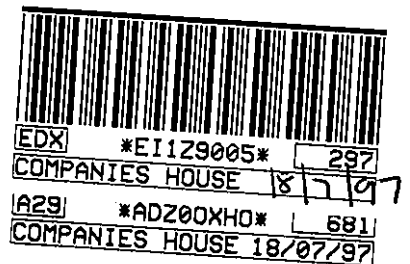


CN 1565099

ROYAL LIFE INSURANCE LIMITED

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

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



3.10.97.

Royal Life Insurance Limited

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Royal Life Insurance Limited

Directors

Mr D R Parry	(Chairman)
Mr R Calver	
Mr J C Hance	(appointed 11/11/96)
Mr M Iqbal	(resigned 31/08/96)
Mr D Shore	
Mr J Sidwell	(resigned 05/08/96)
Mr M White	

Secretary

Mr D J Morgan

Registered Office: New Hall Place, Old Hall Street, Liverpool, L69 3HS

Registered Number: 1565099

Royal Life Insurance Limited

Directors' Report

The Directors present to the Members the financial statements of the Company for the year 1996, together with their report.

Principal Activity

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

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

Business Transacted

Net premium income of the Company for the year was **£571.0m** (1995 £437.8m) and at 31st December 1996 the total long-term business funds amounted to **£6,519.5m** (1995 £5,956.9m).

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 1996 in respect of the year ended on that date. The result of the valuation showed a surplus of **£244.6m** (1995 £229.9m), out of which **£212.5m** (1995 £201.7m) has been allocated to policyholders and **£31.6m** (1995 £27.8m) to shareholders. The allocation to shareholders has been transferred to the non technical account where it has been grossed up for taxation as **£47.2m** (1995 £41.5m).

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 Dividends

The profit for the year attributable to the shareholders after providing for UK taxation amounted to **£31.5m** (1995 £27.7m).

The Directors recommend a dividend payable in 1997 amounting to **£31.6m** (1995 £27.8m) resulting in a transfer from retained profits of **£0.1m** (1995 £0.1m).

Directors

The Directors whose names appear on page 2 were all Directors of the holding company, Royal Life Holdings Limited as at 1st January 1996, or date of appointment where later, and 31st December 1996, or date of resignation where earlier. Therefore the register maintained by the Company in accordance with the provisions of Section 325 of the Companies Act 1985 does not show their interests in the capital of Royal Insurance Holdings plc (the ultimate holding company until 19 July 1996), or Royal & Sun Alliance Insurance Group plc (the ultimate holding company after 19 July 1996).

According to the aforementioned register no Director was at any time during the year interested in the shares of the Company or in the shares or Debentures of any subsidiary of the ultimate holding company.

Mr J C Hance was appointed as director of the Company with effect from 11th November 1996.

Mr J Sidwell resigned as a director of the Company with effect from 5th August 1996.

Mr M Iqbal resigned as a director of the Company with effect from 31st August 1996.

There is no requirement under the Company's Articles of Association for Directors to retire, by rotation or otherwise, at an Annual General Meeting.

Royal Life Insurance Limited

Directors' Report

United Kingdom Employees

In recruiting, training, developing careers and promoting staff the Company gives full and fair consideration to disabled people and is committed to equal opportunity regardless of sex, marital status, creed, colour, race, or ethnic origins. Account is taken of disabilities only insofar as they affect ability to perform the job or have health and safety implications. Modifications are made to equipment and special employment aids are used where practicable. Where staff become disabled the Company seeks to provide any necessary rehabilitation or retraining.

The Company is firmly committed to the principle of employee involvement and provides staff with information on financial, economic and other matters of concern to them through training courses, briefings by managers, circulars, newsletters, handbooks and annual reports commenting on trading results.

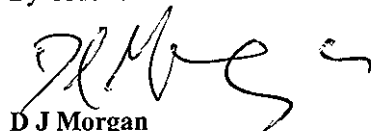
Staff are consulted, directly and through national and local union representatives, about changes designed to improve the effectiveness of their working unit and/or affecting their security of employment, job opportunities, deployment, methods of working or working environment.

