,823·3m *(1994 £1,693·7m)*.

Notes on the accounts *continued*

14. Debtors arising out of direct insurance operations

	Consolidated balance sheet 1995 £m	Consolidated balance sheet *1994 £m*	Parent Company balance sheet 1995 £m	Parent Company balance sheet *1994 £m*
Due from policyholders	369·3	*411·4*	13·0	*11·5*
Due from intermediaries	463·7	*374·9*	8·2	*8·4*
	833·0	*786·3*	21·2	*19·9*

15. Debtors arising out of reinsurance operations

	Consolidated balance sheet 1995 £m	Consolidated balance sheet *1994 £m*	Parent Company balance sheet 1995 £m	Parent Company balance sheet *1994 £m*
Due from external debtors	296·3	*267·3*	9·3	*18·0*
Due from subsidiaries	–	–	–	*11·2*
Due from fellow subsidiaries	1·0	–	–	–
	297·3	*267·3*	9·3	*29·2*

16. Other debtors

	Consolidated balance sheet 1995 £m	Consolidated balance sheet *1994 £m*	Parent Company balance sheet 1995 £m	Parent Company balance sheet *1994 £m*
Due from external debtors	320·1	*284·6*	145·5	*150·7*
Due from parent company and fellow subsidiary	5·6	*3·5*	5·5	–
Due from subsidiaries	–	–	1,039·0	*856·5*
	325·7	*288·1*	1,190·0	*1,007·2*

Notes on the accounts *continued*

17. (a) Tangible assets – consolidated balance sheet

	Plant and machinery £m	Motor vehicles £m	Fixtures & fittings £m	Total £m
Cost				
Balance at 1st January, 1995	182·1	44·1	181·5	407·7
Purchases	42·3	17·3	25·0	84·7
Transfers/exchange	(2·8)	(1·3)	(2·6)	(6·9)
Disposals	(8·7)	(14·7)	(11·2)	(34·5)
Balance at 31st December, 1995	212·9	45·4	192·7	451·0
Depreciation				
Balance at 1st January, 1995	(132·8)	(17·9)	(131·5)	(282·2)
Charged to technical accounts	(32·2)	(8·4)	(18·1)	(58·7)
Transfers/exchange	1·6	0·7	1·7	4·0
Depreciation on disposals	6·3	7·7	9·0	23·0
Balance at 31st December, 1995	(157·1)	(17·9)	(138·9)	(313·9)
Net book value at 31st December, 1995	55·8	27·5	53·8	137·1
Net book value at 31st December, 1994	*49·3*	*26·2*	*50·0*	*125·5*

17. (b) Tangible assets – parent company

	Plant and machinery £m	Motor vehicles £m	Fixtures & fittings £m	Total £m
Cost				
Balance at 1st January, 1995	94·8	17·1	123·9	235·8
Purchases	23·6	6·0	6·0	35·6
Disposals	(3·9)	(6·7)	(1·2)	(11·8)
Balance at 31st December, 1995	114·5	16·4	128·7	259·6
Depreciation				
Balance at 1st January, 1995	(80·5)	(5·8)	(93·2)	(179·5)
Charged to technical accounts	(16·0)	(2·9)	(9·6)	(28·5)
Depreciation on disposals	3·2	3·3	0·6	7·1
Balance at 31st December, 1995	(93·3)	(5·4)	(102·2)	(200·9)
Net book value at 31st December, 1995	21·2	11·0	26·5	58·7
Net book value at 31st December, 1994	*14·3*	*11·3*	*30·7*	*56·3*

18. Deferred acquisition costs

An amount of £400·1m *(1994 £383·4m)* is included in the consolidated balance sheet in relation to the deferral of acquisition costs in respect of long term business.

