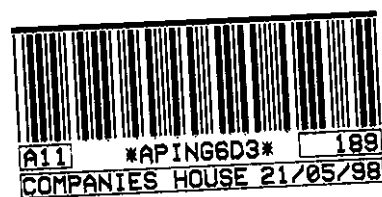


Registered number: 2822434

SLC POOLED PENSIONS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

1997



SLC POOLED PENSIONS LIMITED

DIRECTORS

P.SHARMAN (Chairman & Managing Director)

H.A.HEATH

I.R.FISHWICK

M.R.WOODS

OFFICERS

B.J.BLACKBURN

Compliance Officer

C.C.A.COOTE

Appointed Actuary

M.C.CRONIN

Secretary and Legal Advisor

J.McKEVITT

Controller

SLC Pooled Pensions Limited
Registered in England with number 2822434
Registered Office
Basing View, Basingstoke, Hampshire, RG21 4DZ

A member of the Sun Life of Canada Group of Companies

SLC POOLED PENSIONS LIMITED

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Company for the year ended 31st December, 1997.

Activities

The principal activity of the Company is the marketing of corporate pensions business in the UK. It has also continued to accept by way of reinsurance the unit linked liabilities relating to group pensions administered and individual pensions business written by Confederation Life Insurance Company (UK) Limited.

Results and Future Developments

The past year has continued to be difficult against a background of intense competition from large asset management organisations who have entered the corporate pensions market and the relative under performance of our equity funds over the last few years. Profit on ordinary activities after tax has fallen from £1.4m in 1996 to £0.7m in 1997, due mainly to a fall in management fee income. Fund management is now provided by SLC Asset Management Limited, and we are pleased to report an improvement in investment performance. This has resulted in a reduction in client losses and we are optimistic that the improvement will continue into 1998 when we expect to begin to acquire new clients.

Looking to the future, the Directors are to continue with their strategy of meeting the needs of the existing client base whilst at the same time competing for new business wherever possible.

Directors

The membership of the Board at 31st December, 1997 is set out on page 1. Messrs. P.Sharman and H.A.Heath held office throughout the year.

Resignation from the Board was accepted during the year from Mr. H.A.Fenn on 30th June, 1997.

Mr. I.R.Fishwick and Ms. M.R.Woods were appointed to the Board on 12th August, 1997.

None of the Directors at any time had any notifiable interest in the shares of the Company or any Group Company.

Share Capital

There were no changes in the Company's share capital during the year.

SLC POOLED PENSIONS LIMITED

DIRECTORS' REPORT (continued)

Dividends

The Directors recommend that no dividend shall be paid in respect of the year (1996 - £1.0m).

Payments to Creditors

It is the Group's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

Auditors

Pursuant to the elective resolution passed on 24th April, 1996, the auditors, Deloitte & Touche will continue in office.

Approved by the Board of Directors and signed on behalf of the Board.



M.C. CRONIN
Secretary

26th March, 1998

SLC POOLED PENSIONS LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board.



M.C. CRONIN
Secretary

26th March, 1998

SLC POOLED PENSIONS LIMITED

AUDITORS' REPORT TO THE MEMBERS

of

SLC POOLED PENSIONS LIMITED

We have audited the accounts on pages 6 to 17 which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

Respective Responsibilities of Directors and Auditors

As described on page 4 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.

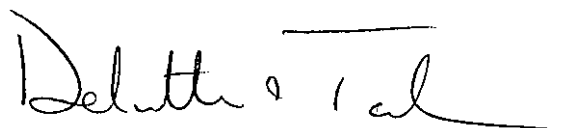
Basis of Opinion

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 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 Company's affairs as at 31st December, 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and
Registered Auditors
Columbia Centre, Market Street
Bracknell, Berkshire
RG12 1PA

