

Registered number: 1565099

Royal & Sun Alliance Life & Pensions Limited

Report and Financial Statements for the year ended 31 December 2001



Report and financial statements 2001

<u>Contents</u>	<u>Page</u>
Directors	2
Directors' report	3
Directors' responsibilities for financial statements	4
Auditors' report	4
Accounting policies	5
Technical account – long term business	8
Non-technical account	9
Movements in shareholders' funds	9
Balance sheet	10
Notes on the financial statements	12

Royal & Sun Alliance Life & Pensions Limited

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

Royal & Sun Alliance Life & Pensions Limited

Directors' report for the year ended 31 December 2001

Principal activities and review of business

The principal activity of the Company is the transaction of ordinary long term insurance business in the United Kingdom.

The Company is undertaking a review of pension transfer and opt-out business. A date has been set by the Financial Services Authority (FSA) to complete this review by the end of June 2002. Following a periodic inspection visit in August 2000, the FSA have referred their findings to its enforcement division. There is a potential, therefore, that a fine may be levied in relation to administrative procedures. Quantification of any fine that might be levied is not possible, but is not likely to have a material impact on the financial statements

Business transacted

Net premium income of the Company for the year was **£817.7 m** (2000 *£1,049.6m*) and at 31 December 2001 the total long term business funds on a statutory solvency valuation basis amounted to **£9,584.8 m** (2000 *£10,350.7m*).

Valuation

A valuation of the long term insurance business of the Company in accordance with the Interim Prudential Sourcebook (insurance companies) issued by the Financial Services Authority was made as at 31 December 2001 in respect of the year then ended. The result of the valuation showed a surplus of **£441.6m** (2000 *£515.3m*), out of which **£406.2m** (2000 *£469.4m*) has been allocated to policyholders and **£34.9m** (2000 *£45.4m*) to shareholders. The allocation to shareholders has been transferred to the non technical account where it has been grossed up for taxation as **£49.9m** (2000 *£64.9m*).

After making these allocations there is a surplus of **£0.5m** carried forward compared with £0.5m brought forward from the last valuation.

Result and dividend

The result of the Company for the year is shown in the profit and loss account on pages 8 and 9.

No dividend is recommended for the year (2000 *£45.4m*) resulting in a transfer to retained profits of **£34.9m** (2000 *£0.1m transfer from retained profits*).

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

Valessa Jones

V Jones
Secretary
21 February 2002

Royal & Sun Alliance Life & Pensions 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 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.

Independent auditors' report to the members of Royal & Sun Alliance Life & Pensions 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 have 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

Royal & Sun Alliance Life & Pensions Limited

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 UK 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, modified by the revaluation of certain assets as permitted by the Companies Act 1985.

Translation of foreign currencies

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates ruling at the year end. For assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account - long term business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the profit and loss account.

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 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.

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.

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. Also included in claims paid are payments made in respect of the review of pension transfer and opt-out business.

Royal & Sun Alliance Life & Pensions Limited

Accounting Policies

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, gross of tax relief 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 for tax 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.

Provision for deferred taxation on unrealised appreciation of investments of the long term business fund is included in technical provisions, see note 19.

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.

The property valuations have been prepared on the basis of open market value at the balance sheet date in accordance with The Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual by a qualified valuation surveyor.

The Companies Act requires properties to be depreciated over their expected useful economic lives. The directors consider that depreciation of investment properties would not give a true and fair view. In accordance with Statement of Standard Accounting Practice 19 "Accounting for investment properties", no depreciation is provided on these properties on the basis that depreciation is already reflected in the annual valuations. The amounts attributed to this factor by the valuers cannot reasonably be separately identified or quantified.

It is the Company's practice to maintain properties occupied by the Company in a continual state of sound repair. Accordingly the directors consider that the economic lives of these properties and their residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are such that any depreciation is insignificant and is thus not provided.

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

(i) Realised gains and losses

Realised gains and losses on investment disposals represent net sale proceeds less costs of acquisition. Net realised gains 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 unrealised gains or losses are shown separately in the profit and loss account.

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.

Royal & Sun Alliance Life & Pensions Limited

Accounting Policies

Technical provision for linked liabilities

The technical provision for linked liabilities represents 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.

Bonuses

Reversionary bonuses are recognised in the technical account - long term business when declared and are included in the movement in the 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.

Tangible assets and depreciation

Tangible assets comprise computers, office equipment, machinery, motor cars and furniture and fittings which are capitalised and depreciated over periods not exceeding their estimated useful lives (between three and ten years) and after taking into account residual value.

Operating Leases

Payments made under operating leases are charged on a straight line basis over the term of the lease.

