

C.N. 894616

**SUN ALLIANCE AND LONDON ASSURANCE
COMPANY LIMITED**

**A MEMBER OF THE
ROYAL & SUN ALLIANCE INSURANCE GROUP**

**Report and Accounts
for the year ended 31st December 1996**



Sun Alliance and London Assurance Company Limited

Report and Accounts 1996

<u>Contents</u>	<u>Page</u>
Directors	2
Directors' report	3
Directors' responsibilities for accounts	4
Auditors' report	4
Accounting policies	5
Technical account - long term business	9
Non-technical account	10
Statement of total recognised gains and losses	10
Reconciliation of movement in shareholders' funds	10
Balance sheet	11
Notes on the accounts	13

Sun Alliance and London Assurance Company Limited

Directors

J. C. Hance

T. A. Hayes

J. S. Kent

T. S. Nelson

D. R. Parry

R. H. W. Winch Managing Director

J. J. Woods Actuary

Secretary

E. R. Wills, F.C.I.I.

Registered office

1 Bartholomew Lane, London EC2N 2AB

Sun Alliance and London Assurance Company Limited

Directors' report for the year ended 31st December, 1996

Activities

The principal activity of the Company is the transaction of ordinary long term insurance business as part of the Sun Alliance Group in the United Kingdom.

Review of the Year and Future Developments

During the year the Royal Insurance and Sun Alliance groups merged. Progress has been made towards the integration of the life insurance operations in the United Kingdom and on 1 January 1997 a single marketing group was created. Work is continuing on plans to rationalise the various life funds and companies within the Royal & Sun Alliance Insurance Group. No changes were effected in 1996.

Profit and dividend

The profit of the Company for the year is shown in the profit and loss account on page 10.

The directors have declared a second interim dividend of £6,667,000. This, together with the interim dividend of £10,000,000 paid on 31st December, 1996 will make a total dividend of £16,667,000.

Directors

Mr D. R. Parry was appointed as a director on 11th November 1996.

Mr J. R. Knightley and Mr P. Barrow served until they resigned on 9th September 1996 and 31st October 1996 respectively.

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

The interests of the directors in the ordinary shares of 25p each in Royal & Sun Alliance Insurance Group plc (name changed from Sun Alliance Group plc on 19th July 1996) are as follows:

	<u>Shares held at 1st January, 1996</u>	<u>Shares held at 31st December, 1996</u>
J. C. Hance	4,035	4,220
J. S. Kent	10,485	29,739

Options to subscribe for shares

	<u>Held at 1st January, 1996</u>	<u>During 1995 Granted</u>	<u>Exercised</u>	<u>Held at 31st December, 1996</u>
J. C. Hance	62,320	15,910	-	78,230
J. S. Kent	122,029	14,150	46,304	89,875

By order of the directors

5th March, 1997



Secretary

Sun Alliance and London Assurance Company Limited

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 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 accounts for the year ended 31st December, 1996. 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 to prevent and detect fraud and other irregularities.

Report of the auditors to the members of Sun Alliance and London Assurance Company Limited

We have audited the accounts on pages 5 to 20.

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 as at 31st December, 1996 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
5th March 1997



Coopers & Lybrand
Chartered Accountants
and Registered Auditors

Sun Alliance and London Assurance Company Limited

Accounting and disclosure requirements

The principal accounting policies of the Company as set out below comply with Section 255 of and schedule 9A to the Companies Act 1985 and applicable UK accounting standards and with the Association of British Insurers Guidance on Accounting for Insurance Business.

Alignment of accounting policies and presentation

Following the merger of the Sun Alliance Group and the Royal Insurance Holding Group in 1996, it has been necessary to align certain accounting policies and presentations. The principal change is that assets held to cover linked liabilities now include other linked assets and liabilities. Previously, these assets were included under the relevant balance sheet headings. 1995 comparatives have been restated.

Certain other minor changes have been made in order to conform to Group standards, but these have an insignificant effect of the accounts.

Additionally, reversionary bonuses were previously shown separately in the technical account - long term business under bonuses and rebates. Following the publication of the amendments to the Association of British Insurers' guidance on accounting for insurance business, these amounts are now included in the movement in long-term business provision. The 1995 comparative has been restated. The total amount of bonuses applicable to the year is shown in note 6 to the accounts.

Cash flow statement

As the Company is a wholly owned subsidiary of a UK parent undertaking, advantage has been taken of the exemption from the requirements of Financial Reporting Standard 1 to include a cash flow statement.

