

Registered number: 889209

# **Sun Alliance Linked Life Insurance Limited**

## **Report and Financial Statements for the year ended 31 December 2001**



# Sun Alliance Linked Life Insurance Limited

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## Report and financial statements 2001

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# **Sun Alliance Linked Life Insurance Limited**

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## **Directors**

Mr W J Bradburn

Mr P S Egan

Mr R E K Greenfield

Mr J J Keane

Mr A Kerr

Mr G S Pater

Mr M L Warr

## **Secretary**

Mrs V Jones

## **Registered office**

New Hall Place, Old Hall Street, Liverpool L3 9UE

# Sun Alliance Linked Life Insurance Limited

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## Directors' report for the year ended 31 December 2001

### Principal activities and review of business

On the 19 July 2001, following Court approval, the Company reduced its share capital by the cancellation and extinction of 9,000,000 issued ordinary shares of £1 each.

The directors continue to review the operations of the Company with view to its future developments.

### Result and dividend

The result of the Company for the year is shown in the profit and loss account on page 6. No dividend is recommended for the year (2000 £Nil).

### Euro currency

The impact the introduction of the Euro has had on the Company is minimal. However system and product changes required to achieve Euro capability by 1 January 1999 were successfully implemented and work to change over to the Euro by 2002 remains on target. The incremental costs of the current Euro projects, including future costs, will be borne by the parent company. Plans are also being developed to address the possible extended scope of the Euro, including the UK's potential entry.

### Directors

Mrs J Carnie resigned as a director of the Company with effect from 30 June 2001.

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

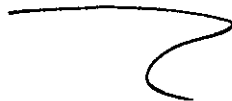
None of the directors had any interests in the shares of the Company.

The interests of the directors in the ordinary shares of Royal & Sun Alliance Insurance Group plc are disclosed in the financial statements of Royal & Sun Alliance Life Holdings Limited.

By order of the directors



V Jones  
Secretary  
21 February 2002



# Sun Alliance Linked Life Insurance Limited

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## Directors' responsibilities for financial statements

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company 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 financial statements for the year ended 31 December 2001. The directors also confirm that applicable accounting standards have been followed and that it is appropriate for the financial statements to 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 to prevent and detect fraud and other irregularities.

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## Independent auditors' report to the members of Sun Alliance Linked Life Insurance Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the director's report.

### Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Liverpool, 21 February 2002

# Sun Alliance Linked Life Insurance Limited

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## Accounting policies

### Accounting and disclosure requirements

The principal accounting policies of the Company as set out below comply with Section 255A of and Schedule 9A to the Companies Act 1985 and applicable accounting standards and with the Statement of Recommended Practice ("SORP") issued by the Association of British Insurers in December 1998.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

### Basis of profit recognition

The profits on long term business represent the transfer from the long term funds to shareholders following the actuarial valuation of liabilities, together with the movements in reserves attributable to shareholders held within the long term funds and the investment return attributable to the long term fund from investments held outside the long term fund. Profits are shown in the non-technical account grossed up for taxation at the effective rate of corporation tax applicable in the period.

### Earned premiums

Earned premiums comprise written premiums and are recognised when payment is due, except for linked premiums which are accounted for when the liability for the units is included in the technical provisions for linked liabilities. Single premiums are those relating to products issued by the Company where there is a contractual obligation for the payment of only one premium. Annual premiums are those where there is a contractual obligation for the payment of premiums on a regular basis.

### Investment income

Interest, rents and dividends on investments, other than ordinary shares, are included on an accruals basis. Account is taken of dividend income on ordinary shares when the related investment is quoted 'ex-dividend'.

### 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. Reinsurance recoveries are credited to match relevant gross amounts. Claims paid include related internal and external claims handling costs.

### Taxation

Taxation in the technical account - long term business and the non-technical account is based upon the taxation rules applicable to life insurance companies. Deferred taxation is provided on timing differences, other than those likely to continue in the foreseeable future.

The balance on the technical account - long term business is transferred to the non-technical account. Profits are shown in the non-technical account grossed up at the effective rate of corporation tax applicable in the period. The amount of grossing up is included within the taxation on the profit or loss on ordinary activities in the non-technical account.

### Investments

Investments and assets held to cover linked liabilities are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation. For listed securities the stock exchange values are used.

The treatment of realised and unrealised investment gains and losses is as follows:

#### (i) Realised gains and losses

Net realised gains, being net sale proceeds less costs of acquisition, are included within the profit and loss account within investment income. Net realised losses are included within investment expenses and charges.

#### (ii) Unrealised gains and losses

Net unreleased gains or losses are shown separately in the profit and loss account.

# Sun Alliance Linked Life Insurance Limited

## Profit and loss account

for the year ended 31 December 2001

### Non-technical account

	Notes	2001 £m	2000 £m
Investment income	1	0.8	0.9
<b>Profit on ordinary activities before taxation</b>		<b>0.8</b>	<b>0.9</b>
Taxation on profit on ordinary activities	2	(0.2)	(0.3)
<b>Profit on ordinary activities after taxation</b>		<b>0.6</b>	<b>0.6</b>
Dividend		-	-
<b>Transfer to retained profits</b>		<b>0.6</b>	<b>0.6</b>

All figures relate to continuing operations.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account and accordingly a statement of total recognised gains and losses has not been presented.

