

Registered Number: 00638918

SUN ALLIANCE AND LONDON INSURANCE PLC

Annual Report and Accounts

for the year ended 31 December 2016



SUN ALLIANCE AND LONDON INSURANCE PLC

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SUN ALLIANCE AND LONDON INSURANCE PLC

Company Information

Directors

C D A Heiss

J A Margetts

Secretary

Roysun Limited

Registered Office

St Mark's Court
Chart Way
Horsham
West Sussex
United Kingdom RH12 1XL

Auditor

KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square
London
E14 5GL

SUN ALLIANCE AND LONDON INSURANCE PLC

Strategic report

For the year ended 31 December 2016

The Directors present their annual report on the affairs of the Company and the audited financial statements for the year ended 31 December 2016.

Business review and principal activity

The Company is the holding company for subsidiaries transacting the business of insurance and related financial services in the United Kingdom and overseas. The subsidiaries are listed at the end of this report.

The results for the Company show a profit on ordinary activities before tax of £21,611,000 (2015: loss of £4,323,000). The shareholder's funds of the Company as at 31 December 2016 were £545,918,000 (31 December 2015: £523,921,000).

Future outlook

There is not expected to be any change to the business in the foreseeable future.


Principal risks and uncertainties

The Company has no principal risks or uncertainties because it is an intermediate holding company within the RSA Insurance Group plc group of companies (the "Group"). The Company's risks are managed in accordance with Group policies. The principal risks and uncertainties of the Group, which include those of the Company, are set out in the Strategic report - risk management on pages 38 to 41 and in the risk and capital management note on pages 120 to 127 of the 2016 Annual Report & Accounts of the Group, which do not form part of this report.

Key performance indicators

There are no KPIs produced for the Company as no significant transactions have occurred during the year.

By order of the Board


ENINOR GBU
For and on behalf of Roysun Limited
Secretary

19 May 2017

SUN ALLIANCE AND LONDON INSURANCE PLC

Directors' report

For the year ended 31 December 2016

Directors

The names of the current directors are listed on page 1. They served throughout the year.

Directors' responsibilities

The directors' responsibilities statement appears on page 4 and is incorporated by reference into this report.

Dividends

The directors do not recommend the payment of a final dividend (2015: £nil).

Reference to the Strategic report

Information relating to likely future developments is contained within the Strategic report on page 2 and is incorporated into this report by reference.

Financial risk management

The Company's financial risks are managed and monitored at a Group level. The risk management of the Group, which includes that of the Company, is set out in the risk and capital management note on pages 120 to 127 of the 2016 Annual Report and Accounts of the Group, which does not form part of this report. The directors consider that there is a minimal level of financial risk associated with the Company's assets and liabilities due to the nature of the Company's activities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all reasonable steps that she ought to have taken as a director in order to make herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Persuant to section 489 of the Companies Act 2006, KPMG LLP has confirmed its willingness to continue in office as auditor of the Company for the year ending 31 December 2017. A resolution for its appointment will be proposed at the 2017 Annual General Meeting of the Company.

Going concern

In considering the appropriateness of the going concern basis the Board have reviewed the Company's ongoing financial commitments for the next twelve months and beyond. As a result of this review, the directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

Signed by order of the Board



E Bell
For and on behalf of
Roysun Limited
Secretary
19 May 2017

SUN ALLIANCE AND LONDON INSURANCE PLC

Statement of Directors' responsibilities in respect of the Directors' Report, Strategic Report and the Financial Statements

The Directors are responsible for preparing the Directors' report, strategic report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

SUN ALLIANCE AND LONDON INSURANCE PLC

Independent auditor's report to the members of Sun Alliance and London Insurance plc

We have audited the financial statements of Sun Alliance and London Insurance plc for the year ended 31 December 2016 set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditor

As explained more fully in the Directors' Responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Caroline Gilbertson

Caroline Gilbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

23 May 2017

SUN ALLIANCE AND LONDON INSURANCE PLC

Profit and loss account for the year ended 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|--|-------|---------------|----------------|
| Income from shares in group undertakings | | 552,037 | - |
| Foreign exchange losses | | - | (4) |
| Impairment of investment in subsidiaries | 6 | (530,426) | (4,319) |
| Profit/(loss) on ordinary activities before tax | | 21,611 | (4,323) |
| Taxation on profit/(loss) on ordinary activities | 5 | 386 | 1,282 |
| Profit/(loss) for the financial year | | 21,997 | (3,041) |

The notes on pages 9 to 12 form an integral part of these financial statements.

