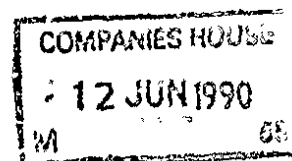
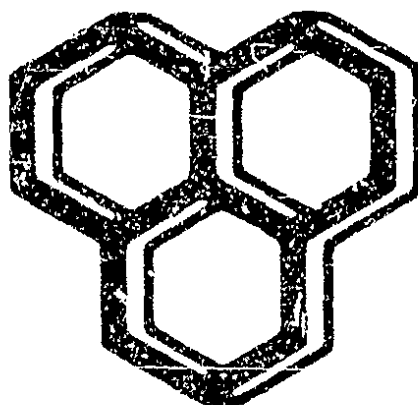


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Sun Alliance and London

ASSURANCE COMPANY LIMITED



Report and Accounts 1989

Sun Alliance and London Assurance Company Limited

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 Monday, 14th May, 1990 at 11.00 a.m. to transact the ordinary business of the Company.

By order of the directors

H. SILVER

20th April, 1990

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.

Report and Accounts 1989

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Sun Alliance and London Assurance Company Limited

Directors

R. A. G. Neville, VRD, FCA, *Chairman*

B. A. Wright, FIA, *Deputy Chairman*

J. G. Jewell, FIA

J. R. Knightley, FCI

S. L. Smaller, FIA, FPMI, *Chief Actuary*

P. G. Taylor, FCI, FBIM, *Managing Director*

R. J. Taylor, FCI

J. J. Woods, FIA, FPMI

Secretary

H. Silver, Barrister

Registered Office

1 Bartholomew Lane, London EC2N 2AB

Directors' report for the year ended 31st December, 1989

Activities

The principal activity of the Company and its subsidiaries is the transaction of ordinary long-term insurance business as part of the Sun Alliance Insurance Group in the United Kingdom and in certain overseas countries.

Long-term insurance	1989	1988
NEW BUSINESS (net of reinsurance)	£m	£m
Premiums = annual	737	730
= single	223.9	271.4
INCOME		
Premium income, less reinsurance	563.9	602.7
Investment income	278.9	242.6

An actuarial valuation of the main life fund was made as at 31st December, 1989. The ordinary rates of bonus declared for the main class of life assurance business were 3.50% (1988 3.50%) of the sum assured and 7.50% (1988 7.50%) of existing bonus. As a result, £99,033,000 has been allotted to policyholders (in addition to interim and capital bonuses amounting to £29,396,000 paid during the year) and £12,702,000 has been allocated to shareholders as their share of profit. In addition profits totalling £575,000 have been transferred to consolidated profit and loss account from the other long-term insurance funds.

The consolidated long-term insurance funds at the end of the year amounted to £5,408.0m.

Profit and dividend

The profit of the Group for the year after taxation amounted to £14.7m. The directors have resolved to declare at the Annual General Meeting on 14th May, 1990 a total dividend for 1989 of £100m, leaving profit retained of £4.7m. An interim dividend of £5.0m was paid on 6th December, 1989 and the final dividend of £5.0m will be paid on 2nd July, 1990.

Directors

Mr J. G. Jewell, Mr J. R. Knightley, Mr S. L. Smaller, Mr P. G. Taylor and Mr J. J. Woods were appointed directors on 5th July, 1989. The other directors whose names appear on page 2 served throughout the year.

Sir Peter Matthews served until he resigned on 1st February, 1989. Mr K. G. Addison, Sir Alan Dalton and Mr Kenneth Wilkinson served until they retired on 16th May, 1989. Mr A. R. C. Arbuthnot, Mr P. H. Bartrum, Sir Christopher Benson, Mr R. K. Bishop, Mr Geoffrey Bowler, Mr G. E. Browne, The Earl of Crawford & Balcarres, Sir Derrick Holden-Brown, Mr J. N. C. James, Mr Henry Keswick, The Lord Kindersley, Mr H. U. A. Lamvert, Mr D. B. Money-Coutts, Mr W. G. Niven, Mr Peter Quaille and Mr Leopold de Rothschild also served until they resigned on 5th July, 1989.