Exchange

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

Basis of accounting

The accounts are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

Earned premiums

Earned premiums comprise written premiums and are recognised when payment is due, except for linked premiums which are accounted for when payment is received, this being the date at which the liability for the units is included in the technical provisions for linked liabilities.

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.

Sun Alliance and London Assurance Company Limited

Investment income

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

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.

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 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.

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 full 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.

For basic life insurance business, provision for deferred taxation on unrealised appreciation of investments of the long term business fund is included in technical provisions.

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 and properties at professional valuation. For listed securities the stock exchange values are used. Properties are valued annually at open market value. A number of the properties have been valued by the Group's professional staff who are members of the Royal Institute of Chartered Surveyors.

Freehold property and leasehold property with over twenty years to run are accounted for as investment properties and are shown in accordance with Statement of Standard Accounting Practice number 19 at open market value. The movement in market value has been taken to the profit and loss account.

Sun Alliance and London Assurance Company Limited

No depreciation is provided in respect of these freehold and leasehold investment properties. 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 SSAP 19. The directors consider it is necessary to adopt SSAP 19 in order to give a true and fair view. In the directors' opinion residual values are such that depreciation would be insignificant.

In respect of owner occupied property the directors consider the residual values are such that their depreciation is insignificant and is thus not provided.

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

(i) Long term

Net realised gains, being net sale proceeds less costs of acquisition, are included within the technical account in investment income. Net realised losses are accounted for within investment expenses and charges, whilst net unrealised gains/losses are shown separately in the technical account - long term business.

(ii) Other than long term

Net realised gains, being the net sale proceeds less costs of acquisition, are taken to investment income, net realised losses are taken to investment expenses and charges, both within the non-technical account. Net unrealised gains/losses are included in the statement of total recognised gains and losses.

Long-term business provision

The long term business provision has been computed by a Fellow of the Institute of Actuaries on the basis of recognised actuarial methods. Details of the main assumptions made and the methods used are given in note 11.

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.

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.

Outstanding claims

The provision for outstanding claims comprises the estimated cost of claims reported and not settled at the balance sheet date.

Group accounts

The Company is a wholly owned subsidiary of a UK holding company and, in accordance with section 228 of the Companies Act 1985, consolidated accounts have not been prepared. Investments in subsidiaries and associated undertakings are included in the balance sheet at net asset value.

Sun Alliance and London Assurance Company Limited

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. Profits are shown in the non-technical account grossed up for taxation at the full rate of corporation tax applicable in the period.

Investments in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings are included in the balance sheet at net asset value.

Bonuses

Reversionary bonuses are recognised in the technical account - long term business when declared and are included in the movement in long-term business provision. Terminal bonuses are recognised in the technical account - long term business when payable and are included in claims paid.

Fund for future appropriations

The excess of assets over liabilities arising in relation to with profits business that has not been allocated to shareholders or policyholders is included in the fund for future appropriations.

Sun Alliance and London Assurance Company Limited

Profit and loss account

for the year ended 31st December 1996

Technical account - long term business

	Notes	1996 £m	1995 (as restated) £m
Earned premiums, net of reinsurance			
Gross premiums written	1a	618.4	500.8
Outward reinsurance premiums	1a	(91.7)	(81.0)
Net earned premiums		526.7	419.8
Investment income	7	610.4	483.3
Unrealised gains on investments	7	62.1	561.8
Claims incurred, net of reinsurance	6		
Claims paid			
gross amount		(596.0)	(539.0)
reinsurers' share		64.0	50.0
		(532.0)	(489.0)
Change in the provision for claims			
gross amount		(2.8)	1.2
reinsurers' share		(0.1)	(1.5)
		(2.9)	(0.3)
Net claims incurred		(534.9)	(489.3)
Changes in other technical provisions, net of reinsurance			
Long term business provision			
gross amount	6	(507.1)	(441.7)
reinsurers' share		3.1	24.2
		(504.0)	(417.5)
Technical provisions for linked liabilities			
gross amount		(50.6)	(43.0)
reinsurers' share		50.8	43.1
		0.2	0.1
Net changes in technical provisions		(503.8)	(417.4)
Net operating expenses	2		
Acquisition expenses		(51.7)	(61.8)
Change in deferred acquisition costs		(9.5)	(13.2)
Administration expenses		(33.2)	(35.1)
Net operating expenses		(94.4)	(110.1)
Investment expenses and charges	7	(6.5)	(7.2)
Reorganisation costs	3	(11.2)	-
Taxation attributable to long term business	4	(55.0)	(14.0)
Transfers (to) from fund for future appropriations		23.3	(412.6)
Balance on technical account - long term business		16.7	14.3

All figures relate to continuing operations. The notes on pages 13 to 20 form part of the accounts.