Statement of other comprehensive income for the year ended 31 December 2016

| | 2016 £000 | 2015 £000 |
|--|---------------|----------------|
| Profit/(loss) for the financial year | 21,997 | (3,041) |
| Items that may be reclassified to profit or loss: | | |
| Exchange gains | - | 21 |
| Total comprehensive income/(expense) for the year | 21,997 | (3,020) |

The notes on pages 9 to 12 form an integral part of these financial statements.

SUN ALLIANCE AND LONDON INSURANCE PLC

Statement of changes in equity for the year ended 31 December 2016

| | Share capital £000 | Share premium £000 | Foreign currency translation reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|--------------------------|--------------------------|---|------------------------------------|-------------------------|
| Balance at 1 January 2015 | 201,848 | 270,300 | (21) | 54,814 | 526,941 |
| Total comprehensive income/(expense) for the year | - | - | 21 | (3,041) | (3,020) |
| Balance at 31 December 2015 | 201,848 | 270,300 | - | 51,773 | 523,921 |
| Total comprehensive income for the year | - | - | - | 21,997 | 21,997 |
| Balance at 31 December 2016 | 201,848 | 270,300 | - | 73,770 | 545,918 |

The attached notes on pages 9 to 12 form an integral part of these financial statements.

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SUN ALLIANCE AND LONDON INSURANCE PLC

Balance Sheet
as at 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|--|-------|------------------|--------------------|
| Fixed assets | | | |
| Investments | 6 | 400,000 | 930,426 |
| Current Assets | | | |
| Other debtors | 7 | 920,506 | 798,274 |
| Current tax | 7 | 366 | 1,138 |
| | | <u>920,872</u> | <u>799,412</u> |
| Cash at bank and in hand | | 6 | 6 |
| Creditors: amounts falling due less than one year | 8 | <u>(774,960)</u> | <u>(1,205,923)</u> |
| Net current assets/(liabilities) | | <u>145,918</u> | <u>(406,505)</u> |
| Total assets less current liabilities | | <u>545,918</u> | <u>523,921</u> |
| Capital and reserves | | | |
| Called up share capital | 9 | 201,848 | 201,848 |
| Share premium account | | 270,300 | 270,300 |
| Profit and loss account | | <u>73,770</u> | <u>51,773</u> |
| Shareholders' funds | | <u>545,918</u> | <u>523,921</u> |

The attached notes on pages 9 to 12 form an integral part of these financial statements.

The financial statements were approved on 19 May 2017 by the Board of Directors and are signed on its behalf by:



Director

19 May 2017

CHARLOTTE HEISS

SUN ALLIANCE AND LONDON INSURANCE PLC

Notes to the accounts

1. Basis of preparation (Financial Statements)

The financial statements are prepared in accordance with Financial Reporting Standard (FRS 101) *Reduced Disclosure Framework* and in compliance with the Companies Act 2006. The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

The Company financial statements are presented in pounds sterling, which is also the Company's functional currency and rounded to the nearest thousand except where otherwise indicated.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('IFRS'), but makes amendments where necessary in order to comply with Companies Act 2006. The Company has set out below where advantage of FRS 101 exemptions has been taken.

The exemptions used by the Company are as follows:-

- A cash flow statement and related notes;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- The disclosure of any related party transactions with other wholly owned subsidiaries within the RSA group of companies.

As the consolidated financial statements of the Company's ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:-

- Certain disclosures required by IFRS13 *Fair Value Measurement*; and
- the disclosures required by IFRS7 *Financial Instrument Disclosures*.

The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it is a wholly-owned subsidiary of RSA Insurance Group plc, which prepares group accounts. The Report and Accounts containing these consolidated financial statements can be found at www.rsagroup.com.

