

**Royal Life
(Unit Linked Assurances)
Limited**

**Report and Financial Statements
for the year 2000**

Royal Life (Unit Linked Assurances) Limited

Report and financial statements 2000

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Royal Life (Unit Linked Assurances) Limited

Directors

Mr W J Bradburn

Mrs J Carnie

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

Miss B C Young

Registered office

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

Royal Life (Unit Linked Assurances) Limited

Directors' report for the year ended 31st December 2000

Principal activities and review of business

During 1999 the authorisation of the Company to write life insurance business in the EEA was voluntarily withdrawn. 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 (1999 £ Nil).

Directors

Messrs J J Keane, P S Egan, A Kerr, M L Warr and W J Bradburn and Mrs J Carnie were appointed as directors of the Company with effect from 13th March 2000.

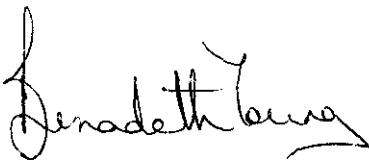
Messrs R Calver, N Criticos and B J Hall resigned as directors of the Company with effect from 13th March 2000.

The other 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



B C Young

Secretary

26th February 2001

Royal Life (Unit Linked Assurances) Limited

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 31st December 2000. 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.

Auditors' report to the members of Royal Life (Unit Linked Assurances) Limited

We have audited the financial statements on pages 5 to 10, which have been prepared in accordance with the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

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 the Company's affairs at 31st December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London, 26th February 2001

Royal Life (Unit Linked Assurances) Limited

Accounting policies

Accounting and disclosure requirements

The financial statements are drawn up in compliance with Part VII, Chapter I and Schedule 4 to the Companies Act 1985 and applicable United Kingdom accounting standards.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as permitted by the Companies Act 1985.

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'. Investment income is net of related expenses.

Taxation

The UK taxation in the profit and loss account is based on profits/(losses) and income of the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions of prior years.

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences; expected future rates of tax are used where applicable. Credit is taken for relief for trading losses only to the extent that the directors anticipate that profits will absorb such losses 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.

Royal Life (Unit Linked Assurances) Limited

Profit and loss account

for the year ended 31st December 2000

	Notes	2000 £m	1999 £m
Investment income	1	4.2	4.0
Investment expenses and charges	2	-	(0.4)
Profit on ordinary activities before taxation		4.2	3.6
Taxation on profit on ordinary activities	3	(1.2)	(1.1)
Profit on ordinary activities after taxation		3.0	2.5
Dividends		-	-
Transfer to retained profits		3.0	2.5

All figures relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

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 <i>for the year ended 31st December 2000</i>	Share capital / premium £m	Profit & loss account £m	2000 £m	1999 £m
Shareholders' funds at 1st January	63.5	1.6	65.1	62.6
Shareholders' recognised gains	-	3.0	3.0	2.5
Shareholders' funds at 31st December	63.5	4.6	68.1	65.1

The profit & loss account includes **£4.6m** (1999 **£1.6m**) which is distributable.

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

Royal Life (Unit Linked Assurances) Limited

Balance sheet at 31st December 2000

	Notes	2000 £m	1999 £m
Fixed assets			
Other financial investments	4	-	1.0
Current assets			
Amounts due from group companies	5	69.3	64.6
Other debtors		-	0.6
		69.3	65.2
Creditors: amounts falling due within one year			
Amounts due to group companies		(1.2)	(1.1)
Net current assets		68.1	64.1
Net assets		68.1	65.1
Capital and reserves (see page 6)			
Called up share capital	6	62.9	62.9
Share premium account		0.6	0.6
Profit and loss account		4.6	1.6
Shareholders' funds – equity interests		68.1	65.1

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 26th February 2001 and were signed on their behalf by:



R E K Greenfield
Director
Liverpool, 26th February 2001

Royal Life (Unit Linked Assurances) Limited

Notes on the financial statements

1. Investment income

	2000 £m	1999 £m
Investment income comprises:		
Interest receivable from group companies	4.2	4.0
	<u>4.2</u>	<u>4.0</u>

2. Investment expenses and charges

	2000 £m	1999 £m
Investment expenses and charges comprise:		
Realised losses on investments	-	(0.4)
	<u>-</u>	<u>(0.4)</u>

3. Taxation

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

	2000 £m	1999 £m
United Kingdom taxation charge:		
Corporation tax	(1.2)	(1.1)
	<u>(1.2)</u>	<u>(1.1)</u>

UK corporation tax for the current year included above is based on a rate of 30.0% (1999 30.25%).

4. Fixed assets

	2000 £m	1999 £m
Other financial investments:		
Debt securities and other fixed income securities		
British government securities (all listed)	-	1.0
Total other financial investments	<u>-</u>	<u>1.0</u>

The historical cost of investments is £Nil (1999 £1.0m).

5. Amounts due from group companies

Debtors include loans to the parent company and a fellow subsidiary amounting to £49.4m (1999 £53.2m), which are payable on demand. Interest is charged on these loans at a maximum of the base interest rate plus 1%.

Royal Life (Unit Linked Assurances) Limited

Notes on the financial statements

6. Share Capital

	2000 £m	1999 £m
Authorised		
10,000,000 ordinary shares of £1 each	10.0	10.0
55,000,000 ordinary redeemable shares of £1 each	55.0	55.0
	<u>65.0</u>	<u>65.0</u>
Issued and fully paid		
9,850,000 ordinary shares of £1 each	9.9	9.9
53,000,000 ordinary redeemable shares of £1 each	53.0	53.0
	<u>62.9</u>	<u>62.9</u>

The rights attributable to the redeemable shares are identical rights to the ordinary shares.
The redeemable shares are liable to be redeemed by the Company at any time.

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** (1999 £3,500). The auditors of the Company also received fees of **£1,200** (1999 £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 31st December 2000 (1999 £Nil).

11. Financial commitments

The Company had no financial commitments under non-cancellable operating leases at 31st December 2000 (1999 £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 31st December 2000 (1999 £Nil).

Royal Life (Unit Linked Assurances) Limited

Notes on the financial statements

14. Related party transactions

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

15. Parent companies

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

The parent of the smallest group for which consolidated accounts including Royal Life (Unit Linked Assurances) Limited are drawn up is Royal & Sun Alliance 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 30 Berkeley Square, London, W1J 6EW.