Royal & Sun Alliance Life & Pensions Limited

Profit and loss account

for the year ended 31 December 2001

Technical account - long term business

	Notes	2001 £m	2000 £m
Earned premiums, net of reinsurance			
Gross premiums written	1a	1,013.4	1,188.6
Outward reinsurance premiums	1a	(195.7)	(139.0)
Net earned premiums		817.7	1,049.6
Investment income	6	768.2	931.2
Other technical income, net of reinsurance	7	35.6	-
Claims incurred, net of reinsurance			
Claims paid			
gross amount		(929.9)	(861.5)
reinsurers' share		33.0	42.1
		(896.9)	(819.4)
Change in the provision for claims			
gross amount		(10.3)	(15.6)
reinsurers' share			-
		(10.3)	(15.6)
Net claims incurred		(907.2)	(835.0)
Changes in other technical provisions, net of reinsurance			
Long term business provision	11		
gross amount		647.5	(917.0)
reinsurers' share		2.6	17.0
		650.1	(900.0)
Technical provision for linked liabilities			
gross amount		109.8	(59.2)
reinsurers' share		(107.7)	59.9
		2.1	0.7
Net changes in other technical provisions		652.2	(899.3)
Net operating expenses	2		
Acquisition expenses		(65.0)	(80.1)
Change in deferred acquisition costs		(21.3)	(122.6)
Administrative expenses		(29.9)	(28.6)
Net operating expenses		(116.2)	(231.3)
Investment expenses and charges	6	(14.4)	(16.8)
Unrealised losses on investments	6	(1,586.5)	(625.8)
Taxation attributable to the long term business	3	(16.6)	(107.5)
Transfers from fund for future appropriations		402.1	780.2
Balance on technical account - long term business		34.9	45.3

All figures relate to continuing operations.

The notes on pages 12 to 20 form part of these financial statements.

Royal & Sun Alliance Life & Pensions Limited

Profit and loss account

for the year ended 31 December 2001

Non-technical account

	Notes	2001 £m	2000 £m
Balance on the long term business technical account		34.9	45.3
Tax credit attributable to balance on the long term business technical account		15.0	19.4
Profit on ordinary activities before taxation		49.9	64.7
Taxation on profit on ordinary activities	3	(15.0)	(19.4)
Profit on ordinary activities after taxation		34.9	45.3
Dividends	4	-	(45.4)
Transfer to/(from) retained profits		34.9	(0.1)

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/ premium £m	Profit & loss account £m	2001 £m	2000 £m
Shareholders' funds at 1 January	9.9	0.2	10.1	10.2
Shareholders' recognised gains	-	34.9	34.9	45.3
Dividends	-	-	-	(45.4)
Shareholders' funds at 31 December	9.9	35.1	45.0	10.1

The profit and loss account includes £35.1m (2000 £0.2m), which is distributable.

The notes on pages 12 to 20 form part of these financial statements.

Royal & Sun Alliance Life & Pensions Limited

Balance sheet at 31 December 2001

	Notes	2001 £m	2000 £m
Assets			
Investments	8		
Land and buildings		861.9	742.8
Other financial investments		9,869.7	11,155.3
		10,731.6	11,898.1
Assets held to cover linked liabilities		5.7	7.8
Reinsurers' share of technical provisions			
Long term business provision	11	55.9	53.3
Technical provision for linked liabilities		1,117.2	1,224.9
		1,173.1	1,278.2
Debtors	9		
Debtors arising out of direct insurance operations		2.5	3.5
Debtors arising out of reinsurance operations		3.2	10.5
Other debtors		111.0	31.1
		116.7	45.1
Other assets			
Tangible assets	17	4.8	7.2
Cash at bank and in hand		127.0	129.5
		131.8	136.7
Prepayments and accrued income			
Accrued interest and rent		107.6	83.1
Deferred acquisition costs		26.1	47.4
Deposits with ceding undertakings	20	6.4	8.3
		140.1	138.8
Total assets		12,299.0	13,504.7

The balance sheet includes assets totalling **£10,857.6m** (2000 **£11,911.9m**) representing the long term insurance funds.

The notes on pages 12 to 20 form part of these financial statements.