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

	On appointment		At 31st December, 1989	
	Shares	Options to subscribe for shares	Shares	Options to subscribe for shares
J. G. Jewell	—	70,152	—	73,472
J. R. Knightley	1,200	73,632	5,588	72,089
S. L. Smaller	—	119,888	4,388	118,345
P. G. Taylor	—	126,808	4,388	125,265
J. J. Woods	—	102,044	—	105,364

Auditors

In accordance with section 384 of the Companies Act 1985 a resolution proposing the re-appointment of Coopers & Lybrand Deloitte (formerly Deloitte Haskins & Sells) as auditors of the Company will be put to the Annual General Meeting.

By order of the directors
H. SILVER
Secretary

14th April, 1990

Sun Alliance and London Assurance Company Limited

Consolidated long-term insurance revenue account

for the year ended 31st December, 1989

	Notes	1989 £m	1988 £m
Premiums less reinsurance		563.9	602.7
Portfolio transfers	3	67.3	
Investment income	4	278.9	242.6
Realised and unrealised profits of unit-linked investments		150.4	38.5
Transfers from investment reserves		164.5	79.9
		<u>1,225.0</u>	<u>963.7</u>
less:			
Claims and surrenders		278.9	250.6
Annuities		49.5	34.7
Commission		36.7	32.2
Expenses		130.9	108.0
Taxation	7	9.3	8.1
Transfer to profit and loss account		13.3	10.8
		<u>518.6</u>	<u>444.4</u>
Increase in funds		<u>706.4</u>	<u>519.3</u>

Consolidated long-term insurance balance sheet

at 31st December, 1989

	Notes	1989 £m	1988 £m
Long-term insurance funds			
Funds including reserves		3,968.8	3,262.4
Investment reserves		<u>1,439.2</u>	<u>1,072.5</u>
		5,408.0	4,334.9
Other liabilities including provisions			
Outstanding claims		24.8	17.2
Borrowings	8	86.9	74.0
Sundry creditors		39.7	44.5
Due to fellow subsidiaries		9.1	—
Due to general fund		<u>8.6</u>	<u>5.5</u>
		<u>5,577.1</u>	<u>4,476.1</u>
Investments			
British Government and municipal securities		953.7	1,035.5
Overseas government and municipal securities		21.4	21.1
Debentures		223.5	117.3
Preference stocks and shares		50.2	32.2
Ordinary stocks and shares		2,622.8	1,857.9
Property		1,126.7	865.0
Mortgages and loans		82.0	75.0
Deposits at interest		<u>362.9</u>	<u>302.3</u>
		5,443.2	4,306.3
Current assets			
Debtors		132.0	134.5
Due from fellow subsidiaries		—	34.5
Bank balances and cash		<u>1.9</u>	<u>0.8</u>
		<u>5,577.1</u>	<u>4,476.1</u>

This balance sheet forms part of the balance sheet appearing on page 2

Sun Alliance and London Assurance Company Limited

Consolidated profit and loss account

for the year ended 31st December, 1989

	Notes	1989 £m	1988 £m
Long-term insurance profits	5		154
Investment and other income		20	13
Profit before taxation		208	167
Taxation	7	61	50
Profit after taxation		147	117
<i>(dealt with in the accounts of Sun Alliance and London Assurance Company Limited £13.5m 1988 £11.4m)</i>			
Dividend		100	60
Profit retained		47	57

Movements in reserves

for the year ended 31st December, 1989

	Notes	1989 £m	1988 £m
Retained profits			
Balance at 1st January		152	164
Profit retained (per the profit and loss account)		47	57
Realised investment profits less losses, after taxation		09	—
Development finance transfers	6	(63)	(69)
Adjustments arising on sale of subsidiaries	9	(08)	—
Balance at 31st December		137	152
Revaluation reserve			
Balance at 1st January		107	102
Unrealised appreciation of investments		46	05
Balance at 31st December		153	107

