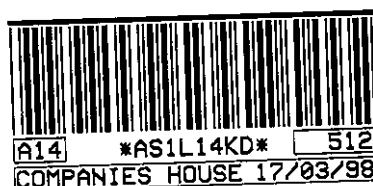


These accounts are part of the
consolidated accounts of Royal &
Sun Alliance Insurance Group plc
Company Number 2339826

COMPANY NUMBER 1565099

Royal Life Insurance Limited

Report and Accounts for the year 1997



Royal Life Insurance Limited

Report and Accounts 1997

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Royal Life Insurance Limited

Directors

Mr D R Parry (Chairman)

Mr R Calver

Mr B J Hall

Mr J C Hance

Mr D Shore

Mr M White

Secretary

Mr R A Eves, F.C.I.I., F.C.I.S.

Registered office

New Hall Place, Old Hall Street, Liverpool, L69 3HS

Royal Life Insurance Limited

Directors' report for the year ended 31st December 1997

Activities

The principal activity of the Company is the transaction of insurance and related financial services in the United Kingdom.

Review of the year and future developments

Plans to rationalise the various life funds and companies within the Group, following the merger of the businesses of the Royal Insurance and the Sun Alliance groups of companies in 1996, have continued. No changes in respect of this planned rationalisation were effected in 1997.

Business transacted

Net premium income of the Company for the year was **£469.1m** (1996 £571.0m) and at 31st December 1997 the total long-term business funds amounted to **£7,279.5m** (1996 £6,519.5m).

Valuation

A valuation of the long-term insurance business of the Company in accordance with the Insurance Companies Regulations 1994 was made as at 31st December 1997 in respect of the year ended on that date. The result of the valuation showed a surplus of **£452.1m** (1996 £343.8m), out of which **£410.9m** (1996 £311.7m) has been allocated to policyholders and **£40.7m** (1996 £31.6m) to shareholders. The allocation to shareholders has been transferred to the non technical account where it has been grossed up for taxation as **£59.4m** (1996 £47.2m).

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

Profit and dividend

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

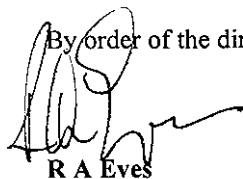
The directors recommend a dividend payable in 1998 amounting to **£40.7m** (1996 £31.6m) resulting in a transfer from retained profits of **£0.2m** (1996 £0.1m).

Directors

Mr B J Hall was appointed as a director of the Company with effect from 19th December 1997.

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

By order of the directors



R A Eves

Secretary

2nd March 1998

Royal Life Insurance 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 1997. 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 Royal Life Insurance 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

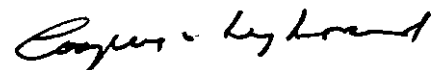
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 at 31st December 1997 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
2nd March 1998



Coopers & Lybrand

Chartered Accountants
and Registered Auditors

Royal Life Insurance Limited

Accounting Policies

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 issued in 1995 and amended in 1997.

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.

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 reserves.

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

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.

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.

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 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, together with any related policy compensation payments. 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.

Royal Life Insurance Limited

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 20.

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 and have been certified by the Group's 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) Long term

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

Royal Life Insurance Limited

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 have not been allocated to shareholders or policyholders are 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 3 and 10 years) and after taking into account residual value.