Sun Alliance and London Assurance Company Limited

Profit and loss account

for the year ended 31st December 1996

Non-technical account

	Notes	1996 £m	1995 £m
Balance on the long term business technical account		16.7	14.3
Tax credit attributable to balance on the long term business technical account		8.2	7.0
		24.9	21.3
Investment income	7	2.5	1.9
Profit on ordinary activities before taxation		27.4	23.2
Taxation on profit on ordinary activities	4	(8.9)	(7.5)
Profit on ordinary activities after taxation		18.5	15.7
Dividends	5	(16.7)	(20.0)
Transfer to/(from) retained profits		1.8	(4.3)

All figures relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31st December 1996

	1996 £m	1995 £m
Profit for the financial year	18.5	15.7
Unrealised gains/(losses) on investments	2.4	5.3
Shareholder recognised gains	20.9	21.0

Movements in shareholders' funds

for the year ended 31st December 1996

	Share Capital £m	Revaluation Reserve £m	Profit & Loss Account £m	1996 £m	1995 £m
Shareholders' funds at 1st January	1.0	27.8	11.8	40.6	39.6
Shareholder recognised gains		2.4	18.5	20.9	21.0
Dividends	-	-	(16.7)	(16.7)	(20.0)
Shareholders' funds at 31st December	1.0	30.2	13.6	44.8	40.6

The profit & loss account includes £13.6m (1995 £11.8m), which is distributable.

The notes on pages 13 to 20 form part of these accounts.

Sun Alliance and London Assurance Company Limited

Balance sheet at 31st December 1996

	Notes	1996 £m	1995 (as restated) £m
Assets			
Investments			
Land and buildings	8	740.2	740.7
Investments in group undertakings and participating interests	8	1.3	0.9
Other financial investments	8	6,453.6	5,891.7
		7,195.1	6,633.3
Assets held to cover linked liabilities		3.9	4.1
Reinsurers' share of technical provisions			
Long term business provision	11	332.0	328.9
Claims outstanding		2.1	2.2
Technical provisions for linked liabilities		323.3	272.5
		657.4	603.6
Debtors			
Debtors arising out of direct insurance operations	9	9.6	10.7
Other debtors	9	91.4	97.0
		101.0	107.7
Other assets			
Cash at bank and in hand		23.7	9.0
Prepayments and accrued income			
Accrued interest and rent		50.1	63.9
Deferred acquisition costs		159.1	168.6
		209.2	232.5
Total assets		8,190.3	7,590.2

The balance sheet included assets totalling £7,285.8m (1995 £6,805.4m) representing the long-term insurance funds.

The notes on pages 13 to 20 form part of these accounts

Sun Alliance and London Assurance Company Limited

Balance sheet at 31st December 1996

	Notes	1996 £m	1995 (as restated) £m
Liabilities			
Capital and reserves (see page 10)			
Called up share capital	10	1.0	1.0
Revaluation reserve		30.2	27.8
Profit and loss account		13.6	11.8
Shareholders' funds - equity interest		44.8	40.6
Fund for future appropriations		1,049.8	1,073.1
Technical provisions			
Long term business provision	11	6,564.2	6,057.1
Claims outstanding		17.4	14.6
		6,581.6	6,071.7
Technical provisions for linked liabilities		327.2	276.6
Provision for other risks and charges	19	10.0	-
Creditors			
Creditors arising out of direct insurance operations	12	9.8	6.1
Creditors arising out of reinsurance operations	12	1.4	0.5
Amounts owed to credit institutions	13	2.6	10.4
Proposed dividend	5	6.7	10.0
Other creditors including taxation and social security	12	135.9	81.3
		156.4	108.3
Accruals and deferred income		20.5	19.9
Total liabilities		8,190.3	7,590.2

The accounts on pages 5 to 20 were approved by the directors on 5th March, 1997 and were signed on their behalf by:

.....
Director

.....
Director

Sun Alliance and London Assurance Company Limited

Notes on the accounts

1. Segmental analysis

No geographical segmental information, as required by Statement of Standard Accounting Practice number 25, is given as business is predominantly sourced in the United Kingdom.