Consolidated balance sheet

at 31st December, 1989

	1989 £m	1988 £m
Share capital		
Authorised, issued and fully paid: 1,000,000 shares of £1 each	10	10
Reserves		
Retained profits	137	153
Revaluation reserve	153	107
	<u>300</u>	<u>260</u>
Liabilities and provisions		
Sundry creditors	38	26
Bank loans and overdrafts		03
Provision for dividend	50	30
	<u>388</u>	<u>328</u>
Long-term insurance funds and liabilities (page 51)	5,577.1	4,476.1
	<u>5,615.9</u>	<u>4,508.9</u>
Investments		
British Government securities	55	56
Debentures		01
Preference stocks and shares	04	03
Ordinary stocks and shares	163	116
Property	12	12
Deposits at interest	05	22
	<u>239</u>	<u>210</u>
Current assets		
Sundry debtors	33	26
Due from long-term insurance fund	86	55
Due from fellow subsidiary	11	24
Bank balances	19	18
	<u>388</u>	<u>328</u>
Long-term insurance assets (page 51)	5,577.1	4,476.1
	<u>5,615.9</u>	<u>4,508.9</u>

Sun Alliance and London Assurance Company Limited

Balance sheet

at 31st December, 1989

	Notes	1989 £m	1988 £m
Share capital			
Authorised, issued and fully paid: 1,000,000 shares of £1 each		10	10
Reserves			
Retained profits		184	191
Revaluation reserve		106	68
		<u>300</u>	<u>269</u>
Liabilities and provisions			
Sundry creditors		02	02
Due to subsidiaries		11	—
Provision for dividend		50	30
		<u>363</u>	<u>301</u>
Long-term insurance funds and liabilities		4,291.7	3,459.4
		<u>4,328.0</u>	<u>3,489.5</u>
Investments			
British Government securities		28	29
Debentures		—	01
Preference stocks and shares		04	03
Ordinary stocks and shares		163	116
Property		12	12
Shares in subsidiaries	9	86	50
		<u>293</u>	<u>211</u>
Current assets			
Sundry debtors		01	02
Due from long-term insurance fund		42	52
Due from fellow subsidiary		11	22
Due from subsidiaries		—	03
Bank balances		16	11
		<u>363</u>	<u>301</u>
Long-term insurance assets		4,291.7	3,459.4
		<u>4,328.0</u>	<u>3,489.5</u>

The accounts on pages 4 to 11 were approved by the directors on 11th April, 1990 and were signed on their behalf by —

B. A. G. NEVILLE, Director

B. A. WRIGHT, Director

Notes on the accounts

1. Accounting policies

The principal accounting policies of the Group as set out below comply with U.K. statements of standard accounting practice to the extent that they are appropriate to life assurance companies.

(a) Group accounts

The consolidated accounts of the Group include the audited accounts of all subsidiaries drawn up to 31st December. The results of associated companies attributable to the Group's shareholdings are not of sufficient significance to be included in the consolidated accounts except to the extent of dividends received.

(b) Exchange rates

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

(c) Long-term insurance business

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

(d) Investment income

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

(e) Taxation

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

The taxation charge in the consolidated profit and loss account is based on the profits and income of the year. Provision for deferred taxation on the unrealised appreciation of investments is made only where realisations giving rise to a taxation liability are anticipated in the foreseeable future.

(f) Investments

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

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

In the long-term insurance accounts unrealised appreciation and profits and losses on the realisation of investments are taken to investment reserves, except in the case of linked business where they are dealt with directly in the revenue account.

2. Accounting and disclosure requirements

Insurance companies are not required to comply with the accounting and disclosure provisions of Chapter I of Part VII of the Companies Act 1985 and accordingly the accounts are prepared in accordance with Chapter II of that Part of the Act.

3. Portfolio transfers

On 31st December, 1989, under a scheme sanctioned by the High Court pursuant to section 49 of the Insurance Companies Act 1982, life and pensions business and related assets and liabilities of other member companies of the Sun Alliance Group were transferred to the Group.

