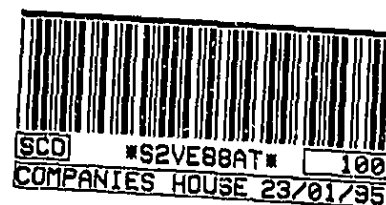


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ROYAL SCOTTISH ASSURANCE plc

REPORT AND ACCOUNTS 1994



ROYAL SCOTTISH ASSURANCE plc  
REPORT AND ACCOUNTS 1994

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## ROYAL SCOTTISH ASSURANCE plc

### STATEMENT BY THE CHAIRMAN

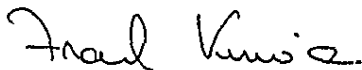
Royal Scottish Assurance provides life assurance, pensions and investment products to the customers of The Royal Bank of Scotland. The Company is jointly owned by the Bank and Scottish Equitable plc. Scottish Equitable also provides administration services to the Company.

This report covers the Company's fourth full year of trading. It has been another year of strong growth continuing the pattern of expansion since launch. A total of 38900 policies were issued during the year, new annual premiums increased to £17.6m million and new single premiums continued to display rapid growth, totalling £249.5 million for the year.

The number of sales personnel based in Royal Bank branches increased to 260 from 210 a year ago, improving our national coverage and the availability of service. In order to finance continuing growth the company issued a further 9 million shares on 30 September 1994 to increase its issued share capital to £49 million. I am confident the company is well placed to continue its good performance despite the difficult climate facing the life assurance industry at the present time.

I would like to thank my predecessor Bob McInnes for his valued contribution to the continuing development of the company, particularly in his time as chairman which covers most of the year under review. I would also like to thank my former board colleague Brian Wood for his contribution.

On behalf of the Board I would also like to thank the staff of Royal Scottish, The Royal Bank and Scottish Equitable for their continuing considerable efforts and contribution to the success of the Company.



F X KIRWAN

8 November 1994

# ROYAL SCOTTISH ASSURANCE plc

## CHIEF EXECUTIVE'S REVIEW

Despite difficult market conditions stemming from increased regulator activity reducing customer confidence and an overall reduction in industry new business figures, it has been another successful year for Royal Scottish.

As well as the substantial growth in new business of the company several developments to ensure the continued growth and success of the Company have been undertaken.

### People

Royal Scottish is committed to the development of all staff to help achieve our stretching objectives. As a demonstration of this commitment I am delighted to announce that the company achieved the prestigious Investors in People award during the year. This also reflects the desire to provide an ever more professional workforce to meet the high customer care and service standards to which we aspire.

A programme has also been instigated through which all sales staff will obtain industry recognised qualifications which are well in excess of those required by Regulation. This programme we expect to be completed by January 1995. Again this substantiates the professionalism of our salesforce and will allow our customers to feel confident in dealing with any of our advisers.

### Technology

Two major technological developments were undertaken during the year.

In June a new point of sale system was distributed to field staff all of whom use laptop computers. This is a powerful tool to improve communication with our customers and consistency of service at the point of sale.

Also a new Corporate Information System has been introduced to facilitate better management control and distribution of data within the Company as well as to help identify customer needs and generally improve customer service.

These two systems will form the backbone of systems for the future which will provide clear market advantage.

### Products

Particular success has been achieved during the year via various guaranteed products which we have introduced. These included, Plan 2000, Plan 2000+, and Guaranteed Income and Growth Bonds. We will continue to innovate and develop new products to suit our customers' needs as economic and financial conditions change.

### Summary

Royal Scottish remains committed to developing our staff, technology, and products in order to meet our customers' needs, provide real value and to improve consistently customer service in our drive toward being the first choice of Royal Bank customers for Life assurance, pensions, investment and general financial advice.