1a Written premiums

	Gross £m	1996 Reinsurance ceded £m	Net £m	Gross £m	1995 Reinsurance ceded £m	Net £m
Life						
Individual						
Non linked with profits	351.8	(2.3)	349.5	236.9	(2.0)	234.9
Non linked without profits	62.5	(45.0)	17.5	60.1	(39.9)	20.2
Group contracts						
Non linked without profits	25.8	(1.6)	24.2	26.9	(2.8)	24.1
Pensions						
Non linked with profits	86.0	(4.0)	82.0	92.2	(3.5)	88.7
Unit Linked	36.1	(33.4)	2.7	37.0	(27.2)	9.8
Annuity	56.2	(5.4)	50.8	47.7	(5.6)	42.1
Total written premiums	618.4	(91.7)	526.7	500.8	(81.0)	419.8
Periodic premiums	387.9	(75.8)	312.1	393.1	(67.5)	325.6
Single premiums	230.5	(15.9)	214.6	107.7	(13.5)	94.2
Total written premiums	618.4	(91.7)	526.7	500.8	(81.0)	419.8

Sun Alliance and London Assurance Company Limited

1b New business premiums

	Gross	1996 Reinsurance ceded	Net	Gross	1995 Reinsurance ceded	Net
	£m	£m	£m	£m	£m	£m
Life						
Individual						
Non linked with profits	132.5	-	132.5	3.4	-	3.4
Non linked without profits	20.4	(11.3)	9.1	22.9	(9.7)	13.2
Linked without profits	0.2	(0.2)	-	0.8	(0.8)	-
Group contracts						
Non linked without profits	3.8	(3.8)	-	5.0	(5.0)	-
Pensions						
Individual						
Non linked with profits	46.3	-	46.3	62.7	-	62.7
Unit linked	20.5	(20.5)	-	16.9	(16.9)	-
Annuity	49.2	-	49.2	42.2	-	42.2
Total new business annualised premiums	272.9	(35.8)	237.1	153.9	(32.4)	121.5
Periodic premiums	42.4	(19.9)	22.5	37.5	(16.1)	21.4
Single premiums	230.5	(15.9)	214.6	116.4	(16.3)	100.1
Total new business annualised premiums	272.9	(35.8)	237.1	153.9	(32.4)	121.5

2. Net operating expenses

Total commission for direct insurance accounted for by the company during the year, excluding payments to employees, amounted to **£33.0m** (1995 £23.1). Total reinsurance commissions and profit participation accounted for by the company during the year amounted to net income of **£16.4m** (1995 £2.2m).

3. Reorganisation costs

As a result of the integration of the businesses of the Royal Insurance and the Sun Alliance groups, following the merger on 19 July 1996, a fundamental reorganisation and restructure of the business is taking place, resulting in a charge to the technical account - long term business in 1996.

Sun Alliance and London Assurance Company Limited

4. Taxation

The charges for taxation in the technical account - long term business and the non-technical account comprise:

	Technical Account		Non-Technical Accounts	
	1996 £m	1995 £m	1996 £m	1995 £m
United Kingdom taxation:				
Corporation tax	(48.4)	(20.2)	(0.5)	(0.3)
Taxation attributable to the balance on the technical account - long term business	-	-	(8.2)	(7.0)
Taxation attributable to UK dividend income	(14.5)	(8.4)	(0.2)	(0.2)
Prior year release	8.0	15.3	-	-
Deferred taxation	1.1	0.7	-	-
	(53.8)	(12.6)	(8.9)	(7.5)
Less Double taxation relief	1.0	1.1	-	-
	(52.8)	(11.5)	(8.9)	(7.5)
Overseas taxation on profits	(2.2)	(2.5)	-	-
	(55.0)	(14.0)	(8.9)	(7.5)

The charge for UK corporation tax in the technical account - long term business is provided at rates between 20% and 33% computed in accordance with the rules applicable to life insurance companies.

The charge for UK corporation tax in the non-technical account is calculated at 33% (1995 33%).

5. Dividends

	1996 £m	1995 £m
Interim dividend paid	10.0	10.0
Proposed final dividend	6.7	10.0
Total dividends	16.7	20.0

6. Bonuses

The total amount of bonuses attributable to the year is £219.0m (1995 £179.4m).