There are arrangements for employees to participate in a profit sharing scheme and take their entitlement as cash or wholly or partly as shares in the ultimate Holding Company under an employee share scheme. A savings-related share option scheme provides an additional means of encouraging employees to build up a shareholding in the ultimate Holding Company.

Auditors

The Company's Auditors are Coopers & Lybrand. In accordance with the Companies Act 1989 the Company has dispensed with the appointment of Auditors annually.

By Order of the Board



D J Morgan

Company Secretary

Liverpool, 21st February 1997

Royal Life Insurance Limited

Statement of Responsibilities and Auditors' Report

Directors' Responsibilities

The Directors are required to present for each accounting period financial statements which comply with the provisions of company law and which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the result for that period. In preparing the financial statements suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, have to be used and applied consistently. Applicable accounting standards also have to be followed subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure the safeguarding of assets of the Company and to prevent and detect fraud and other irregularities.

Report of the Auditors to the Members of Royal Life Insurance Ltd

We have audited the financial statements on pages 6 to 22.

Respective Responsibilities of Directors and Auditors

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

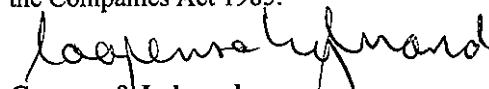
Basis of Opinion

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



Coopers & Lybrand,
Chartered Accountants and Registered Auditors,
London, 21st February 1997

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.

Alignment of accounting policies and presentation

Following the merger of the Sun Alliance Group and the Royal Insurance Holdings Group in 1996, it has been necessary to align certain accounting policies and presentations. The principal changes are as follows:

- a) Reinsurers' share of technical provisions are now classified as balance sheet assets. Previously, these amounts were shown as reductions to the related provisions within balance sheet liabilities. 1995 comparatives have been restated.
- b) DSS rebates are reported in 1996 as single premium. Previously, DSS rebates were reported as periodic premium. 1995 comparatives have been restated.
- c) In 1996 the charge for business re-engineering, being the development costs of improvements to long-term business systems and processes, have been included in net operating costs in the technical account - long term business. In 1995 this charge was shown separately as exceptional costs. The 1995 comparative has been restated.

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

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

Cash flow statement

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

Exchange

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

Basis of accounting

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

Earned premiums

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

Royal Life Insurance Limited

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. These costs are deferred as an explicit deferred acquisition cost asset and amortised over the period in which they are expected to be recovered out of margins in matching revenues from related policies. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

Taxation

Taxation in the technical account - long term business and the non-technical account is based upon the taxation rules applicable to life insurance companies. Deferred taxation is provided on timing differences, other than those likely to continue in the foreseeable future.

The balance on the technical account - long term business is transferred to the non-technical account. Profits are shown in the non-technical account grossed up at the full rate of corporation tax applicable in the period. The amount of grossing up is included within the taxation on the profit or loss on ordinary activities in the non-technical account.

Investments

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

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

No depreciation is provided in respect of these freehold and leasehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider it is necessary to adopt SSAP 19 in order to give a true and fair view. In the directors' opinion residual values are such that depreciation would be insignificant.

Royal Life Insurance Limited

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

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

(i) Long term

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

(ii) Other than long term

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

Long-term business provision

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

Technical provisions for linked liabilities

The technical provisions for linked liabilities are the repurchase value of units allocated to in-force policies at the balance sheet date, where the policy benefits are wholly or partly related to investments of any description.

Linked liabilities are established by reference to the value of the underlying assets which are held to meet those liabilities. These assets are included, predominantly, at mid-market value.

Outstanding claims

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

Group accounts

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

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 full rate of corporation tax applicable in the period, subject to the exclusion of tax neutral items.

Taxation

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

Investments in subsidiaries and associated undertakings

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

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

Pension costs

The Company participates in the Royal Insurance Group Pensions Scheme, a defined benefit scheme, which is contracted out of the state scheme. The scheme is valued every three years by a professionally qualified independent actuary. The rates of contribution payable being determined by the Actuary.

In the intervening years, the Actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the Company benefits from the employees services.

The effect of variations from the regular cost are spread over the expected average remaining service lives of members of the scheme.