Notes on the accounts *continued*

19. Long term business provision

The principal assumptions used to calculate the UK long term business provision for the main classes of business are as follows:

	Interest Rate %		Mortality table	
	31.12.1995	*31.12.1994*	31.12.1995	*31.12.1994*
Life – with profit	3·5	*4·0*	AM/F80	*A67/70*
without profit	4·5	*4·5*	AM/F80	*A67/70*
Pensions – with profit	5·5	*5·5*	AM/F80	*A67/70*
without profit	6·75	*6·75*	AM/F80 and PA (90)	*A67/70 and PA (90)*

The valuation is carried out using a modified net premium method for the majority of individual policies and a discounted cash flow approach for annuities in payment. Linked policies are mainly valued at the repurchase price of units together with an additional provision for any anticipated future negative cash flows.

For all material classes of with profit business, explicit provision is made only for vested bonuses disclosed as a result of the current valuation. The rate of interest used in the valuation of with profits business contains a margin which makes implicit allowance for some future reversionary bonus. No provision is made for terminal bonus.

For business underwritten outside the UK, bases are used which are comparable to those used in the UK but which demonstrate solvency to the relevant local regulatory authority. In the subsidiary company in Denmark, a net premium method is used, with interest rates varying between 2·5% and 4·5% for life business, and linked to matching bond yields for annuity business. Mortality rates were based mainly upon G82m/G82k.

The opening long term business fund has been allocated as follows:

	Long term business fund £m	Long term business provision £m	Technical provision for linked liabilities £m	Fund for future appropriations £m
At 1st January, 1995 as previously stated	13,876·2	–	–	–
Prior year adjustment	19·6	–	–	–
	13,895·8	–	–	–
Allocation of long term business fund	(13,895·8)	11,125·1	2,012·2	758·5
Deferred acquisition costs	–	–	–	339·5
Deferred tax on investments	–	39·3	18·1	–
Included within liabilities	–	11,273·4	2,030·5	1,098·0
Included within assets	–	109·0	0·2	–
At 1st January, 1995 as restated	–	11,164·4	2,030·3	1,098·0

20. Other creditors including taxation and social security

	Consolidated balance sheet		Parent Company balance sheet	
	1995 £m	*1994 £m*	1995 £m	*1994 £m*
Due to external creditors	474·4	*429·8*	108·0	*91·3*
Due to parent company and fellow subsidiary	344·8	*219·8*	342·0	*219·8*
Due to subsidiaries	–	–	3,512·0	*3,571·3*
	819·2	*649·6*	3,962·0	*3,882·4*

Notes on the accounts *continued*

21. Provisions for other risks and charges

	Consolidated balance sheet				Parent Company balance sheet
	Deferred tax	Pension provisions	Other provisions	Total	Pension provisions
	£m	£m	£m	£m	£m
At 1st January, 1995	1·3	62·3	–	63·6	27·9
Charged/utilised	5·5	(3·0)	7·9	10·4	(5·8)
At 31st December, 1995	6·8	59·3	7·9	74·0	22·1

22. Parent company accounts

The profit attributable to shareholders amounted to £339·6m *(1994 £183·8m)*. After dividends of £255·0m *(1994 £160·7m)* the balance of the profit and loss account at 31st December, 1995 amounted to £448·1m *(31st December 1994 £374·1m)*.

Investments in subsidiaries are stated at net asset value and comprise:-

	1995	*1994*
	£m	*£m*
Shares at net asset value	2,197·8	*1,812·3*
Loans to subsidiaries	15·4	*0·3*
	2,213·2	*1,812·6*

The historical cost of investments in subsidiaries is £1,390·1m *(1994 £1,375·0m)*.

Investments in subsidiaries are stated at net asset value. These have been restated as at 31st December, 1994 to reflect the increase in net assets arising on implementation of the Regulations by subsidiary companies, increasing the investments in subsidiaries by £33·9m and increasing revaluation reserve by an equivalent amount.