I E R OFFOR

8 NOVEMBER 1994

ROYAL SCOTTISH ASSURANCE plc

DIRECTORS AND OFFICERS

CHAIRMAN

Francis Xavier Kirwan

DEPUTY CHAIRMAN

William Wilson Stewart

DIRECTORS

Niall Anthony Morris Franklin  
George Peter Glover  
David Alexander Henderson  
James Michael Kelly  
Ian Eric Richard Offor

EXECUTIVE

Chief Executive  
Ian E R Offor

Chief Accountant  
Ian Buchan

Business Development Director  
Neil G Pettie

National Sales Director  
Brian J Reilly

Support Services Director  
Mark R Secker

Chief Actuary  
Ian J Thomson

SECRETARY

Alan E Mills

Registered Office:-  
42 St Andrew Square, Edinburgh EH2 2YE  
Royal Scottish Assurance plc is registered in Scotland No. 119820  
Telephone No: 031-557-9696

Member of LAUTRO  
Authorised by the DTI to carry on insurance business

# ROYAL SCOTTISH ASSURANCE plc

## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and audited accounts for the year ended 30 September 1994.

### Activities

The Company's principal activity is the transaction of life assurance and pension business in the United Kingdom. The Company continued to achieve a good level of new business in its fourth full year and this is again expected to increase in future.

### New Business

The new business in the year, on an annualised basis, was:

			1994	1993
			£000	£000
<u>Annual Premiums</u>				
Life	-	Non-linked	1,758	2,015
	-	Linked	7,141	5,914
Pension	-	Linked	<u>8,683</u>	<u>9,139</u>
Total Annual Premiums			<u>17,582</u>	<u>17,068</u>
<u>Single Premiums</u>				
Life	-	Non-Linked	92,938	8,102
	-	Linked	133,530	119,671
Pension	-	Linked	<u>23,052</u>	<u>18,659</u>
Total Single Premiums			<u>249,520</u>	<u>146,432</u>

The above figures are gross of reinsurance.

### Financial Matters

The results for the period are given in the profit and loss account on page 12.

The Directors do not recommend the payment of a dividend.

Movements in reserves are given in note 14 to the accounts.

### Fixed Assets

Information relating to changes in fixed assets is given in note 8 to the accounts.

# ROYAL SCOTTISH ASSURANCE plc

## DIRECTORS' REPORT (Contd)

### Directors

The present members of the Board of Directors are named on page 5.

On 18 November 1993, Mr James Michael Kelly and Mr Francis Xavier Kirwan, were appointed as Directors and Mr George Anthony Schofield and Mr Christopher George Pearson resigned as Directors. On this date Mr Robert MacDonald McInnes was appointed as Chairman of the Company. On 3 October 1994, Mr Brian Douglas Wood resigned as a Director. On 8 November 1994, Mr Robert MacDonald McInnes resigned as a Director and Chairman. On this date, Mr Francis Xavier Kirwan was appointed as Chairman in succession to Mr McInnes. On 8 November 1994, Mr Niall Anthony Morris Franklin was appointed as a Director.

### Directors' Interests

No Director had an interest in the shares of the Company.

The following Directors were beneficially interested in the 25p ordinary shares of The Royal Bank of Scotland Group plc, the ultimate holding company.

	At 30 <u>September 1994</u>	At 1 October 1993 (or date of appointment if later)
G P Glover	821	799
F X Kirwan	11,900	7,281
R M McInnes	12,863	8,648

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted and exercised during the year to 30 September 1994 are included in the table below:-

	At 1 October 1993 (or date of appointment if later)	<u>Options Granted</u>		<u>Options Exercised</u>		At 30 September 1994
		Number	Price £	Number	Price £	
J M Kelly	23,000	20,000	4.29	-	-	43,000
F X Kirwan	126,406	8,000	4.29	532	1.352	133,874
R M McInnes	179,309	1,564 8,000	3.44 4.29	1,515 532	1.16 1.352	186,826 -

No Director had an interest in any of the preference shares of The Royal Bank of Scotland Group plc during the year to 30 September 1994.