Royal & Sun Alliance Life & Pensions Limited

Balance sheet

at 31 December 2001

	Notes	2001 £m	2000 £m
Liabilities			
Capital and reserves (see page 9)			
Called up share capital	10	5.0	5.0
Share premium account		4.9	4.9
Profit and loss account		35.1	0.2
Shareholders' funds - equity interests		45.0	10.1
Fund for future appropriations		1,224.7	1,626.8
Technical provisions			
Long term business provision	11	9,683.1	10,330.6
Claims outstanding		57.8	47.4
		9,740.9	10,378.0
Technical provision for linked liabilities		1,122.9	1,232.7
Provision for other risks and charges	18	9.3	10.9
Creditors			
Creditors arising out of direct insurance operations	12	4.7	10.1
Creditors arising out of reinsurance operations		1.7	7.3
Amounts owed to credit institutions	13	25.0	27.9
Other creditors including taxation and social security		106.0	147.2
Proposed dividend	4	-	45.4
		137.4	237.9
Accruals and deferred income			
Property rent		12.4	-
Deferred income under financial reassurances	20	6.4	8.3
		18.8	8.3
Total liabilities		12,299.0	13,504.7

The notes on pages 12 to 20 form part of these financial statements.

The financial statements on pages 5 to 20 were approved by the directors on 21 February 2002 and were signed on their behalf by:



R E K Greenfield

Director

21 February 2002

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

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 Premiums written

	Gross £m	2001 Reinsurance ceded £m	Net £m	Gross £m	2000 Reinsurance ceded £m	Net £m
Life						
Individual						
Non linked with profits	642.5	(2.1)	640.4	886.3	(2.5)	883.8
Non linked without profits	59.7	-	59.7	51.1	-	51.1
Unit Linked	47.7	(40.6)	7.1	8.3	-	8.3
Pensions						
Individual						
Non linked with profits	52.9	(1.3)	51.6	50.0	(1.1)	48.9
Unit Linked	127.9	(127.9)	-	116.6	(116.6)	-
Group						
Non linked with profits	14.7	(0.1)	14.6	10.3	(0.1)	10.2
Non linked without profits	0.8	-	0.8	1.3	-	1.3
Unit Linked	23.7	(23.7)	-	18.7	(18.7)	-
Annuity	43.5	-	43.5	46.0	-	46.0
Total premiums written	1,013.4	(195.7)	817.7	1,188.6	(139.0)	1,049.6
Periodic premiums	373.0	(78.6)	294.4	390.3	(74.1)	316.2
Single premiums	640.4	(117.1)	523.3	798.3	(64.9)	733.4
Total premiums written	1,013.4	(195.7)	817.7	1,188.6	(139.0)	1,049.6

The gross figures above include the following inward reinsurance premiums:

	2001 £m	2000 £m
Life Individual		
Non linked without profits	0.2	-
Unit linked	7.1	8.3
Pensions Individual		
Non linked with profits	24.9	21.2
Unit linked	80.5	81.0
Pensions Group		
Non linked with profits	5.7	2.4
Non linked without profits	0.9	1.3
Unit linked	15.6	18.7
Total	134.9	132.9

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

1b New business premiums

	Gross £m	2001 Reinsurance ceded £m	Net £m	Gross £m	2000 Reinsurance ceded £m	Net £m
Life						
Individual						
Non linked with profits	437.5	-	437.5	668.7	-	668.7
Non linked without profits	14.4	-	14.4	4.7	-	4.7
Unit Linked	40.6	(40.6)	-	-	-	-
Pensions						
Individual						
Non linked with profits	35.9	(0.1)	35.8	21.5	-	21.5
Unit Linked	86.1	(86.1)	-	81.9	(81.8)	0.1
Group						
Non linked with profits	3.7	-	3.7	2.5	-	2.5
Non linked without profits	0.8	-	0.8	-	-	-
Unit linked	15.9	(15.9)	-	7.8	(7.8)	-
Annuity	43.5	-	43.5	46.0	-	46.0
Total new business annualised premiums	678.4	(142.7)	535.7	833.1	(89.6)	743.5
Periodic premiums	38.0	(25.6)	12.4	34.8	(24.7)	10.1
Single premiums	640.4	(117.1)	523.3	798.3	(64.9)	733.4
Total new business annualised premiums	678.4	(142.7)	535.7	833.1	(89.6)	743.5

The gross figures above do not include any inward reinsurance premiums in respect of life individual non linked with profits business.

2. Net operating expenses

All operating expenses are recharged from a fellow group company, Royal & Sun Alliance Life Insurance Services Limited.

	2001 £m	2000 £m
Net operating expenses include:		
Depreciation	4.1	4.8
Operating lease rentals – premises	2.5	2.8

Total direct commission accounted for by the Company during the year, excluding payments to employees, amounted to £46.1m (2000 £45.8m). Total reinsurance commissions accounted for by the Company during the year amounted to net income of £2.3m (2000 £1.5m expenditure).