Sun Alliance and London Assurance Company Limited

7. Investment return

	1996 £m	1995 £m
Attributable to shareholders		
Investment income	2.5	1.9
Investment expenses and charges	-	-
Net investment income in non-technical account	2.5	1.9
Unrealised gains / (losses) on investments	2.4	5.3
Investment return attributable to shareholders	4.9	7.2
Attributable to Long-term business		
Income from investments		
Income from land and buildings	59.7	56.0
Income from other investments	335.1	323.3
Gains on the realisation of investments	215.6	104.0
Total investment income	610.4	483.3
Investment expenses and charges		
Investment management charges	(6.5)	(7.2)
	603.9	476.1
Unrealised gains/(losses) on investments	62.1	561.8
Investment return for long-term business	666.0	1,037.9

8. Investments

	Market value	
	1996 £m	1995 £m
Land and buildings	740.2	740.7
Investment in group undertakings and participating interests		
Shares in group undertakings	1.3	0.9
Other financial investments		
Shares and other variable yield securities and units in unit trusts	3,768.4	3,381.9
Debt securities and other fixed income securities	2,310.3	2,246.5
Loans secured by mortgages	36.1	39.9
Policy loans	12.0	12.6
Deposits with credit institutions	326.8	210.8
	6,453.6	5,891.7

Sun Alliance and London Assurance Company Limited

The historical cost of investments (including £3.2m (1995 £3.6m) for assets held to cover linked liabilities) is £4,935.9m (1995 £4,436.8m).

Included in the above are listed investments :

	1996 £m	1995 £m
Shares and other variable yield securities and units in unit trusts	3,762.3	3,374.1
Debt securities and other fixed income securities	2,300.0	2,236.2
	<u>6,062.3</u>	<u>5,610.3</u>

The market value of land and buildings detailed above can be further analysed as :

	1996 £m	1995 £m
Freehold	658.7	682.3
Long leasehold	77.7	55.1
Short leasehold	3.8	3.3
	<u>740.2</u>	<u>740.7</u>
Group occupied	<u>52.2</u>	<u>55.5</u>

A full valuation of properties was undertaken as at 31st December 1996. 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 Company's qualified valuation surveyors.

9. Debtors

	1996 £m	1995 £m
Debtors arising out of direct insurance operations		
Due from policyholders	9.6	10.7
Other debtors		
Taxation	-	1.7
Due from other group companies	57.9	51.9
Due from other than group companies	33.5	43.4
	<u>91.4</u>	<u>97.0</u>
Total	<u>101.0</u>	<u>107.7</u>

10. Share capital

	1996 £m	1995 £m
Authorised, issued and fully paid		
£1,000,000 ordinary shares of £1 each	1.0	1.0

11. Long-term business provision

The long-term business provision for non-linked business has been calculated using the net premium method. In certain instances appropriate approximations or modifications have been made.

For single premium policies the provision is calculated as the present value of the benefits and future expenses.

Sun Alliance and London Assurance Company Limited

The calculation includes explicit provision for vested bonuses (including those vesting following the current valuation). No explicit provision is made for future reversionary or terminal bonuses, although some implicit provision for future reversionary bonuses is made from margins in the net premium method.

The principal assumptions used are as follows:-

	Interest rate p.a.	Mortality table
Life with profit	3.5%	AM80, AF80
Pensions with profit	5.5%	AM80, AF80
Annuities in payment	6.50% (1995: 6.75%)	PA90 minus 7 years (males) (1995: PA90 minus 5 years)

The mortality assumptions incorporate amendments to the tables shown above where appropriate.

The assumptions in the above table are unchanged from 31 December 1995 except where indicated.

The long-term business provision for linked business has been calculated as the present value of non-unit liabilities and expenses where not covered by future margins.

12. Creditors

	1996 £m	1995 £m
Arising from direct insurance operations		
Due to other than group companies	9.8	6.1
Arising from reinsurance operations		
Due to other than group companies	1.4	0.5
Other creditors including taxation and social security		
Due to group companies	78.4	66.3
Taxation	45.3	6.6
Other	12.2	8.4
	135.9	81.3

13. Borrowings

Bank borrowings were as follows :

	1996 £m	1995 £m
Bank loans and overdrafts repayable on demand or within one year	2.6	10.4

Sun Alliance and London Assurance Company Limited

14. Subsidiaries

The Company owns the whole of the issued share capital of Imbercourt Limited, Sun Alliance Pensions Life & Investment Services, Sun Alliance Managed Pension Services Limited and Kembrey Park Limited, all of which are registered in England and Wales.

15. Associated companies and other participating interests

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

16. Directors' emoluments

No emoluments were paid or are payable to the directors in respect of the Company for 1996 or 1995.

17. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £130,000 (1995 £121,000). The auditors of the Company also received fees of £88,000 (1995 £25,000) in respect of non-audit services.

18. Pension and post-retirement benefits

All of the staff in the UK are employed by Sun Alliance and London Insurance plc and are members of a defined benefits pension scheme, details of which are disclosed in the accounts of Royal & Sun Alliance Insurance Group plc.

19. Movements in provision for other risks and charges	Reorganisation Costs	
	1996 £m	1995 £m
At 1st January	-	-
Utilised	(1.2)	-
Charges to/(release) from:		
Technical Account: Long-term Business	11.2	-
At 31st December	10.0	-

Sun Alliance and London Assurance Company Limited

20. Deferred taxation

	Provided		Unprovided	
	1996	1995	1996	1995
	£m	£m	£m	£m
The amount of deferred taxation provided and the amount unprovided are as follows:-				
Shareholders' Fund				
Tax relating to unrealised appreciation of investments	-	-	9.3	8.6
Long Term Fund				
Tax relating to unrealised appreciation of investments	-	-	90.0	45.0
Tax relating to other timing differences	-	1.1	-	-
	-	1.1	99.3	53.6

Deferred taxation is not provided in respect of liabilities which might arise on the distribution of unappropriated profits of overseas subsidiaries or associated undertakings.

In relation to investments in the long term insurance fund, provision for deferred taxation has been made in the long term business provision.

21. Capital commitments

The Company had no capital commitments as at 31st December 1996 (1995 £Nil).

22. Financial commitments

The Company had no financial commitments under non-cancellable operating leases as at 31st December 1996 (1995 £Nil).

23. Related party transactions

Included in the balance sheet are investments in unit trusts of £35.6m (1995 £31.0m) managed by Royal & Sun Alliance Insurance Group plc subsidiaries.

Advantage has been taken of the exemption provided in FRS8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

24. Parent companies

The Company's immediate parent company is Sun Alliance Life Ltd, which is registered in England and Wales.

The parent of the smallest group for which accounts including Sun Alliance and London Assurance Company Limited are drawn up is Sun Alliance and London Insurance plc, which is registered in England and Wales.

The Company's ultimate parent company is Royal & Sun Alliance Insurance 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.



These accounts are to be filed with the company records of company number 894616 (Sun Alliance and London Assurance Company Limited) pursuant to section 228 of the Companies Act 1985 as amended

Sun Alliance Life Limited

Report and Accounts for the year 1996

A member of the Royal & SunAlliance Insurance Group

SUN ALLIANCE LIFE LIMITED

**A MEMBER OF THE
ROYAL & SUN ALLIANCE INSURANCE GROUP**

**Report and Accounts
for the year ended 31st December 1996**

Sun Alliance Life Limited

<u>Contents</u>	<u>Page</u>
Directors	2
Directors' report	3
Directors' responsibilities for accounts	4
Auditors' report	4
Accounting policies	5
Profit and Loss account: non-technical account	7
Statement of total recognised gains and losses	7
Reconciliation of movements in shareholders' funds	7
Balance sheet	8
Notes on the accounts	9

Sun Alliance Life Limited

Directors

J. C. Hance

T. A. Hayes

T. S. Nelson

D.R. Parry

R. H. W. Winch Managing Director

J. J. Woods Actuary

Secretary

D. J. Miller, Barrister

Registered office

1 Bartholomew Lane, London EC2N 2AB

Sun Alliance Life Limited

Directors' report for the year ended 31st December, 1996

Activities

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

Review of the Year and Future Developments

During the year the Royal Insurance and Sun Alliance groups merged. Progress has been made towards the integration of the life insurance operations in the United Kingdom and on 1 January 1997 a single marketing group was created. Work is continuing on plans to rationalise the various life funds and companies within the Royal & Sun Alliance Insurance Group. No changes were effected in 1996.

Profit and dividends

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

The directors have declared a final dividend of £27,767,000. This, together with the interim dividend of £10,000,000 paid on 31st December, 1996, will make a total dividend of £37,767,000.

Directors

Mr J C Hance and Mr D R Parry were appointed as directors on 11 November 1996.

The other directors named on page 2 served throughout the year.