26th March, 1998

SLC POOLED PENSIONS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 1997

	Notes	1997 £000	1996 £000
TECHNICAL ACCOUNT LONG TERM BUSINESS			
EARNED PREMIUMS - CONTINUING OPERATIONS			
Gross premiums written	1	75,024	102,662
Reinsurance premiums - Confederation Life Insurance Company (UK) Ltd	2	50,486	50,688
Earned premiums including reinsurance		125,510	153,350
Investment income	3	326,922	495,721
Unrealised gains/(losses) on investments	3	165,617	(217,614)
TOTAL TECHNICAL INCOME		618,049	431,457
CLAIMS INCURRED			
	4		
Claims paid: direct		884,832	1,336,576
reinsurance		100,297	92,412
including reinsurance		985,129	1,428,988
CHANGE IN OTHER TECHNICAL PROVISIONS			
Long term business provision		826	808
Technical provision for linked business, including reinsurance		(393,263)	(1,018,296)
		(392,437)	(1,017,488)
OTHER CHARGES			
Net operating expenses	5	4,596	5,359
Investment expenses and charges	3	14,324	12,769
Tax attributable to the long term business	7	5,805	558
		24,725	18,686
TOTAL TECHNICAL CHARGES		617,417	430,186
BALANCE ON THE TECHNICAL ACCOUNT - LONG TERM BUSINESS		632	1,271

All amounts are derived from continuing activities

SLC POOLED PENSIONS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 1997

	Notes	1997 £000	1996 £000
NON TECHNICAL ACCOUNT			
BALANCE ON THE LONG TERM TECHNICAL ACCOUNT		632	1,271
Tax attributable to the balance on the long term business technical account		291	626
SHAREHOLDERS' PROFIT FROM LONG TERM BUSINESS		<u>923</u>	<u>1,897</u>
Investment income	3	99	136
Administrative expenses		(4)	(94)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>1,018</u>	<u>1,939</u>
Tax on profit on ordinary activities	7	319	562
PROFIT FOR FINANCIAL YEAR		<u>699</u>	<u>1,377</u>
Dividends	8	-	1,000
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>699</u>	<u>377</u>

There were no recognised gains or losses during 1997 and 1996 other than the above.

The inclusion of unrealised gains and losses in the profit and loss account in accordance with the Companies Act 1985 as applicable to insurance companies is not considered to be a departure from the historical cost basis of accounting. Accordingly a separate note of historical cost profits and losses has not been prepared.

All amounts are derived from continuing activities.

SLC POOLED PENSIONS LIMITED

BALANCE SHEET

As at 31 December, 1997

	Notes	1997 £000	1996 £000
ASSETS			
INVESTMENTS			
Other financial investments	9	2,406	1,937
ASSETS HELD TO COVER LINKED LIABILITIES	10	2,492,128	2,885,391
DEBTORS			
Debtors arising out of direct insurance operations - policyholders	11	8,964	21,782
OTHER ASSETS			
Cash at bank and in hand		13,903	23,875
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest and rent		27	11
TOTAL ASSETS		<u>2,517,428</u>	<u>2,932,996</u>

Of the total assets £2.515 million (1996 - £2.931 million) is attributable to the long term business fund.

SLC POOLED PENSIONS LIMITED

BALANCE SHEET

As at 31 December, 1997

	Notes	1997 £000	1996 £000
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	12	1,000	1,000
Non-distributable reserve	13	1,903	1,271
Profit and loss account	13	1,719	1,652
Total shareholders' funds attributable to equity shareholders		<u>4,622</u>	<u>3,923</u>
TECHNICAL PROVISIONS			
Long term business provision	14	2,710	1,884
TECHNICAL PROVISIONS FOR LINKED LIABILITIES		2,492,128	2,885,391
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors arising out of direct insurance operations	15	17,737	41,332
Other creditors including taxation and social security	15	231	466
		<u>17,968</u>	<u>41,798</u>
TOTAL LIABILITIES		<u>2,517,428</u>	<u>2,932,996</u>

Approved by the Board of Directors on 26th March, 1998.



P. SHARMAN
Chairman and Managing Director

SLC POOLED PENSIONS LIMITED

ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the basis of the accounting policies set out below. They have been prepared in compliance with the provisions of section 255 of, and schedule 9A to, the Companies Act 1985, relating to insurance companies. In implementing these requirements the Company has adopted a modified statutory solvency basis for determining technical provisions.

The financial statements comply with applicable accounting standards and the Company has followed the recommendations of the Association of British Insurers 'Guidance on Accounting for Insurance Business (Excluding Accounting for Investments)'.

Segmental Reporting

In the opinion of the Directors the Company has one business segment for the purpose of statement of Standard Accounting Practice No. 25, being the transaction of pensions business which is wholly conducted within the United Kingdom.

Foreign Exchange

Assets and liabilities in foreign currencies are translated to sterling at the rates of exchange ruling at the year end. Transactions taking place during the year are translated at the rate of exchange ruling at the date of the transaction.

Investments

All investments are shown at market value other than short term money market investments which are shown at cost.