In addition, during that period, none of the Directors held a beneficial interest in the loan capital of The Royal Bank of Scotland Group plc or in the share or loan capital of any of the other subsidiaries of The Royal Bank of Scotland Group plc, including the Company.

# ROYAL SCOTTISH ASSURANCE plc

## DIRECTORS' REPORT (Contd)

### Issued Share Capital

On 30 September 1994, 9,000,000 ordinary shares of £1 each were allotted fully paid to strengthen the capital base of the Company to finance future growth.

### Staff

The weekly average number of persons employed by the Company was 361 and their aggregate remuneration for the year amounted to £11,712,000.

### Staff Involvement

The Company encourages staff involvement by a process of communication and consultation. Staff are eligible to participate in the ultimate holding company's share option scheme.

### Equal Opportunities

The Company's employment practices follow best practice. In the recruitment of staff and their subsequent career development, individuals are considered having regard to their aptitudes and abilities, irrespective of sex, marital status, race or disability. For serving employees who become disabled, every help is given to ensure their continued employment and to arrange rehabilitative training.

### Political and Charitable Contributions

The Company made charitable contributions of £717 during the year. The Company made no political contributions.

### Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand and KPMG Peat Marwick, will be proposed at the Annual General Meeting.

By order of the Board



A E MILLS  
Secretary

8 November 1994



# ROYAL SCOTTISH ASSURANCE plc

## ACCOUNTING POLICIES

### 1. Accounting Convention

The accounts have been prepared under the Historical Cost Convention as modified by the revaluation of investments and in accordance with Part VII Chapter II of, and Schedule 9 to the Companies Act 1985 and in accordance with Accounting Standards in the United Kingdom. The Company has one subsidiary, RSA (Services) Ltd, which has been consolidated into the Group accounts.

### 2. Premiums

Premiums as shown in the Revenue Account, are included net of reinsurance. Non-linked business premiums are accounted for in the year in which they fall due. Linked business premiums are accounted for when the actuarial liability is established.

### 3. Investment Income

Credit is taken for interest accrued on fixed interest investments and for dividends due on equity shareholdings. Tax credits applicable to Franked Investment Income are included.

### 4. Claims

Benefits paid to policyholders are included net of reinsurance. Claims intimated by the end of the financial year are provided for in the accounts.

### 5. Premises and Equipment

Depreciation is provided by the Company to write off the cost of tangible fixed assets over their estimated useful economic lives as follows:-

Short term leasehold premises are amortised by equal annual instalments over the unexpired term of the lease or estimated useful lives if shorter.

Computers and motor vehicles are depreciated on a straight-line basis over five years and other equipment over periods between five and ten years.

# ROYAL SCOTTISH ASSURANCE plc

## ACCOUNTING POLICIES (Contd)

### 6. Investments

Investments have been valued in accordance with the provisions of the Insurance Companies Regulations 1994 and are shown in the Balance Sheet at these amounts. All the investments are fully admissible under paragraph 57 of the Regulations.

Stock Exchange investments are included at middle market value.

Holdings in authorised unit trusts are valued at the bid price ruling at the year end.

Financial Futures are included at market value.

### 7. Leases

Where the Company enters into a lease which entails taking substantially all the risks and renewals of ownership of an asset, the lease is treated as a finance lease. All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

### 8. Pensions Costs

In arriving at the operating result, the costs of providing pensions are assessed and charged on a regular basis in accordance with the advice of professionally qualified actuaries.

### 9. Taxation

Provision is made for taxation at current rates on taxable profits. Deferred taxation is provided on the liability method in respect of timing differences to the extent that they are likely to crystallise in the foreseeable future.

### 10. Foreign Currencies

Assets and liabilities denominated in foreign currencies are valued at rates ruling at the balance sheet date. Any changes in value arising are dealt with in the revenue account or profit and loss account as appropriate.

Forward foreign exchange contracts are valued at the forward market rates ruling at the balance sheet date and the difference between those values and the contract prices are dealt with in the revenue account or profit and loss account as appropriate.