Royal Life Insurance Limited

Profit and loss account

for the year ended 31st December 1997

Technical account - long term business

	Notes	1997 £m	1996 £m
Earned premiums, net of reinsurance			
Gross premiums written	1a	510.2	614.8
Outward reinsurance premiums	1a	(41.1)	(43.8)
Net earned premiums		469.1	571.0
Investment income	7	698.7	621.7
Unrealised gains on investments	7	874.6	242.9
Claims incurred, net of reinsurance			
Claims paid			
gross amount		(720.3)	(505.3)
reinsurers' share		13.2	8.4
		(707.1)	(496.9)
Change in the provision for claims			
gross amount		(4.3)	0.0
reinsurers' share		0.4	(0.1)
		(3.9)	(0.1)
Net claims incurred		(711.0)	(497.0)
Changes in other technical provisions, net of reinsurance			
Long term business provision			
gross amount		(810.6)	(587.0)
reinsurers' share		24.8	1.8
		(785.8)	(585.2)
Technical provision for linked liabilities			
gross amount		(100.8)	(68.1)
reinsurers' share		96.8	66.6
		(4.0)	(1.5)
Net changes in other technical provisions		(789.8)	(586.7)
Net operating expenses	2		
Acquisition expenses		(80.6)	(96.9)
Change in deferred acquisition costs		49.5	4.1
Administrative expenses		(24.7)	(24.9)
Net operating expenses		(55.8)	(117.7)
Investment expenses and charges	7	(10.0)	(13.3)
Reorganisation costs	3	3.6	(13.4)
Taxation attributable to the long term business	4	(84.8)	(87.8)
Transfers to fund for future appropriations		(353.9)	(88.1)
Balance on technical account - long term business		40.7	31.6

All figures relate to continuing operations.

The notes on pages 12 to 20 form part of the accounts.

Royal Life Insurance Limited

Profit and loss account

for the year ended 31st December 1997

Non-technical account

	Notes	1997 £m	1996 £m
Balance on the long term business technical account		40.7	31.6
Tax credit attributable to balance on the long term business technical account		18.7	15.6
		59.4	47.2
Investment expenses and charges	7	(0.3)	(0.2)
Profit on ordinary activities before taxation		59.1	47.0
Taxation on profit on ordinary activities	4	(18.6)	(15.5)
Profit on ordinary activities after taxation		40.5	31.5
Dividends	5	(40.7)	(31.6)
Transfer to/(from) retained profits		(0.2)	(0.1)

All figures relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31st December 1997

	1997 £m	1996 £m
Profit for the financial year	40.5	31.5
Shareholder recognised gains	40.5	31.5

Movements in shareholders' funds

for the year ended 31st December 1997

	Share Capital/ Premium £m	Revaluation Reserve £m	Profit & Loss Account £m	1997 £m	1996 £m
Shareholders' funds at 1st January	9.9	0.4	0.6	10.9	11.0
Shareholder recognised gains			40.5	40.5	31.5
Dividends			(40.7)	(40.7)	(31.6)
Shareholders' funds at 31st December	9.9	0.4	0.4	10.7	10.9

The profit & loss account includes £0.4m (1996 £0.6m), which is distributable.

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

Royal Life Insurance Limited

Balance sheet at 31st December 1997

	Notes	1997 £m	1996 £m
Assets			
Investments	8		
Land and buildings		704.8	752.1
Other financial investments		8,261.7	7,327.8
		8,966.5	8,079.9
Assets held to cover linked liabilities		12.8	8.8
Reinsurers' share of technical provisions			
Long term business provision	11	46.0	21.2
Claims outstanding		0.5	0.1
Technical provision for linked liabilities		615.0	518.2
		661.5	539.5
Debtors	9		
Debtors arising out of direct insurance operations		14.0	14.9
Debtors arising out of reinsurance operations		28.1	-
Other debtors		41.9	22.3
		84.0	37.2
Other assets			
Tangible assets	18	8.8	12.0
Cash at bank and in hand		181.4	13.9
		190.2	25.9
Prepayments and accrued income			
Accrued interest and rent		72.0	64.6
Deferred acquisition costs		125.3	75.8
		197.3	140.4
Total assets		10,112.3	8,831.7

The balance sheet includes assets totalling £9,271.2m (1996 £8,127.4m) representing the long-term insurance funds.