Royal Life Insurance Limited

Profit and loss account

for the year ended 31st December 1996

Technical account - long term business

	Notes	1996 £m	1995 (as restated) £m
Earned premiums, net of reinsurance			
Gross premiums written	1a	614.8	481.6
Outward reinsurance premiums	1a	(43.8)	(43.8)
Net earned premiums		571.0	437.8
Investment income	7	621.7	559.5
Unrealised gains on investments	7	242.9	664.7
Total technical income		1,435.6	1,662.0
Claims incurred, net of reinsurance	6		
Claims paid			
gross amount		(505.3)	(431.4)
reinsurers' share		8.4	4.4
		(496.9)	(427.0)
Change in the provision for claims			
gross amount		0.0	(2.7)
reinsurers' share		(0.1)	0.1
		(0.1)	(2.6)
Net claims incurred		(497.0)	(429.6)
Changes in other technical provisions, net of reinsurance	6		
Long term business provision			
gross amount		(587.0)	(531.4)
reinsurers' share		1.8	(0.4)
		(585.2)	(531.8)
Technical provision for linked liabilities			
gross amount		(68.1)	(100.6)
reinsurers' share		66.6	100.1
		(1.5)	(0.5)
Net changes in other technical provisions		(586.7)	(532.3)
Net operating expenses	2		
Acquisition expenses		(96.9)	(91.0)
Change in deferred acquisition costs		4.1	17.3
Administration expenses		(24.9)	(32.1)
Net operating expenses		(117.7)	(105.8)
Investment expenses and charges	7	(13.3)	(13.5)
Reorganisation costs	3	(13.4)	-
Taxation attributable to the long term business	4	(87.8)	(44.3)
Transfers to fund for future appropriations		(88.1)	(508.7)
Balance on technical account - long term business		31.6	27.8

All figures relate to continuing operations. The notes on page 14 to 22 form part of the accounts.

Royal Life Insurance Limited

Profit and loss account

for the year ended 31st December 1996

Non-technical account

	Notes	1996 £m	1995 £m
Balance on the long term business technical account		31.6	27.8
Tax credit attributable to balance on the long term business technical account		15.6	13.7
		47.2	41.5
Investment expenses and charges	7	(0.2)	(0.2)
Profit on ordinary activities before taxation		47.0	41.3
Taxation on profit on ordinary activities	4	(15.5)	(13.6)
Profit on ordinary activities after taxation		31.5	27.7
Dividends	5	(31.6)	(27.8)
Transfer to/(from) retained profit		(0.1)	(0.1)

All figures relate to continuing operations.

Statement of total recognised gains and losses

for the year ended 31st December 1996

	1996 £m	1995 £m
Profit for the financial year	31.5	27.7
Shareholder recognised gains	31.5	27.7

Movements in shareholders' funds

for the year ended 31st December 1996

	Share Capital/ Premium £m	Revaluation Reserve £m	Profit & Loss Account £m	1996 £m	1995 £m
Shareholders' funds at 1st January	9.9	0.4	0.7	11.0	11.1
Shareholder recognised gains			31.5	31.5	27.7
Dividends			(31.6)	(31.6)	(27.8)
Shareholders' funds at 31st December	9.9	0.4	0.6	10.9	11.0

The profit & loss account includes £0.6m (1995 £0.7m), which is distributable.

The notes on pages 14 to 22 form part of these accounts.

Royal Life Insurance Limited

Balance sheet at 31st December 1996

	Notes	1996 £m	1995 (as restated) £m
Assets			
Investments	8		
Land and buildings		752.1	769.8
Other financial investments		7,327.8	6,544.7
		8,079.9	7,314.5
Assets held to cover linked liabilities		8.8	7.3
Reinsurers' share of technical provisions			
Long term business provision		21.2	19.4
Claims outstanding		0.1	0.2
Technical provision for linked liabilities		518.2	451.6
		539.5	471.2
Debtors	9		
Debtors arising out of direct insurance operations		14.9	8.2
Other debtors		22.3	59.0
		37.2	67.2
Other assets			
Tangible assets	18	12.0	12.6
Cash at bank and in hand		13.9	19.5
		25.9	32.1
Prepayments and accrued income			
Accrued interest and rent		64.6	95.3
Deferred acquisition costs		75.8	71.7
		140.4	167.0
Total assets		8,831.7	8,059.3

The balance sheet includes assets totalling £8,018.4m (1995 £7,363.6m) representing the long-term insurance funds.