The excess over book value of £823·1m *(1994 £437·6m)* is taken to revaluation reserve. The increase in net asset value during the year of £400·6m *(1994 decrease £82·2m)* comprises a revaluation increase of £385·5m *(1994 decrease £83·1m)* and net acquisitions of £nil *(1994 £2·1m)* after increases in loans to subsidiaries of £15·1m *(1994 decrease £1·2m)*. The movement in unrealised appreciation of other financial investments and land and buildings is £300·6m *(1994 decrease £181·9m)*.

23. Subsidiaries

A list of subsidiaries appears on pages 31 and 32.

On 6th October, 1995 the Group acquired Commercial Union General Insurance Company Limited incorporated in New Zealand. The operations of this company were subsequently merged with the Group's general business company in New Zealand.

The aggregate consideration for acquisitions during the year, principally Commercial Union General Insurance Company Limited, comprised cash of £22·5m. The provisional book and fair values of the net assets acquired were £14·4m and £14·6m respectively. Goodwill in respect of these acquisitions amounting to £7·9m has been written off to retained profits.

The aggregate proceeds from disposals during the year, principally the Group's US subsidiary Wm.H.McGee & Co. Inc. amounted to £23·8m. The disposals gave rise to a net loss of £12·0m after allowing for goodwill on acquisition of £26·6m.

The cumulative goodwill charged against the Group's reserves arising on acquisitions since 1984 of subsidiaries that are still part of the Group amounted to £109·9m at 31st December, 1995.

The accounts of certain subsidiaries, where the amounts involved are insignificant, have not been consolidated. Shares in these subsidiaries are included in the consolidated balance sheet at net asset value.

Notes on the accounts *continued*

24. Capital commitments

Expenditure in respect of office premises and equipment contracted for but not provided for at 31st December, 1995 amounted to £2·6m *(1994 £14·4m)*.

25. Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries, in respect of the annual accounts, amounted to £3·6m *(1994 £3·6m)* of which £0·1m *(1994 £0·1m)* related to the Company and £2·7m *(1994 £2·7m)* related to overseas. In the United Kingdom, Coopers & Lybrand also received fees of £0·3m *(1994 £0·4m)* in respect of other audit and non-audit services.

26. Borrowings

Bank borrowings and other loans were as follows:

	Parent Company balance sheet		Combined Consolidated balance sheet	
	1995 £m	*1994 £m*	1995 £m	*1994 £m*
Bank loans and overdrafts repayable –				
Within one year, or on demand				
Unsecured	9·6	*6·8*	25·5	*40·2*
Other unsecured loans, at commercial rates of interest repayable –				
Within one year	–	–	5·9	*18·1*
Loans secured on properties, most of which are at interest rates ranging from 6% to 9% repayable –				
Within one year, or on demand	–	–	0·1	*0·8*
Between two and five years	–	–	7·3	*0·2*
After five years	–	–	5·3	*5·2*
	9·6	*6·8*	44·1	*64·5*

Bank overdrafts represent cash book balances except where the bank account is managed to ensure that a cleared overdraft does not arise, in which event uncleared items are included in creditors.

27. Other interests

The Danish long term funds and the Danish general funds own 65% and 35% respectively of Codan Bank A/S.

The primary function of the Bank is to provide support to the activities of the Danish long term and general business operations. The assets of the Bank comprise principally loans and advances to customers; liabilities comprise mainly deposits received. During the year, the Bank made a pre-tax profit of £12·3m *(1994 £4·4m)*. No dividends were paid or declared in the year.

Included in other charges are the profits of Codan Bank attributable to the general funds less amounts written off balances due from a fellow subsidiary.

Notes on the accounts *continued*

28. Directors

The aggregate emoluments of the directors of the Company amounted to £1,661,000 *(1994 £1,678,000)* including pension fund contributions. No payments were made for services as directors.

The executive directors are members of the main UK staff pension scheme.