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

3. Taxation

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

	Long term technical account		Non-technical account	
	2001	2000	2001	2000
	£m	£m	£m	£m
United Kingdom taxation (charge)/credit:				
Corporation tax	(34.0)	(88.2)	-	-
Taxation attributable to the balance on the technical account - long term business			(15.0)	(19.4)
Over/(under) provision in respect of prior years	20.0	(14.2)	-	-
Deferred taxation	-	-	-	-
	(14.0)	(102.4)	(15.0)	(19.4)
Less double taxation relief	1.0	1.4	-	-
	(13.0)	(101.0)	(15.0)	(19.4)
Overseas taxation on profits	(3.6)	(6.5)	-	-
	(16.6)	(107.5)	(15.0)	(19.4)

The charge for UK corporation tax in the technical account - long term business is provided at rates between 20% and 30% (2000 between 20% and 30%) computed in accordance with the rules applicable to life insurance companies.

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

4. Dividends

	2001 £m	2000 £m
Proposed final dividend	-	45.4

5. Bonuses

The total amount of bonuses attributable to the year is £406.2m (2000 £469.4m).

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

6. Investment Return

	2001 £m	2000 £m
Attributable to long term business		
Income from investments		
Income from land and buildings	43.2	44.2
Income from other investments	405.7	401.7
Gains on the realisation of investments	319.3	485.3
Total investment income	768.2	931.2
Investment expenses and charges		
Investment management charges	(14.3)	(16.7)
Loan interest	(0.1)	(0.1)
	(14.4)	(16.8)
Unrealised losses on investments	(1,586.5)	(625.8)
Investment return attributable to long term business	(832.7)	288.6

7. Other technical income – net of reinsurance

The credit of **£35.6m** (2000 *£Nil*) in the technical account represents the reimbursement by the Company's immediate parent company, Royal Life Holdings (RLH), for certain liabilities provided for by the Company in relation to pension transfer and opt-out business. Additionally, **£29.2m** (2000 *£Nil*) was reimbursed by RLH in respect of claims paid by the Company relating to pension transfer and opt-out business.

8. Investments

	2001 £m	2000 £m
Land and buildings		
Freehold	705.2	660.0
Long leasehold	156.7	82.8
Total land and buildings	861.9	742.8
Of which group occupied	14.3	7.7
Other financial investments:		
Shares and other variable yield securities and units in unit trusts	4,140.5	6,946.3
Debt securities and other fixed income securities		
British government securities	1,699.9	1,546.0
Other government securities	720.9	526.7
Local authority securities	16.7	8.9
Corporate bonds	3,233.6	2,064.7
Preference shares	3.0	8.5
Loans secured by mortgages	25.6	29.3
Policy loans	5.0	6.3
Deposits with credit institutions	24.5	18.6
Total other financial investments	9,869.7	11,155.3

The historical cost of investments (including **£5.1m** (2000 *£4.9m*) for assets held to cover linked liabilities) is **£9,521.5 m** (2000 *£9,101.9m*).

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

8. Investments (continued)

Listed investments included in the total investments are as follows:

	2001 £m	2000 £m
Shares and other variable yield securities and units in units trusts	4,123.1	6,961.4
Debt securities and other fixed income securities	5,474.4	3,896.5
	<u>9,597.5</u>	<u>10,857.9</u>

9. Debtors

Debtors arising out of direct insurance operations

Amounts due from policyholders

	2001 £m	2000 £m
	<u>2.5</u>	<u>3.5</u>

Debtors arising out of reinsurance operations

Amounts due from group companies

	2001 £m	2000 £m
	<u>3.2</u>	<u>10.5</u>

Other debtors

Taxation

Amounts due from group companies

Other

	2001 £m	2000 £m
Taxation	10.3	14.2
Amounts due from group companies	89.7	10.0
Other	11.0	6.9
	<u>111.0</u>	<u>31.1</u>

Total

	2001 £m	2000 £m
	<u>116.7</u>	<u>45.1</u>

10. Share capital

Authorised, issued and fully paid

5,000,000 ordinary shares of £1 each

	2001 £m	2000 £m
	<u>5.0</u>	<u>5.0</u>

11. Long term business provision

The long term business provision for non-linked with-profits business has been calculated using the net premium method. The long term business provision for non-linked non-profit business has been calculated using a gross 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.

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	3.25% (2000: 2.3%)	AM80/AF80
Pensions with profit	3.85% to 4.6% (2000: 2.7%)	AM80/AF80
Pension annuities in payment	5.0% (2000: 4.8%)	PMA92/PFA92 (c=2020) (2000 PMA80/PFA80 (c=2010))

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

11. Long term business provision *(continued)*

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

The assumptions in the above table are unchanged from 31 December 2000, except where shown.