The notes on pages 14 to 22 form part of these accounts

Royal Life Insurance Limited

Balance sheet
at 31st December 1996

	Notes	1996 £m	1995 (as restated) £m
Liabilities			
Capital and reserves (see page 11)			
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		0.6	0.7
Shareholders' funds - equity interest		10.9	11.0
Fund for future appropriations		1,423.1	1,335.0
Technical provisions			
Long term business provision	11	6,716.8	6,129.8
Claims outstanding		20.0	20.0
		6,736.8	6,149.8
Technical provision for linked liabilities		527.0	458.9
Provision for other risks and charges	19	17.6	5.3
Creditors			
Creditors arising out of direct insurance operations	12	6.5	5.7
Creditors arising out of reinsurance operations		0.1	0.2
Proposed dividend	5	31.6	27.8
Other creditors including taxation and social security		75.1	61.2
		113.3	94.9
Accruals and deferred income		3.0	4.4
Total liabilities		8,831.7	8,059.3

The accounts on pages 6 to 22 were approved by the directors on 21st February, 1997 and were signed on their behalf by:


.....
Director
Liverpool, 21st February 1997


.....
Director

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 all business is predominantly sourced in the United Kingdom.

1a Written premiums	Gross	1996 Reinsurance ceded	Net	Gross	1995 (as restated) Reinsurance ceded	Net
	£m	£m	£m	£m	£m	£m
Life						
Individual						
Non linked with profits	421.0	(1.5)	419.5	244.9	(1.6)	243.3
Non linked without profits	44.9	-	44.9	31.1	-	31.1
Group contracts						
Non linked without profits	22.1	-	22.1	23.5	-	23.5
Pensions						
Non linked with profits	50.4	(0.1)	50.3	55.5	(0.1)	55.4
Unit Linked	46.4	(42.2)	4.2	42.1	(42.1)	-
Annuity	30.0	-	30.0	84.5	-	84.5
Total premiums written	<u>614.8</u>	<u>(43.8)</u>	<u>571.0</u>	<u>481.6</u>	<u>(43.8)</u>	<u>437.8</u>
Periodic premiums			357.2			336.9
Single premiums			257.6			144.7
Total gross direct insurance written premiums			<u>614.8</u>			<u>481.6</u>
Reinsurance Balance			<u>(43.8)</u>			<u>(43.8)</u>
Net written premiums			<u>571.0</u>			<u>437.8</u>

Royal Life Insurance Limited

1b New business premiums

	Gross £m	1996 Reinsurance ceded £m	Net £m	Gross £m	1995 (as restated) Reinsurance ceded £m	Net £m
Life						
Individual						
Non linked with profits	217.4	-	217.4	46.2	-	46.2
Non linked without profits	15.2	-	15.2	15.4	-	15.4
Group contracts						
Non linked without profits	4.5	-	4.5	3.1	-	3.1
Pensions						
Individual						
Non linked with profits	21.8	-	21.8	25.3	-	25.3
Unit Linked	7.4	(3.2)	4.2	5.5	(5.5)	-
Annuity	30.0	-	30.0	84.4	-	84.4
Total new business annualised premiums	296.3	(3.2)	293.1	179.9	(5.5)	174.4
Periodic premiums	38.7	(2.2)	36.5	35.2	(3.0)	32.2
Single premiums	257.6	(1.0)	256.6	144.7	(2.5)	142.2
Total new business annualised premiums	296.3	(3.2)	293.1	179.9	(5.5)	174.4

2. Net operating expenses

	1996 £m	1995 £m
Net operating expenses include:		
Depreciation	4.7	3.5
Interest payable under finance leases	-	0.1
Operating lease rentals - premises	3.1	3.0

Total commission for direct insurance accounted for by the Company during the year, excluding payments to employees, amounted to £44.9m (1995 £35.6m).