The financial statements have been prepared under the historical cost convention, on a going concern basis.

Significant Accounting Policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial:-

(a) Taxation

Taxation is recognised in the profit and loss account, except to the extent that the tax arises from a transaction or event recognised either in other comprehensive income or directly in equity.

Taxation is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments for prior years.

(b) Investments in subsidiaries

Investments in subsidiaries are valued at cost less impairments where applicable. The Company assesses at the end of each reporting period whether a subsidiary is impaired. Where there is an indication of impairment, the Company conducts an impairment test where it compares the carrying value of the investment with the higher of fair value of the investment and its value in use. The value in use is calculated as the expected value of future cash flows from the investment.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(c) Other loans and receivables

Other loans and receivables, including those due to and from Group undertakings are measured at amortised cost. The Company assesses at the end of each reporting period whether a loan or receivable is impaired. A loan or receivable is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or receivable that can be reliably estimated.

(d) Critical accounting estimates and judgements

Carrying value of investments in subsidiaries

Investments in subsidiaries are valued at cost less impairments where applicable. Judgement is required to determine when an investment in a subsidiary is impaired and where a subsidiary is impaired, in estimating its impaired value. An impairment is recognised when the recoverable amount of an asset is lower than the current carrying value of the asset.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows and discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

SUN ALLIANCE AND LONDON INSURANCE PLC

Notes to the accounts (continued)

2. Auditor's remuneration

Fees payable to KPMG LLP for the audit of the Company's annual accounts were £3,000 (2015: £3,000) which were borne by a Group company, Royal & Sun Alliance Insurance plc. Details of non-audit fees payable to KPMG LLP are disclosed in the RSA Insurance Group plc 2016 Annual Report & Accounts.

3. Directors' remuneration

The directors were all remunerated by Royal & Sun Alliance Insurance plc, a fellow subsidiary of RSA Insurance Group plc, for their services to the RSA Group as a whole. They were not remunerated for their services as directors of the Company and the amount of time spent performing their duties is incidental to their roles across the RSA Group. This is consistent with prior years.

4. Employees and staff costs

The Company did not employ anyone during the period (2015: nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company (2015: nil).

5. Taxation

The tax amounts credited in the profit and loss account are as follows:

| | 2016 £000 | 2015 £000 |
|--|--------------|----------------|
| Current tax | | |
| UK corporation tax | (366) | (1,358) |
| Overseas taxation | - | 76 |
| Adjustment in respect of prior periods | (20) | - |
| Total current tax | (386) | (1,282) |
| Total tax credit | (386) | (1,282) |

The UK corporation tax for the current year is based on a rate of 20.0% (2015: 20.2%).

Reconciliation of the total tax credit

The tax credit for the year is less than 20.0% (2015: more than 20.2%) due to the items set out in the reconciliation below:

| | 2016 £000 | 2015 £000 |
|---|---------------|----------------|
| Profit/(loss) on ordinary activities before tax | 21,611 | (4,323) |
| Tax at 20.0% (2015: 20.2%) | 4,322 | (875) |
| <i>Factors affecting the tax credit:</i> | | |
| Expenses not deductible for tax purposes | 106,085 | 875 |
| Tax exempt income and investment (losses)/gains | (110,405) | - |
| Fiscal adjustments - transfer pricing | (368) | (1,358) |
| Adjustment to tax charge in respect of previous periods | (20) | - |
| Unrelieved foreign tax credits | - | 76 |
| Total tax credit for the year | (386) | (1,282) |

The Company had no deferred tax assets or liabilities at 31 December 2016 or 31 December 2015.

At the end of the reporting period, the Company has unused capital losses of £nil (2015: £808,990).

SUN ALLIANCE AND LONDON INSURANCE PLC

Notes to the accounts (continued)

6. Investments

Subsidiaries

| | 2016 £000 | 2015 £000 |
|-------------------------|--------------|--------------|
| At 1 January | 930,426 | 930,426 |
| Additions | - | 4,319 |
| Impairment | (530,426) | (4,319) |
| At 31 December | 400,000 | 930,426 |
| Comprising | | |
| Original cost | 941,745 | 941,745 |
| Accumulated impairments | (541,745) | (11,319) |
| | 400,000 | 930,426 |

The value of the Company's investments in Century Insurance Company Ltd, Liverpool Marine & General Insurance Company Ltd, London Guarantee & Reinsurance Company Ltd, Sun Alliance Insurance UK Ltd, The Northern Maritime Insurance Company Ltd and The Union Marine and General Insurance Company Ltd were fully impaired in year.