The interests of directors in the ordinary shares of 25p each in Royal & Sun Alliance Insurance Group plc (name changed from Sun Alliance Group plc on 19th July 1996) are as follows:

	Shares held at 1st January 1996 or on appointment	Shares held at 31st December 1996
J. C. Hance	4,156	4,220
D.R. Parry	55,923	56,247
J. J. Woods	12,480	32,137

Options to subscribe for shares

	Held at 1st January 1996 or on appointment	During 1996		Held at 31st December 1996
		Granted	Exercised	
J. C. Hance	78,230	-	-	78,230
D. R. Parry	127,408	-	-	127,408
R. H. W. Winch	134,235	14,150	20,000	128,385
J. J. Woods	102,070	14,150	43,244	72,976

By order of the directors

D. J. Miller
Secretary

5th March, 1997

Sun Alliance Life Limited

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 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 accounts for the year ended 31st December, 1996. 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 to prevent and detect fraud and other irregularities.

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

We have audited the accounts on pages 5 to 11.

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 as at 31st December, 1996 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, 5th March 1997

Coopers & Lybrand
*Chartered Accountants
and Registered Auditors*

Sun Alliance Life Limited

Accounting and disclosure requirements

The principal accounting policies of the Company as set out below comply with Section 255 of and schedule 9A to the Companies Act 1985 and applicable UK accounting standards and with the Association of British Insurers Guidance on Accounting for Insurance Business.

Alignment of accounting policies and presentation

Following the merger of Sun Alliance and Royal Insurance in 1996, it has been necessary to align certain accounting policies and presentations. The principal change is that the value of investment in subsidiaries now includes the value of long-term business. 1995 comparatives have been restated.

Cash flow statement

As the Company is a wholly owned subsidiary of a UK parent undertaking, advantage has been taken of the exemption from the requirements of Financial Reporting Standard 1 to include a cash flow statement.

Exchange

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

Basis of accounting

The accounts are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

Investment income

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

Taxation

Taxation in 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.

Investments

Investments are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties are valued annually at open market value. A number of the properties have been valued by the Group's professional staff who are members of the Royal Institution of Chartered Surveyors.

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

Sun Alliance Life Limited

Net realised gains, being the net sale proceeds less costs of acquisition, are taken to investment income, net realised losses are taken to investment expenses and charges, both within the non-technical account. Net unrealised gains/losses are included in the statement of total recognised gains and losses.

Group accounts

The Company is a wholly owned subsidiary of a UK holding company and, in accordance with section 228 of the Companies Act 1985, consolidated accounts have not been prepared.

Investments in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings are included in the balance sheet at net asset value, plus the value of their long-term business.

Value of long term business

This item represents the directors' assessment of the value attributable to shareholders of the future cash flows on a discounted basis arising from in-force long-term business policies with no allowance for the value of cash flows from future business. A corresponding amount is credited to the revaluation reserve.

Sun Alliance Life Limited

Profit and loss account

for the year ended 31st December 1996

Non-technical account

	Notes	1996 £m	1995 £m
Investment income	2	0.2	0.2
Dividends from subsidiaries		37.8	35.0
Profit on ordinary activities before taxation		38.0	35.2
Taxation on profit on ordinary activities	3	(0.1)	(0.1)
Profit on ordinary activities after taxation		37.9	35.1
Dividends	4	(37.8)	(35.0)
Transfer to retained profits		0.1	0.1

All figures relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31st December 1996

	1996 £m	1995 (as restated) £m
Profit for the financial year	37.9	35.1
Unrealised gains/(losses) on investments	87.4	182.6
Shareholder recognised gains	125.3	217.7

Movements in shareholders' funds

for the year ended 31st December 1996

	Share Capital £m	Revaluation Reserve £m	Profit & Loss Account £m	1996 £m	1995 £m
Shareholders' funds at 1st January	78.4	218.7	27.7	324.8	279.1
Prior year adjustment		740.0		740.0	603.0
Shareholders funds restated at 1 January	78.4	958.7	27.7	1064.8	882.1
Shareholder recognised gains		87.4	37.9	125.3	217.7
Dividends			(37.8)	(37.8)	(35.0)
Shareholders' funds at 31st December	78.4	1,046.1	27.8	1,152.3	1,064.8

The profit & loss account includes £27.8m (1995 £27.7m), which is distributable.

The notes on pages 9 to 11 form part of these accounts.