No emoluments were paid to the Chairman in 1995 or 1994. The emoluments of the highest paid director, excluding pension fund contributions, were £375,121 *(1994 £304,027)*.

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

Emoluments (excluding pension fund contributions)	1995	*1994*
£0 – £5,000	10	*9*
£ 85,001 – £90,000	2	–
£135,001 – £140,000	2	–
£175,001 – £180,000	–	*1*
£180,001 – £185,000	–	*2*
£185,001 – £190,000	–	*1*
£205,001 – £210,000	–	*1*
£225,001 – £230,000	1	–
£230,001 – £235,000	1	–
£260,001 – £265,000	1	–
£275,001 – £280,000	–	*1*
£300,001 – £305,000	–	*1*
£375,001 – £380,000	1	–

A pension payment of £17,430 *(1994 £17,493)* was made to a director in respect of services other than as a director.

A guarantee to a building society in respect of a mortgage advance under a staff house purchase scheme to Mr. M. L. Dew for an amount of £14,943 subsisted throughout the year.

There were amounts outstanding at 1st January, 1995 in respect of loans under the staff season ticket scheme to Mr. P. F. Foreman of £2,300, Mr. P. G. Taylor of £902 and Mr. I. M. Trotter of £2,764, which were the maximum amounts outstanding during the year and were all repaid during the year.

29. Interest in associates

(a) Movements in the Group's investments in associates comprise:

	Share of capital £m	Share of reserves £m	Total investment £m
Balance at 1st Janauary	17·8	88·9	106·7
Profit for the year before taxation	–	14·4	14·4
Taxation	–	(4·0)	(4·0)
Foreign exchange gains and losses	1·9	4·9	6·8
Unrealised investment gains after taxation	–	2·5	2·5
Dividends received	–	(2·4)	(2·4)
Acquisitions	0·4	6·4	6·8
Balance at 31st December	20·1	110·7	130·8

Notes on the accounts *continued*

(b) Companies in which the Group's interest in the equity capital amounts to 20 per cent or more, all of which are associated companies, and are involved in insurance except where noted are as follows

Name and country of incorporation and of principal operations unless otherwise indicated	Class of shares	Issued capital £m	Group Interest (held by subsidiaries) %
United Kingdom			
(registered in England and Wales)			
British Aviation Insurance Co. Ltd.	Ordinary	2·0	29·7
Switzerland			
Rothschilds Continuation Holdings AG	Ordinary	75·7	21·5
(merchant banking group)			
Jamaica			
West Indies Alliance Insurance Co. Ltd.	Ordinary	0·1	49·0
Malaysia			
Sun Alliance Insurance (Malaysia) Sdn. Bhd.	Ordinary	1·3	49·0
Philippines			
Federal Phoenix Assurance Co. Ltd.	Ordinary	1·5	40·0
Saudi Arabia			
(incorporated in Bahrain)			
Al-Alamiya Insurance Co. Ltd. (EC)	Ordinary	6·5	42·0

The above details are based on the latest available accounts. Included for the first time are the results of Rothschilds Continuation Holdings AG based on their accounts to March 1995.

(c) Other companies in which the Group's interest in the equity capital exceeds 10 per cent:

Name and country of incorporation	Class of shares	Group Interest (held by subsidiaries) %
United Kingdom		
(registered in England and Wales)		
The Fleming Continental European Trust P.L.C.	Ordinary	10·1
Peru		
Compania de Seguros La Fenix Peruana	Ordinary	19·2

Some interest in associated companies and other participating interests have been omitted from the statement to avoid providing particulars of excessive length but none materially affects the results or assets of the Group.

30. Ultimate parent company

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.