Land and buildings held for investment purposes are independently valued at open market value by St Quintin, Weatherall Green & Smith and Gooch & Wagstaff, all Chartered Surveyors. The last such valuations were conducted in December, 1997.

Although the Companies Act would normally require the systematic annual depreciation of land and buildings held as investment properties, the Directors consider to do so would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted.

The increase or decrease in the value of investments reflects net realised and unrealised gains or losses over market values at the start of the year or subsequent cost.

Investment Income

Dividends and interest received from investments other than equity investments are credited to revenue on an accruals basis. On purchase or disposal of investments, adjustments are made in order that interest is taken to revenue for the period that the investment is held.

Dividends arising on equity investments are brought into account on the ex-dividend date.

Rents earned on properties held for investment are credited to revenue on an accruals basis.

Policyholder fund investment income, expenses and unrealised gains/losses are dealt with through the technical account. Shareholder fund investment income, expenses and unrealised gains/losses are dealt with through the non-technical account.

SLC POOLED PENSIONS LIMITED

ACCOUNTING POLICIES (continued)

Premiums

Premium income is credited to revenue when it becomes due to the Company.

Claims

Claims are recognised when the policy or contract to which they relate ceases to participate in the investment linked funds of the Company.

Taxation

Deferred taxation is provided at the appropriate rate on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, only where the tax liability or asset is expected to crystallise in the foreseeable future.

The balance on the long term technical account has been grossed up to the full rate of corporation tax for the accounting period in order to arrive at the shareholders' profit from the long term business.

Long Term Business Provision

The long term business provision is determined by the Appointed Actuary following his annual investigation of the long term business. The provision represents the amounts credited to the pension deposit accounts of the policyholders of the Company.

Technical Provisions for Linked Liabilities

Technical provisions for linked liabilities represent the value of the underlying net assets which are held to meet those liabilities.

SLC POOLED PENSIONS LIMITED

NOTES TO THE ACCOUNTS

For the year ending 31st December, 1997

1. Premium analysis

Gross premiums written

All premiums are received from pension contracts written in the UK in respect of continuing operations.

	1997 £000	1997 £000	1997 £000	1996 £000	1996 £000	1996 £000
	Gross	Reinsurance	Total	Gross	Reinsurance	Total
Pension Business						
Non-participating						
Single premium	1,028	-	1,028	1,194	-	1,194
Linked						
Single premium	73,996	-	73,996	101,468	-	101,468
Periodic premium	-	50,486	50,486	-	50,688	50,688
	<u>75,024</u>	<u>50,486</u>	<u>125,510</u>	<u>102,662</u>	<u>50,688</u>	<u>153,350</u>

Gross new annualised periodic premiums

The Group Pensions premiums of the Company are single premium contributions from client pension schemes. These contributions are received on a discretionary basis.

The linked contracts periodic premiums of £50.5 million (1996 - £50.7 million) are all reinsurance premiums from Confederation Life Insurance Company (UK) Limited.

2. Reinsurance agreement

Throughout 1997 a reinsurance agreement was in force under normal commercial terms with the immediate parent Company. The agreement provides for 100% of the in force unit linked liabilities of the group administered and individual pensions business of Confederation Life Insurance Company (UK) Limited to be reinsured with the Company.

SLC POOLED PENSIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

3. Investment return

	1997 £000	1996 £000
Technical account:		
Investment Income :		
Income from listed investments	101,470	147,421
Income from unlisted investments	3	878
Income from land and buildings	10,028	16,814
	<u>111,501</u>	<u>165,113</u>
Gains on the realisation of investments	215,421	330,608
	<u>326,922</u>	<u>495,721</u>
Investment expenses and charges	(14,324)	(12,769)
Unrealised gains/(losses) on investments	165,617	(217,614)
	<u>478,215</u>	<u>265,338</u>
Net investment return included in the long term business technical account		
Non technical account:		
Income from short term investments	99	136
Net investment return included in the non-technical account	<u>99</u>	<u>136</u>
Total investment return	<u>478,314</u>	<u>265,474</u>

4. Claims incurred

	1997 £000	1996 £000
Payments to policyholders and beneficiaries		
Surrender payments	884,832	1,336,576
Reinsurance	100,297	92,412
Total including reinsurance	<u>985,129</u>	<u>1,428,988</u>

SLC POOLED PENSIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

5. Net operating expenses

	1997 £000	1996 £000
Acquisition costs	6	1
Administrative expenses	4,590	5,358
	<u>4,596</u>	<u>5,359</u>

	1997 £000	1996 £000
Auditors' remuneration is included as follows:		
For auditing the financial statements	29	29
For other services	5	5

Operating expenses include the amount charged to the Company by its ultimate Parent Company for the provision of management and administrative services. The Company did not directly employ any staff during the year.