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


Royal Life Insurance Limited

Balance sheet
at 31st December 1997

	Notes	1997 £m	1996 £m
Liabilities			
Capital and reserves (see page 9)			
Called up share capital	10	5.0	5.0
Share premium account		4.9	4.9
Revaluation reserve		0.4	0.4
Profit and loss account		0.4	0.6
Shareholders' funds - equity interest		10.7	10.9
Fund for future appropriations		1,777.0	1,423.1
Technical provisions			
Long term business provision	11	7,527.4	6,716.8
Claims outstanding		24.3	20.0
		7,551.7	6,736.8
Technical provision for linked liabilities		627.8	527.0
Provision for other risks and charges	19	4.6	17.6
Creditors			
Creditors arising out of direct insurance operations	12	1.6	6.5
Creditors arising out of reinsurance operations		0.2	0.1
Amounts owed to credit institutions	13	0.1	-
Other creditors including taxation and social security		97.9	75.1
Proposed dividend	5	40.7	31.6
		140.5	113.3
Accruals and deferred income		-	3.0
Total liabilities		10,112.3	8,831.7

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

The accounts on pages 5 to 20 were approved by the directors on 2nd March 1998 and were signed on their behalf by:


.....
Director

Liverpool, 2nd March 1998

Royal Life Insurance 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	Premiums written	Gross	1997 Reinsurance ceded	Net	Gross	1996 Reinsurance ceded	Net
		£m	£m	£m	£m	£m	£m
	Life						
	Individual						
	Non linked with profits	343.6	(2.6)	341.0	421.0	(1.5)	419.5
	Non linked without profits	50.5	-	50.5	44.9	-	44.9
	Group contracts						
	Non linked without profits	15.5	-	15.5	22.1	-	22.1
	Pensions						
	Non linked with profits	47.5	-	47.5	50.4	(0.1)	50.3
	Unit Linked	40.1	(38.5)	1.6	46.4	(42.2)	4.2
	Annuity	13.0	-	13.0	30.0	-	30.0
	Total premiums written	510.2	(41.1)	469.1	614.8	(43.8)	571.0
	Periodic premiums	353.5	(39.6)	313.9	367.7	(42.8)	324.9
	Single premiums	156.7	(1.5)	155.2	247.1	(1.0)	246.1
	Total premiums written	510.2	(41.1)	469.1	614.8	(43.8)	571.0

Royal Life Insurance Limited

Notes on the Accounts

	Gross	1997 Reinsurance ceded	Net	Gross	1996 Reinsurance ceded	Net
1b New business premiums	£m	£m	£m	£m	£m	£m
Life						
Individual						
Non linked with profits	143.6	-	143.6	217.4	-	217.4
Non linked without profits	10.5	-	10.5	15.2	-	15.2
Group contracts						
Non linked without profits	1.7	-	1.7	4.5	-	4.5
Pensions						
Individual						
Non linked with profits	18.6	-	18.6	21.8	-	21.8
Unit Linked	3.2	(2.9)	0.3	7.4	(3.2)	4.2
Annuity	13.0	-	13.0	30.0	-	30.0
Total new business annualised premiums	190.6	(2.9)	187.7	296.3	(3.2)	293.1
Periodic premiums	33.9	(1.4)	32.5	38.7	(2.2)	36.5
Single premiums	156.7	(1.5)	155.2	257.6	(1.0)	256.6
Total new business annualised premiums	190.6	(2.9)	187.7	296.3	(3.2)	293.1

2. Net operating expenses

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

	1997 £m	1996 £m
Net operating expenses include:		
Depreciation	5.5	4.7
Operating lease rentals - premises	2.8	3.1

Total commission for direct insurance accounted for by the Company during the year, excluding payments to employees, amounted to £42.7m (1996 £44.9m).

Deferred acquisition costs as at 31 December 1997 have been determined using a basis consistent with other with-profits companies in the group. The 1996 comparative has not been restated.

3. Reorganisation costs

As a result of the integration of the businesses of the Royal Insurance and the Sun Alliance groups of companies on 19 July 1996, a fundamental reorganisation and restructure of the business took place. The £3.6m credit to the technical account - long term business in 1997 represents the reallocation of items charged in 1996 (1996 charge £13.4m).