ROYAL SCOTTISH ASSURANCE plc

PROFIT AND LOSS ACCOUNT

For the year ended 30 September 1994

	Notes	1994 £000	1993 £000
Investment Income and Gains	2b	513	1,198
Transfer to Long Term Assurance Fund Revenue Account	1	(4,000)	(10,500)
(Loss) before Taxation		(3,487)	( 9,302)
Taxation		<u>-</u>	<u>-</u>
Retained (Loss) for Year	14	( <u>3,487</u> )	( <u>9,302</u> )

The Group did not have any material gains or losses during the year other than as reported in the Profit and Loss Account and the Long Term Assurance Fund Revenue Account.

All the results of the Group relate to continuing operations, owned throughout the year.

The results reported above do not differ from the historical cost results.

ROYAL SCOTTISH ASSURANCE plc

LONG TERM ASSURANCE FUND REVENUE ACCOUNT

For the year ended 30 September 1994

INCOME	Notes	1994 £000	1993 £000
Premiums	3	200,624	161,331
Investment Income	2a	15,644	8,024
Change in value of investments		(2,133) 214,135	<u>42,526</u> 211,881
EXPENDITURE			
Claims	4	4,493	2,432
Maturities		350	184
Surrenders		27,314	12,335
Commission	5	8,556	6,443
Management Expenses	6	27,525	19,835
Taxation	7	(1,731) <u>66,507</u>	<u>29</u> <u>41,258</u>
INCOME LESS EXPENDITURE		147,628	170,623
Transfer from Profit and Loss Account		4,000	10,500
Long Term Assurance Fund Brought Forward		<u>272,350</u>	<u>91,227</u>
LONG TERM ASSURANCE FUND CARRIED FORWARD		<u>423,978</u>	<u>272,350</u>

# ROYAL SCOTTISH ASSURANCE plc

## BALANCE SHEET

### GROUP AND COMPANY

As at 30 September 1994

	Notes	1994 Policy holders' Funds £000	1994 Share holders' Funds £000	1994 Total £000	1993 Policy holders' Funds £000	1993 Share holders' Funds £000	1993 Total £000
FIXED ASSETS	8	4,112	-	4,112	3,873	-	3,873
INVESTMENTS	9	484,199	-	484,199	275,505	-	275,505
<b>CURRENT ASSETS</b>							
Debtors	11	10,315	-	10,315	8,748	-	8,748
Cash at Bank and in hand		<u>360</u>	<u>17,372</u>	<u>17,732</u>	<u>1</u>	<u>11,859</u>	<u>11,860</u>
		10,675	17,372	28,047	8,749	11,859	20,608
CREDITORS - Amounts falling due within one year	12	(12,579)	-	(12,579)	(15,777)	-	(15,777)
NET CURRENT ASSETS		(1,904)	17,372	15,468	(7,028)	11,859	4,831
CREDITORS - Amounts falling due after one year	12	(62,429)	-	(62,429)	-	-	-
		<u>423,978</u>	<u>17,372</u>	<u>441,350</u>	<u>272,350</u>	<u>11,859</u>	<u>284,209</u>
<b>CAPITAL AND RESERVES</b>							
Called up share capital	13	-	49,000	49,000	-	40,000	40,000
Profit and loss account	14	-	(31,628)	(31,628)	-	(28,141)	(28,141)
		-	17,372	17,372	-	11,859	11,859
Long Term Assurance Fund		<u>423,978</u>	-	<u>423,978</u>	<u>272,350</u>	-	<u>272,350</u>
		<u>423,978</u>	<u>17,372</u>	<u>441,350</u>	<u>272,350</u>	<u>11,859</u>	<u>284,209</u>