6. Directors' remuneration

The aggregate amount of emoluments paid to the Directors of the Company was £50,430 (1996 - £6,126). There are 3 directors (1996 - 1) to whom retirement benefits are accruing under the group defined benefit scheme in respect of qualifying services.

7. Taxation

	1997 £000	1996 £000
Technical account		
Over provision in prior year	-	(43)
Irrecoverable tax credits	5,532	-
Corporation tax	273	601
	<u>5,805</u>	<u>558</u>
Non-technical account		
Over provision in prior year	-	(78)
Tax attributable to the long term business	291	626
Corporation tax	28	14
	<u>319</u>	<u>562</u>

SLC POOLED PENSIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

8. Dividends

No dividends were paid to the immediate Parent Company (1996 - £1.0m).

9. Other financial investments

	1997 £000	1996 £000
Fixed interest securities - listed	2,406	1,937

10. Assets held to cover linked liabilities

	1997 £000	1996 £000
Investments at cost	1,774,534	2,294,577
Investments at market value	2,401,455	2,743,854
Net assets held to cover linked liabilities	2,492,128	2,885,391

Of the total net assets held to cover linked liabilities £1,622 million (1996 - £1,847 million) represented managed funds; these are group pension funds which the Company administers in its own name but on behalf of others.

11. Debtors

Arising out of direct insurance operations:

	1997 £000	1996 £000
Amounts owed by linked funds	8,964	21,637
Amounts owed by group companies	-	145
	8,964	21,782

12. Share capital

	Authorised 1997 £000	Allotted, called up and fully paid 1997 £000	Authorised 1996 £000	Allotted, called up and fully paid 1996 £000
Ordinary shares of £1 each	10,000	1,000	10,000	1,000

SLC POOLED PENSIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

13. Movements in reserves

	Profit and Loss Account £000	Non- distributable Reserve £000
Balance as at 1st January, 1997	1,652	1,271
Retained profit for the year	699	-
Transfer to non-distributable reserve	(632)	632
Balance as at 31st December, 1997	<u>1,719</u>	<u>1,903</u>

14. Long term business provision

	1997 £000	1996 £000
Pension deposit account	<u>2,710</u>	<u>1,884</u>

This represents the amounts credited to the pension deposit accounts of the policyholders of the Company.

15. Creditors: amounts falling due within one year

	1997 £000	1996 £000
Arising out of direct insurance operations		
Amount owed to group companies	3,287	6,439
Policy claims outstanding	14,450	34,893
	<u>17,737</u>	<u>41,332</u>
Other :		
Taxes payable	140	351
Other creditors	91	115
	<u>231</u>	<u>466</u>
	<u>17,968</u>	<u>41,798</u>

SLC POOLED PENSIONS LIMITED

NOTES TO THE ACCOUNTS (continued)

16. Related party transactions

The Company has taken advantage of the exemption from FRS8, which allows for group transactions not to be disclosed as related party transactions. Consolidated Financial Statements which include the Company are publicly available as indicated in Note 17 to the Accounts.

During the year the long term business funds of the Company have invested in a number of unit trusts administered by Sun Life of Canada Unit Managers Limited, a fellow subsidiary of the Company. As at 31 December, 1997 the long term business funds held units valued at £398.6 million (1996 - £488.0 million).

17. Parent Companies

The Company's immediate parent company is Confederation Life Insurance Company (UK) Limited. The Parent undertaking of the smallest group of undertakings for which group accounts are prepared in the UK is Confederation UK Holdings plc. Group financial statements can be obtained from the Secretary and Legal Adviser, Confederation UK Holdings plc, Basing View, Basingstoke, Hampshire, RG21 4DZ.

The ultimate parent company is Sun Life Assurance Company of Canada which is incorporated in Canada and is also the Parent undertaking of the largest group of undertakings for which group accounts are prepared. The Group's annual report can be obtained from the Corporate Secretary, Sun Life Assurance Company of Canada, Sun Life Centre, 150 King Street West, Toronto, Ontario, Canada, M5H 1J9.