Subsidiaries

Name and country of incorporation and of principal operations	*Percentage of ordinary shares held* *By Parent Company*	*Through Subsidiaries*
United Kingdom		
(registered in England and Wales unless indicated)		
Sun Alliance Insurance International Ltd.	100·0	
Sun Alliance Insurance Overseas Ltd.	100·0	
Sun Alliance Insurance UK Ltd.	100·0	
Sun Alliance Life Ltd.		100·0
Sun Alliance Management Services Ltd.	100·0	
Alliance Assurance Co. Ltd.		100·0
Bradford Insurance Co. Ltd.		100·0
The Century Insurance Co. Ltd. *(registered in Scotland)*	100·0	
Guildhall Insurance Co. Ltd.	100·0	
Legal Protection Group Holdings Ltd.		100·0
The London Assurance		100·0
London Guarantee & Reinsurance Co. Ltd.	100·0	
Mynshul Group plc	100·0	
National Vulcan Engineering Insurance Group Ltd.		100·0
The Pennine Insurance Co. Ltd.		100·0
Phoenix Assurance plc		100·0
The Sea Insurance Co. Ltd.		100·0
Sun Alliance and London Assurance Co. Ltd.		100·0
Sun Alliance Linked Life Insurance Ltd.		100·0
Sun Alliance Pensions Ltd.		100·0
Sun Insurance Office Ltd.		100·0
Tariff Reinsurances Ltd.		100·0
Antigua		
Sun Alliance Insurance (Eastern Caribbean) Ltd.		75·0
Australia		
Sun Alliance Holdings Limited		100·0
Sun Alliance and Royal Insurance Australia Holdings Ltd.		60·0
Sun Alliance and Royal Insurance Australia Ltd.		60·0
Sun Alliance Life Assurance Ltd.		100·0
Austria		
Sun Alliance Versicherungs AG		100·0
Bahamas		
Sun Alliance Insurance (Bahamas) Ltd.		65·0
Belgium		
Sun Alliance SA		100·0
Brazil		
Sun Alliance Seguradora SA		100·0
Canada		
Yonge Wellington Property Ltd.		100·0
Channel Islands (Guernsey)		
Sun Alliance International Life Assurance Co. Ltd.		100·0
Colombia		
Compania de Seguros La Fenix de Colombia S.A.		51·9
Curacao		
Sun Alliance Insurance (Antilles) NV		51·0

Sun Alliance and London Insurance plc

Subsidiaries *continued*

Name and country of incorporation and of principal operations	*Percentage of ordinary shares held By Parent Company*	*Through subsidiaries*
Denmark		
A/S Forsikringsselskabet Codan		71·5
A/S Forsikringsselskabet Codan Liv		71·5
A/S Forsikringsselskabet Codan Pension		71·5
Codan Bank A/S		71·5
France		
Sun Alliance Assurances SA		100·0
Tellit Assurances Sun Alliance SA		100·0
Germany		
Securitas Bremer Allgemeine Versicherungs AG		99·6
Securitas-Gilde Lebensversicherung AG		99·7
Greece		
Sun Alliance Insurance (Hellas) SA		100·0
Holland		
Sun Alliance Verzekering NV		100·0
Sun Alliance Levensverzkering NV		100·0
Indonesia		
PT Sun Alliance Insurance Indonesia		65·0
Italy		
Sun Alliance Vita S.p.A.		100·0
New Zealand		
Sun Alliance Insurance Ltd.		100·0
Sun Alliance Life Ltd.		100·0
Republic of South Africa		
Protea Assurance Co. Ltd.		79·7
Singapore		
Sun Alliance Insurance Ltd.		100·0
Spain		
Sun Alliance SA		98·9
Sweden		
Försäkringsaktiebolaget Holmia		71·5
United States of America		
Alliance Assurance Company of America		100·0
Phoenix Assurance Co. of New York		100·0
Sun Alliance USA Inc.		100·0
Sun Insurance Office of America Inc.		100·0
The London Assurance of America Inc.		100·0
The Sea Insurance Company of America		100·0
Zimbabwe		
Phoenix Assurance Zimbabwe Ltd.		53·2

Some subsidiaries have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the results or assets of the Group.