3. Reorganisation costs

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

Royal Life Insurance Limited

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	
	1996 £m	1995 £m	1996 £m	1995 £m
United Kingdom taxation:				
Corporation tax	(26.1)	(20.7)	0.1	
Taxation attributable to the balance on the technical account - long term business			(15.6)	(13.6)
Taxation attributable to UK dividend income	(20.5)	(15.6)		
Over/(under) provision in respect of prior years	(3.5)	1.2		
Deferred taxation	(0.2)	1.2		
Current tax on gains	(33.9)	(8.5)		
	(84.2)	(42.4)	(15.5)	(13.6)
Less Double taxation relief	1.0	1.0		
	(83.2)	(41.4)	(15.5)	(13.6)
Overseas taxation on profits	(4.6)	(2.9)		
	(87.8)	(44.3)	(15.5)	(13.6)

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

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

5. Dividend

	1996 £m	1995 £m
Proposed final dividend	31.6	27.8

6. Bonuses

The total amount of bonuses attributable to the year is £212.5m (1995 £201.7m).

Royal Life Insurance Limited

7. Investment Return

	1996 £m	1995 £m
Attributable to Shareholders		
Investment expenses and charges		
Loan interest	(0.2)	(0.2)
Net investment income in non-technical account	(0.2)	(0.2)
Investment return attributable to shareholders	(0.2)	(0.2)
ATTRIBUTABLE TO LONG-TERM BUSINESS		
Income from investments		
Income from land and buildings	63.0	70.7
Income from other investments	359.3	362.5
Gains on the realisation of investments	199.4	126.3
Total investment income	621.7	559.5
Investment expenses and charges		
Investment management charges	(13.3)	(13.5)
	608.4	546.0
Unrealised gains/(losses) on investments	242.9	664.7
Investment return attributable to long-term business	851.3	1,210.7

8. Investments

	Market value	
	1996 £m	1995 £m
Land and buildings	752.1	769.8
Other financial investments:		
Shares and other variable yield securities and units in unit trusts	4,688.3	4,144.0
Debt securities and other fixed income securities	2,320.5	2,087.9
Loans secured by mortgages	76.4	95.3
Policy loans	8.8	7.9
Deposits with credit institutions	233.8	209.6
	7,327.8	6,544.7
Total	8,079.9	7,314.5

The historical cost of investments (including £4.7m (1995 £2.9m) for assets held to cover linked liabilities) is £6,297.6m (1995 £5,889.9m).

Royal Life Insurance Limited

Included in the above are listed investments :

	1996 £m	1995 £m
Shares and other variable yield securities and units in units trusts	4,659.1	3,965.5
Debt securities and other fixed income securities	2,274.5	2,075.5

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

	1996 £m	1995 £m
Freehold	631.7	676.5
Long leasehold	120.4	93.3
	<u>752.1</u>	<u>769.8</u>
Group occupied	<u>25.4</u>	<u>46.1</u>

A full valuation of properties was undertaken as at 31st December 1996. The property valuations have been prepared on the basis of open market value in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual and have been certified by the Company's qualified valuation surveyors.

9. Debtors

	1996 £m	1995 £m
Debtors arising out of direct insurance operations:		
Due from policyholders	7.8	5.6
Due from intermediaries	0.9	0.5
Due from group companies	6.2	2.1
	<u>14.9</u>	<u>8.2</u>

Other debtors

Taxation	1.1	23.8
Due from group companies	14.5	15.6
Due from other than group companies	6.7	19.6
	<u>22.3</u>	<u>59.0</u>

Total	<u>37.2</u>	<u>67.2</u>
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10. Share capital

	1996 £m	1995 £m
Authorised, issued and fully paid £5,000,000 ordinary shares of £1 each	<u>5.0</u>	<u>5.0</u>

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.