## Movements in shareholders' funds

for the year ended 31 December 2001

	Share capital £m	Profit & loss account £m	2001 £m	2000 £m
<b>Shareholders' funds at 1 January</b>	10.0	6.0	16.0	15.4
Shareholders' recognised gains	-	0.6	0.6	0.6
Capital Reduction following Court approval	(9.0)	9.0	-	-
<b>Shareholders' funds at 31 December</b>	<b>1.0</b>	<b>15.6</b>	<b>16.6</b>	<b>16.0</b>

The profit & loss account includes £15.6 m (2000 £6.0m) which is distributable.

The notes on pages 8 to 10 form part of these financial statements.

# Sun Alliance Linked Life Insurance Limited

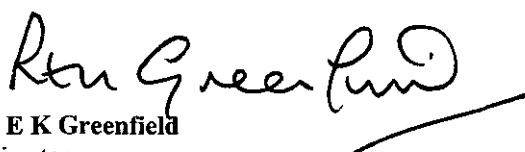
## Balance sheet

at 31 December 2001

	Notes	2001 £m	2000 £m
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	3	0.9	0.9
<b>Debtors</b>			
Other debtors	4	15.9	15.4
<b>Total assets</b>		<b>16.8</b>	<b>16.3</b>
<b>Liabilities</b>			
<b>Capital and reserves (see page 6)</b>			
Called up share capital	5	1.0	10.0
Profit and loss account		15.6	6.0
<b>Shareholders' funds – equity interests</b>		<b>16.6</b>	<b>16.0</b>
<b>Creditors</b>			
Other creditors including taxation and social security	6	0.2	0.3
<b>Total liabilities</b>		<b>16.8</b>	<b>16.3</b>

The notes on pages 8 to 10 form part of these financial statements.

The financial statements on pages 5 to 10 were approved by the directors on 21 February 2002 and were signed on their behalf by:

  
R E K Greenfield  
Director  
21 February 2002



# Sun Alliance Linked Life Insurance Limited

## Notes on the financial statements

### 1. Investment return attributable to shareholders

	2001 £m	2000 £m
<b>Income from investments</b>		
Other interest receivable	0.8	0.9
<b>Investment return attributable to shareholders</b>	<b>0.8</b>	<b>0.9</b>

### 2. Taxation

The charges for taxation in the profit and loss account comprise:

	<b>Non technical account</b>	
	2001 £m	2000 £m
<b>United Kingdom taxation charge:</b>		
Corporation tax	(0.2)	(0.3)

The charge for UK corporation tax in the non-technical account is based on a rate of 30% (2000 30%).

### 3. Investments

	2001 £m	2000 £m
<b>Other financial investments:</b>		
Debt securities and other fixed income securities		
British government securities	0.9	0.9
<b>Total other financial investments</b>	<b>0.9</b>	<b>0.9</b>

The historical cost of investments is £0.9 m (2000 £0.9 m).

	2001 £m	2000 £m
<b>Listed investments included in the total investments are as follows:</b>		
Debt securities and other fixed income securities	0.9	0.9

### 4. Debtors

	2001 £m	2000 £m
<b>Other debtors</b>		
Amounts due from group companies	15.9	15.4

### 5. Share capital

	2001 £m	2000 £m
<b>Authorised, issued and fully paid</b>		
1,000,000 (2000 10,000,000) ordinary shares of £1 each	1.0	10.0

On the 19 July 2001, following Court approval, the Company reduced its share capital by the cancellation and extinction of 9,000,000 issued ordinary shares of £1 each.

# Sun Alliance Linked Life Insurance Limited

## Notes on the financial statements

### 6. Creditors

	2001 £m	2000 £m
Other creditors including taxation and social security		
Taxation	0.2	0.3

### 7. Directors' emoluments

All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. The directors received no emoluments in respect of their services to the Company.

### 8. Auditors' remuneration

The remuneration of the auditors of the Company amounted to **£2,000** (2000 £2,000). The auditors of the Company also received fees of **£2,200** (2000 £ 2,200 ) in respect of non-audit services.

### 9. Pension costs and other post-retirement benefits

All of the staff in the UK are employed by Royal & Sun Alliance Insurance plc and are members of defined benefits pension schemes, details of which are disclosed in the accounts of that company. Contributions are based on pension costs across the UK group as a whole.

### 10. Capital commitments

The Company had no capital commitments as at 31 December 2001 (2000 £Nil).

### 11. Financial commitments

The Company had no financial commitments under non-cancellable operating leases as at 31 December 2001 (2000 £Nil).

### 12. Cash flow

The Company is a wholly owned subsidiary of Royal & Sun Alliance Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of Royal & Sun Alliance Insurance Group plc. The Company has thus taken advantage of the exemption permitted by FRS 1 (revised) and has elected not to prepare its own cash flow statement.

### 13. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31 December 2001 (2000 £ Nil).

### 14. Related party transactions

Advantage has been taken of the exemption provided in FRS 8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

## **Sun Alliance Linked Life Insurance Limited**

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### **Notes on the financial statements**

#### **15. Parent companies**

The Company's immediate parent company is Royal & Sun Alliance Life Holdings Limited, which is registered in England and Wales.

The parent of the smallest group for which consolidated accounts including Sun Alliance Linked Life Insurance Limited are drawn up is Royal & Sun Alliance Insurance plc, which is registered in England and Wales.

The Company's ultimate parent company and controlling party is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales, and is the parent undertaking of the largest group to consolidate these financial statement. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1J 6EW.