Royal Life Insurance Limited

Notes on the Accounts

4. 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	
	1997 £m	1996 £m	1997 £m	1996 £m
United Kingdom taxation:				
Corporation tax	(15.5)	(26.1)	0.1	0.1
Taxation attributable to the balance on the technical account - long term business			(18.7)	(15.6)
Taxation attributable to UK dividend income	(21.7)	(20.5)	-	-
Over/(under) provision in respect of prior years	-	(3.5)	-	-
Deferred taxation	4.3	(0.2)	-	-
Corporation tax on realised gains	(47.4)	(33.9)	-	-
	<u>(80.3)</u>	<u>(84.2)</u>	<u>(18.6)</u>	<u>(15.5)</u>
Less Double taxation relief	1.0	1.0	-	-
	<u>(79.3)</u>	<u>(83.2)</u>	<u>(18.6)</u>	<u>(15.5)</u>
Overseas taxation on profits	(5.5)	(4.6)	-	-
	<u>(84.8)</u>	<u>(87.8)</u>	<u>(18.6)</u>	<u>(15.5)</u>

The charge for UK corporation tax in the technical account - long term business is provided at rates between 20% and 31.5% 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 **31.5%** (1996 33%).

5. Dividend

Proposed final dividend

1997 £m	1996 £m
<u>40.7</u>	<u>31.6</u>

6. Bonuses

The total amount of bonuses attributable to the year is **£410.9m** (1996 £311.7m).

Royal Life Insurance Limited

Notes on the Accounts

7. Investment Return

	1997 £m	1996 £m
ATTRIBUTABLE TO SHAREHOLDERS		
Investment expenses and charges		
Loan interest	(0.3)	(0.2)
Net investment income in non-technical account	(0.3)	(0.2)
Investment return attributable to shareholders	(0.3)	(0.2)
ATTRIBUTABLE TO LONG-TERM BUSINESS		
Income from investments		
Income from land and buildings	56.0	63.0
Income from other investments	370.8	359.3
Gains on the realisation of investments	271.9	199.4
Total investment income	698.7	621.7
Investment expenses and charges		
Investment management charges	(10.0)	(13.3)
	688.7	608.4
Unrealised gains/(losses) on investments	874.6	242.9
Investment return attributable to long-term business	1,563.3	851.3

8. Investments

	1997 £m	1996 £m
Land and buildings		
Freehold	584.2	631.7
Long leasehold	120.6	120.4
Total land and buildings	704.8	752.1
Of which group occupied	22.9	25.4

Royal Life Insurance Limited

Notes on the Accounts

8. Investments (*continued*)

	1997 £m	1996 £m
Other financial investments:		
Shares and other variable yield securities and units in unit trusts	5,516.6	4,688.3
Debt securities and other fixed income securities		
British government securities	2,032.3	1,671.5
Other government securities	144.5	134.7
Local authority securities	38.7	57.6
Corporate bonds	387.0	443.4
Preference shares	8.9	13.3
Loans secured by mortgages	59.6	76.4
Policy loans	8.6	8.8
Deposits with credit institutions	65.5	233.8
Total other financial investments	8,261.7	7,327.8

The historical cost of investments (including £6.9m (1996 £4.7m) for assets held to cover linked liabilities) is £6,314.8m (1996 £6,297.6m).

	1997 £m	1996 £m
Listed investments included in the total investments are as follows:		
Shares and other variable yield securities and units in units trusts	5,464.7	4,659.1
Debt securities and other fixed income securities	2,601.3	2,274.5
	8,066.0	6,933.6

9. Debtors

Debtors arising out of direct insurance operations

	1997 £m	1996 £m
Due from policyholders	7.0	7.8
Due from intermediaries	-	0.9
Due from group companies	7.0	6.2
	14.0	14.9

Debtors arising out of reinsurance operations

	1997 £m	1996 £m
Due from group companies	28.1	-

Other debtors

	1997 £m	1996 £m
Taxation	2.6	1.1
Due from group companies	14.2	14.5
Other	25.1	6.7
	41.9	22.3

Total	1997 £m	1996 £m
	84.0	37.2

10. Share capital

	1997 £m	1996 £m
Authorised, issued and fully paid 5,000,000 ordinary shares of £1 each	5.0	5.0

Royal Life Insurance Limited

Notes on the Accounts

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.

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	2.65%	AM80/AF80 (A67/70)
Pensions with profit	3.20% (5.25%) on basic benefit 3.20% (4.25%) on bonus	AM80/AF80 (A67/70)
Pension annuities in payment	5.60% (7.00%)	PMA80 (c=2010) (PA90)

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

The assumptions in the above table are unchanged from 31 December 1996, except where shown.