A list of subsidiaries is attached at the end of this document.

7. Debtors: amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|-------------------------------------|--------------|--------------|
| Current tax recoverable | 366 | 1,138 |
| Amounts due from Group undertakings | 920,506 | 798,274 |
| | 920,872 | 799,412 |

8. Creditors: amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed to Group undertakings | 774,760 | 1,205,923 |
| Current tax payable | 200 | - |
| | 774,960 | 1,205,923 |

9. Share Capital

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Allotted, issued and fully paid | | |
| 807,390,126 ordinary shares of 0.25p each (2015: 807,390,126 ordinary shares of 0.25p each) | 201,848 | 201,848 |
| | 201,848 | 201,848 |

10. Parent companies

The Company's immediate parent company and controlling party is Royal & Sun Alliance Insurance plc, which is registered in England and Wales.

The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 20 Fenchurch Street, London, EC3M 3AU.

11. Events after the reporting period

On 23 February 2017, a dividend of £101,092,000 was declared by Sun Alliance Insurance International Limited to the Company. The dividend declared by Sun Alliance Insurance International Limited was part of RSA Insurance Group plc's capital optimisation program, which included the members' voluntary liquidation of Sun Alliance Insurance International Limited. The dividend amount was used to offset the intercompany balance due to Sun Alliance Insurance International Limited from the Company with the result being that the net outstanding intercompany amount due to Sun Alliance Insurance International Limited from the Company would be £400,000,026.

On 10 March 2017, Sun Alliance Insurance International Limited, a subsidiary of the Company, entered into members' voluntary liquidation.

SUN ALLIANCE AND LONDON INSURANCE PLC

Notes to the accounts (continued)

Subsidiaries

The Company's subsidiaries at 31 December 2016 were as follows:

| Subsidiaries | Registered Office | Country of incorporation | Note | Class of shares held | Percentage of normal value and voting rights held by the Company |
|---|--|--------------------------|------|----------------------|--|
| Century Insurance Company Ltd (registered in Scotland)* | Level 8, 110 Queen Street, Glasgow, G1 3BX | United Kingdom | 1 | Ordinary | 100 |
| Liverpool Marine & General Insurance Company Ltd* | 30 Finsbury Square, London, EC2P 2YU, United Kingdom | United Kingdom | 1 | Ordinary | 100 |
| London Guarantee & Reinsurance Company Ltd* | 30 Finsbury Square, London, EC2P 2YU, United Kingdom | United Kingdom | 1 | Ordinary | 100 |
| Sun Alliance Insurance International Ltd* | 30 Finsbury Square, London, EC2P 2YU, United Kingdom | United Kingdom | 1 | Ordinary | 100 |
| National Vulcan Engineering Insurance Group Limited | St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom | United Kingdom | 2 | Ordinary | 100 |
| Sun Alliance Insurance UK Ltd* | 30 Finsbury Square, London, EC2P 2YU, United Kingdom | United Kingdom | 1 | Ordinary | 100 |
| Sun Alliance Management Services Ltd* | St Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL, United Kingdom | United Kingdom | | Ordinary | 100 |
| The Northern Maritime Insurance Company Ltd* | 30 Finsbury Square, London, EC2P 2YU, United Kingdom | United Kingdom | 1 | Ordinary | 100 |
| The Union Marine and General Insurance Company Ltd* | 30 Finsbury Square, London, EC2P 2YU, United Kingdom | United Kingdom | 1 | Ordinary | 100 |

*Directly owned

(1) These subsidiaries ceased trading, through the transfer of insurance business by way of a Part VII transfer to other Group companies, with effect from 1 January 2012.

(2) Immediate parent is Sun Alliance Insurance International Ltd.