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

	2001 £m	2000 £m
Arising from direct insurance operations		
Amounts due to policyholders	3.7	8.0
Amounts due to intermediaries	1.0	2.1
	<u>4.7</u>	<u>10.1</u>
Arising from reinsurance operations		
Amounts due to group companies	1.5	7.1
Other	0.2	0.2
	<u>1.7</u>	<u>7.3</u>
Other creditors including taxation and social security		
Amounts due to group companies	23.1	11.2
Corporation taxation	21.8	93.9
Other taxation creditors	0.8	2.5
Other	60.3	39.6
	<u>106.0</u>	<u>147.2</u>

13. Total borrowings

Bank borrowings were as follows :

	2001 £m	2000 £m
Bank loans and overdrafts repayable on demand or within one year	<u>25.0</u>	<u>27.9</u>

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

14. Directors' emoluments

All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. The directors' emoluments allocated to the Company in 2001 were **£422,977** (2000 £389,855).

The amount attributable to the highest paid director allocated to the Company, excluding pension fund contributions, was **£87,629** (2000 £74,343). The highest paid director did not exercise any share options during the year. At 31 December 2001 the highest paid director has an accrued pension allocated to the Company of **£35,473 pa** (2000 £35,123 pa).

Four other directors exercised share options during the year.

Retirement benefits are accruing for six other directors under a defined benefit scheme.

15. Auditors' remuneration

The remuneration of the auditors of the Company amounted to **£47,500** (2000 £46,500). The auditors of the Company also received fees of **£771,300** (2000 £371,500) in respect of non-audit services.

16. Pension costs and other post-retirement benefits

All 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.

17. Tangible assets

	2001 £m
Cost	
At 1 January	66.4
Additions	1.7
Disposals	(0.3)
At 31 December	67.8
Depreciation	
At 1 January	59.2
Charge for the year	4.1
Disposals	(0.3)
At 31 December	63.0
Net book value at 31 December 2001	4.8
Net book value at 31 December 2000	7.2

All tangible assets relate to fixtures, fittings, tools and equipment.

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

18. Movements in provision for other risks and charges

	Reorganisation costs		Deferred taxation	
	2001 £m	2000 £m	2001 £m	2000 £m
At 1 January	10.9	18.5	-	-
Utilised	(1.6)	(7.6)	-	-
Charges to/(release) from:				
Technical account - long term business	-	-	-	-
At 31 December	9.3	10.9	-	-

The reorganisation costs mainly relate to a provision for the cost of initiatives taken as part of an overall business improvement programme. The remaining expenditure to be incurred mainly relates to commitments on property leases.

	Provided		Unprovided	
	2001 £m	2000 £m	2001 £m	2000 £m
19. Deferred taxation				
The amount of deferred taxation provided and the amount unprovided are as follows:-				
Long term				
Tax relating to unrealised gains arising from investments	-	-	34.7	82.1
Tax relating to other timing differences	-	-	-	-
	-	-	34.7	82.1

In addition to the amounts above, deferred taxation in respect of unrealised gains is allowed for in the long term business provision amounting to £82.6m (2000 £208.3m) on a discounted basis with movements during the year being included in that provision.

Unprovided deferred taxation reflects amounts not expected to crystallise in the foreseeable future.

20. Deposits with ceding undertakings

Under a financing reinsurance agreement the Company paid, in previous years, deposits to a fellow group subsidiary to finance the cost of writing new business on certain products. The present value of future margins which are expected to finance the repayment of these deposits is shown in the balance sheet under "Accruals and deferred income".

21. Capital commitments

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

Royal & Sun Alliance Life & Pensions Limited

Notes on the financial statements

22. Operating Leases

Annual commitments under non-cancellable operating leases were payable as follows:

	Land and buildings	
	2001 £m	2000 £m
Operating leases which expire:		
One year or less	0.1	-
Between two and five years	0.7	0.9
After five years	1.8	1.9
	<u>2.6</u>	<u>2.8</u>

23. 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.

24. Contingent liabilities

Over the course of the year, and continuing in 2002, the Company has been holding discussions with the UK regulatory authority (FSA) in relation to the treatment of guaranteed annuity options. These discussions have yet to be concluded and it is possible that the final outcome may have financial consequences, including changes in the calculation of policyholder liability and the provision of support from parent companies. At this stage it is not possible to estimate the extent or probability of these outcomes.

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

25. Related party transactions

Included in the balance sheet are investments in unit trusts of £213.7m (2000 £279.8m) managed by Royal & Sun Alliance Insurance Group plc subsidiaries.

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.

26. 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 & Sun Alliance Life & Pensions 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 statements. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1J 6EW.