12. Creditors

	1997 £m	1996 £m
Arising from direct insurance operations		
Due to policyholders	0.1	0.1
Due to intermediaries	1.5	6.4
Due to group companies	-	-
	<u>1.6</u>	<u>6.5</u>
Arising from reinsurance operations		
Other	<u>0.2</u>	<u>0.1</u>
Other creditors including taxation and social security		
Due to group companies	30.7	22.2
Corporation taxation	42.3	27.5
Other taxation creditors	2.1	4.6
Other	<u>22.8</u>	<u>20.8</u>
	<u>97.9</u>	<u>75.1</u>

13. Borrowings

Bank borrowings were as follows :

	1997 £m	1996 £m
Bank loans and overdrafts repayable on demand or within one year	<u>0.1</u>	<u>-</u>

Royal Life Insurance Limited

Notes on the Accounts

14. Directors' emoluments

All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. It is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

15. Auditors' remuneration

The remuneration of the auditors of the Company amounted to **£50,000** (1996 £60,000). The auditors of the Company also received fees of **£70,976** (1996 £102,340) in respect of non-audit services.

16. Employee information

All the UK employees were transferred to Royal & Sun Alliance Insurance plc with effect from 1st November 1997. All staff costs are paid by a fellow group company, Royal Life Services Limited, and recharged to the Company in the operating expenses charge - see note 2.

17. 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.

18. Tangible assets	1997 £m
Cost	
At 1st January	52.7
Additions	2.4
Disposals	(0.3)
At 31st December	54.8
Depreciation	
At 1st January	40.7
Charge for the year	5.5
Disposals	(0.2)
At 31st December	46.0
Net book value at 31st December 1997	8.8
Net book value at 31st December 1996	12.0

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

19. Movements in provision for other risks and charges	Reorganisation Costs		Deferred Taxation	
	1997 £m	1996 £m	1997 £m	1996 £m
At 1st January	12.0	-	5.6	5.3
Utilised	(5.1)	(1.4)	-	-
Charges to/(release) from:				
Technical Account: Long-term Business	(3.6)	13.4	(4.3)	0.3
Non Technical Account	-	-	-	-
At 31st December	3.3	12.0	1.3	5.6

Royal Life Insurance Limited

Notes on the Accounts

20. Deferred taxation	Provided		Unprovided	
	1997 £m	1996 £m	1997 £m	1996 £m
The amount of deferred taxation provided and the amount unprovided are as follows:-				
Long-term				
Tax relating to unrealised gains arising from investments	-	-	80.3	38.9
Tax relating to other timing differences	1.3	5.6	(0.4)	(1.9)
	<u>1.3</u>	<u>5.6</u>	<u>79.9</u>	<u>37.0</u>

In addition to the amounts above, deferred taxation in respect of unrealised gains is allowed for in the long term business provision amounting to **£173.7m** (1996 **£141.3m**) 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.

21. Capital commitments

The Company had no capital commitments as at 31st December 1997 (1996 **£Nil**).

22. Financial commitments

At 31st December 1997 the Company had financial commitments under non-cancellable operating leases as set out below:

Operating leases which expire:	Land and buildings		Other	
	1997 £m	1996 £m	1997 £m	1996 £m
Within one year	0.1	0.4	-	-
In two and five years	0.7	0.8	-	-
After five years	1.4	1.6	-	-
	<u>2.2</u>	<u>2.8</u>	<u>-</u>	<u>-</u>

Computers and motor vehicles held under finance leases are capitalised at their fair value with a corresponding amount treated as a liability. Obligations under finance leases were as follows:

	1997 £m	1996 £m
Repayable as follows:		
1 year or less	-	0.1
Between 2 and 5 years	-	-
	<u>-</u>	<u>0.1</u>

Royal Life Insurance Limited

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23. Related party transactions

Included in the balance sheet are investments in unit trusts of **£197.5m** (1996 £170.6m) 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 Royal Life Holdings Limited, which is registered in England and Wales.

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

The Company's ultimate parent company 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.