4. Investment income

Interest on bank and other loans, deducted from investment income in the long-term insurance revenue account, amounted to £10.3m (1988 £10.5m).

Sun Alliance and London Assurance Company Limited

Notes on the accounts *continued*

5. Long-term insurance profits

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

	1989	1988
	£m	£m
Transfer from revenue account	113	108
Related taxation	55	46
	<u>188</u>	<u>154</u>

6. Development finance

Long-term insurance business development finance was provided to subsidiaries by way of a transfer from retained profits.

7. Taxation

The charges for taxation comprises:-

	Consolidated long-term insurance revenue account		Consolidated profit and loss account	
	1989	1988	1989	1988
	£m	£m	£m	£m
United Kingdom taxation				
Corporation tax	(0.5)	—	0.4	0.3
Tax attributable to U.K. dividend income and to the long-term insurance transfer	9.0	7.5	5.7	4.7
	<u>8.5</u>	<u>7.5</u>	<u>6.1</u>	<u>5.0</u>
Less Double taxation relief	0.2	0.1	—	—
	<u>8.3</u>	<u>7.4</u>	<u>6.1</u>	<u>5.0</u>
Overseas taxation on profits	1.0	0.7	—	—
	<u>9.3</u>	<u>8.1</u>	<u>6.1</u>	<u>5.0</u>

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

	1989	1988
	£m	£m
Long-term insurance funds	159.0	108.0
General funds	5.0	2.0

8. Borrowings

Bank borrowings and other loan in the consolidated long-term insurance balance sheet are as follows:-

	1989	1988
	£m	£m
Bank loan and overdrafts	17.3	7.8
Loan due to general fund, at commercial rate of interest, repayable within one year	69.6	66.5
	<u>86.9</u>	<u>74.3</u>

9. Subsidiary companies

In December 1989 the Company's subsidiaries, Sun Alliance Fund Management Limited and Sun Alliance Unit Trust Management Limited, were transferred to the ownership of the ultimate Holding Company, Sun Alliance Group plc. The results of these companies for 1989 have been included in the consolidated accounts.

The ownership of the whole of the issued share capital of Ibor Phoenix Assurance Company Limited, which is incorporated in Great Britain, was transferred to a subsidiary from a fellow subsidiary on 31st December, 1989. Subsequently the company changed its name to Sun Alliance Linked Life Insurance Limited.

The Company owns the whole of the issued share capitals of Sun Alliance Life Limited (formerly Sun Alliance Linked Life Insurance Limited), Sun Alliance Pensions Life & Investment Services Limited and Sun Alliance Pensions Limited, all of which are incorporated in Great Britain. The shares in these subsidiaries have been included in the balance sheet of the Company at net asset value and the excess over book value has been taken to the revaluation reserve.

Notes on the accounts *continued*

10. Associated and other companies

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

11. Capital commitments

Capital commitments in respect of office premises not provided for in the long-term insurance accounts were:-

	1989	1988
	£m	£m
Contracted for at 31st December	10.5	0.5
Authorised but not contracted for at 31st December	—	15.3

12. Directors' emoluments

No emoluments were paid or are payable to the directors in respect of their services as directors of the Company in 1989 or 1988. All the directors are employees of Sun Alliance and London Insurance plc and receive remuneration in respect of their duties as directors or managers of that company.

13. Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries amounted to £140,000 (1988 £106,000).

14. Pension costs

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

15. Ultimate Holding Company

The Company's ultimate Holding Company is Sun Alliance Group plc which is incorporated in Great Britain.

Sun Alliance and London Assurance Company Limited

Auditors' report

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

We have audited the accounts on pages 4 to 11 in accordance with Auditing Standards.

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. The accounts do not include a statement of source and application of funds required by Statement of Standard Accounting Practice number 10.

London
11th April, 1990

COOPERS & LYBRAND DELOITTE
Chartered Accountants