Sun Alliance Life Limited

Balance sheet at 31st December 1996

	Notes	1996 £m	1995 (as restated) £m
Assets			
Investments			
Investments in group undertakings and participating interests	5	1,133.7	1,046.2
Other financial investments	5	2.0	2.1
		1,135.7	1,048.3
Debtors			
Other debtors	6	164.3	130.5
Other assets			
Cash at bank and in hand		-	0.7
Prepayments and accrued income			
Accrued interest and rent		0.1	0.1
Total assets		1,300.1	1,179.6
Liabilities			
Capital and reserves (see page 7)			
Called up share capital	7	78.4	78.4
Revaluation reserve		1,046.1	958.7
Profit and loss account		27.8	27.7
Shareholders' funds - equity interest		1,152.3	1,064.8
Creditors			
Proposed dividend	4	27.8	20.0
Other creditors including taxation and social security	8	120.0	94.8
		147.8	114.8
Total liabilities		1,300.1	1,179.6

The accounts on pages 5 to 11 were approved by the directors on 5th March, 1997 and were signed on their behalf by:

D. R. Parry
Director

J. C. Hance
Director

Sun Alliance Life Limited

Notes on the accounts

1. Segmental analysis

No geographical segmental information, as required by Statement of Standard Accounting Practice number 25, is given as business is predominantly sourced in the United Kingdom.

2. Investment return

	1996 £m	1995 £m
Investment income	0.2	0.2
Investment expenses and charges		
Investment management charges	-	-
Net investment income in non-technical account	0.2	0.2
Unrealised gains / (losses) on investments	87.4	182.6
Investment return	87.6	182.8

3. Taxation

The charges for taxation in the non-technical account comprise:

	1996 £m	1995 £m
United Kingdom taxation:		
Corporation tax	(0.1)	(0.1)
	(0.1)	(0.1)

The charge for UK corporation tax in the non-technical account is calculated at 33% (1995 33%).

4. Dividends

	1996 £m	1995 £m
Interim dividend paid	10.0	15.0
Proposed final dividend	27.8	20.0
Total dividends	37.8	35.0

Sun Alliance Life Limited

5. Investments

	Market value	
	1996 £m	1995 £m
Investment in group undertakings and participating interests		
Shares in group undertakings	1133.7	1046.2
Other financial investments:		
Debt securities and other fixed income securities (all listed)	2.0	2.1
	<u>1,135.7</u>	<u>1,048.3</u>

The historical cost of investments is £89.6m (1995 £89.6m).

6. Debtors

	1996 £m	1995 £m
Other debtors		
Due from group companies	164.3	130.5

7. Share Capital

	1996 £m	1995 £m
Authorised:		
100,000,000 ordinary shares of £1 each	100.0	100.0
Issued and fully paid:		
78,366,110 ordinary shares of £1 each	78.4	78.4

8. Creditors

	1996 £m	1995 £m
Other creditors including taxation and social security :		
Due to group companies	119.8	94.6
Taxation	0.2	0.2
	<u>120.0</u>	<u>94.8</u>

9. Subsidiaries

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

10. Directors' emoluments

	1996 £	1995 £
The emoluments of the directors were as follows:		
For service as directors	-	-
For other services:		
Pension fund contributions (including prior year adjustments)	-	30,364
Profit related emoluments	55,602	43,471
Other emoluments	259,823	401,016
	<u>315,425</u>	<u>474,851</u>

Sun Alliance Life Limited

Of the directors who discharged their duties wholly or mainly in the United Kingdom the emoluments, excluding pension fund contributions were:

			1996 £	1995 £
Chairman			Nil	Nil
Highest paid director			157,643	227,690
Other directors by scale				
	£0	up to £5,000	2	2
Exceeding	£15,000	up to £20,000	1	-
Exceeding	£25,000	up to £30,000	-	3
Exceeding	£130,000	up to £135,000	-	1
Exceeding	£140,000	up to £145,000	1	-

11. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £3,000 (1995 £2,000). The auditors of the Company also received fees of £21,000 (1995 £Nil) in respect of non-audit services.

12. Pension and post-retirement benefits

All of the staff in the UK are employed by Sun Alliance and London Insurance plc and are members of a defined benefits pension scheme, details of which are disclosed in the accounts of Royal & Sun Alliance Insurance Group plc.

	Provided		Unprovided	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
13. Deferred taxation				
The amount of deferred taxation provided and the amount unprovided are as follows:-				
Tax relating to other timing differences	-	16	-	-
	-	16	-	-

14. Prior year adjustment

The prior year adjustment shown in the movement of shareholders' funds on page 7 represents the value of long term business of subsidiaries as at 1 January 1994 now included in the revaluation reserve.

15. 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.

16. Parent companies

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

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

The Company's ultimate parent company is Royal & Sun Alliance Insurance 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.