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The principal assumptions used are as follows:-

	Interest rate p.a.	Mortality table
Life with profit	2.65%	A67/70
Pensions with profit	5.25% on basic benefit 4.25% on bonus	A67/70
Annuities in payment	7.00%	a(90) minus 2 years

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

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

12. Creditors

	1996 £m	1995 £m
Arising from direct insurance operations :		
Due to policyholders	0.1	-
Due to intermediaries	6.4	4.3
Due to group companies	-	1.4
	<u>6.5</u>	<u>5.7</u>
Arising from reinsurance operations :		
Due to other than group companies	<u>0.1</u>	<u>0.2</u>
Other creditors including taxation and social security :		
Due to group companies	22.2	29.1
Corporation taxation	27.5	1.0
Other taxation creditors	4.6	7.6
Other	20.8	23.5
	<u>75.1</u>	<u>61.2</u>

13. Borrowings

Bank borrowings were as follows :

	1996 £m	1995 £m
Bank loans and overdrafts repayable on demand or within one year	<u>-</u>	<u>0.1</u>

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14. Directors' emoluments

No emoluments were paid or are payable to the directors in respect of the Company for 1996 or 1995. The directors receive emoluments in respect of their directorships of Royal Life Holdings Ltd, which are disclosed in the financial statements of that company.

15. Auditors' remuneration

The remuneration of the auditors of the Company amounted to **£60,000** (1995 £91,000). The auditors of the Company also received fees of **£102,340** (1995 £30,000) in respect of non-audit services.

	1996 £m	1995 £m
16. Employee Information		
Staff costs for all employees, including executive directors, consist of:		
Wages and Salaries	29.2	29.9
Social Security Costs	2.5	2.4
Pension Costs	3.4	3.5
	<u>35.1</u>	<u>35.8</u>
The average number of employees during the year, including executive directors, was as follows:	Number	Number
Sales and marketing	377	379
Administration	1,256	1,307
	<u>1,633</u>	<u>1,686</u>

17. Pension Costs and Post-Retirement Benefits

The Company participates in the Royal Insurance Group Pension Scheme, which is a defined benefit pension scheme. The particulars of the actuarial valuation are contained in the financial statements of Royal & Sun Alliance Insurance Group plc. The assets of the scheme are held in a separate trustee administered fund.

The total funding cost for the Company in 1996 was **£4.8m** (1995 £4.3m). There are no significant contributions outstanding or prepaid as at 31st December 1996.

	1996 £m
18. Tangible assets	
Cost	
At 1st January	48.7
Additions	6.0
Disposals	(2.0)
At 31st December	<u>52.7</u>
Depreciation	
At 1st January	36.1
Charge for the year	4.6
At 31st December	<u>40.7</u>
Net book value at 31st December 1996	<u>12.0</u>
Net book value at 31st December 1995	<u>12.6</u>

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

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19. Movements in provision for other risks and charges	Reorganisation Costs		Deferred Taxation	
	1996 £m	1995 £m	1996 £m	1995 £m
At 1st January	-	-	5.3	6.6
Utilised	(1.4)	-	-	-
Charges to/(release) from:				
Technical Account: Long-term Business	13.4	-	0.3	(1.2)
Non Technical Account	-	-	-	(0.1)
At 31st December	12.0	-	5.6	5.3

20. Deferred taxation	Provided		Unprovided	
	1996 £m	1995 £m	1996 £m	1995 £m
The amount of deferred taxation provided and the amount unprovided are as follows:-				
Long-term				
Tax relating to deferred acquisition costs	5.6	(9.5)	-	(20.9)
Tax relating to other timing differences	-	14.8	(2.9)	(1.0)
	5.6	5.3	(2.9)	(21.9)

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

21. Capital commitments	1996 £m	1995 £m
Capital expenditure contracted for but not provided	-	-
Capital expenditure authorised but not contracted for	-	38.0
	-	38.0

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22. Financial commitments

At 31st December 1996 the Company had financial commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1996 £m	1995 £m	1996 £m	1995 £m
Operating leases which expire:				
Within one year	0.4	0.4	-	0.4
In two and five years	0.8	1.3	-	0.4
After five years	1.6	2.5	-	-
	<u>2.8</u>	<u>4.2</u>	<u>-</u>	<u>0.8</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:

	1996 £m	1995 £m
Repayable as follows:		
1 year or less	0.1	0.2
Between 2 and 5 years	-	0.3
	<u>0.1</u>	<u>0.5</u>

23. Related party transactions

Included in the balance sheet are investments in unit trusts of £170.6m (1995 £121.2m) 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 Ltd, which is registered in England and Wales.

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

The Company's ultimate parent company is Royal & Sun Alliance Insurance Group plc. A copy of that company's accounts can be obtained from 1 Bartholomew Lane, London EC2N 2AB.