J M KELLY

Director

I E R OFFOR

Director

8 November 1994

ROYAL SCOTTISH ASSURANCE plc

SHAREHOLDERS' FUNDS CASH FLOW STATEMENT

For the year ended 30 September 1994

	Notes	1994 £000	1993 £000
Net cash (outflow) from operating activities	16a	(4,000)	(10,500)
Returns on Investments			
- Interest Received		513	1,153
- Distribution Received		<u>-</u>	<u>7</u>
Net cash inflow from returns on investments		513	1,160
Investing Activities			
- Receipts from sales of investments		-	508
Net cash inflow from investing activities		<u>-</u>	<u>508</u>
		(3,487)	( 8,832)
Financing			
- Issue of Ordinary Share Capital		<u>9,000</u>	<u>20,000</u>
Net cash inflow from financing		9,000	20,000
Increase/(Decrease) in cash and cash equivalents	16b	<u>5,513</u>	<u>11,168</u>

# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS

### 1. TRANSFER

The transfer from profit and loss account to long term assurance revenue account of £4,000,000 (1993 £10,500,000) represents assets transferred from shareholders' to policyholders' funds during the year.

### 2 INVESTMENT INCOME

2a. INVESTMENT INCOME - NET Policyholders' Funds	1994 £000	1993 £000
Interest and dividends	16,638	8,055
Interest payable	( 994 )	( 31 )
	<u>15,644</u>	<u>8,024</u>

2b. INVESTMENT INCOME AND GAINS Shareholders' Funds	1994 £000	1993 £000
Interest and dividends	513	1,160
Change in value of investments	-	38
	<u>513</u>	<u>1,198</u>

3. PREMIUMS	1994 £000	1993 £000
Annual Premiums		
Life - Non Linked	5,928	4,119
- Linked	<u>15,733</u>	<u>9,495</u>
	21,661	13,614
Pension - Linked	<u>16,411</u>	<u>10,722</u>
	38,072	24,336
Less: Reassurance	( 1,357 )	( 754 )
Total Annual Premiums	<u>36,715</u>	<u>23,582</u>

#### Single Premiums

Life - Non Linked	88,866	8,803
- Linked	134,010	120,842
Pension - Linked	<u>24,203</u>	<u>17,783</u>
	247,079	147,428
Less: Reassurance	( 83,170 )	( 9,679 )
Total Single Premiums	<u>163,909</u>	<u>137,749</u>

Total Premiums	<u>200,624</u>	<u>161,331</u>
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All premiums arise  
in the United Kingdom

# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS (Contd)

4.	CLAIMS	1994 £000	1993 £000
	Gross claims	4,813	2,621
	Reassurance recoveries	( 320)	( 189)
		<u>4,493</u>	<u>2,432</u>
5.	COMMISSION	1994 £000	1993 £000
	Commission paid	10,112	7,111
	Reassurance commission received	( 443)	( 241)
	Other commission received	(1,113)	( 427)
		<u>8,556</u>	<u>6,443</u>
6a.	MANAGEMENT EXPENSES	1994 £000	1993 £000
	Management expenses include:		
	Depreciation of tangible fixed assets	1,232	1,000
	Loss on disposal of tangible fixed assets	5	58
	Hire of plant and machinery	21	133
	Other operating lease rentals	271	176
	Auditors' remuneration	36	37
6b.	STAFF COSTS	No	No
	Average number of employees	361	319
	Employee costs :-	£000	£000
	Wages and salaries	9,644	6,916
	Social security costs	879	583
	Other pension costs	<u>1,189</u>	<u>1,183</u>
		<u>11,712</u>	<u>8,682</u>
6c.	DIRECTORS' EMOLUMENTS	£000	£000
	Emoluments (including pension contributions)	177	134

The emoluments, excluding pension contributions, of the Chairman amounted to £Nil (1993 - £ Nil) and the highest paid Director to £147,532 (1993 - £96,151).



# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS (Contd)

### 6c. DIRECTORS' EMOLUMENTS (Contd)

The number of Directors whose emoluments, excluding pension contributions, fell in each £5,000 bracket was as follows:-

		1994 No.	1993 No.
£0	-	8	5
£5,001	-	-	1
£10,001	-	1	1
£95,001	-	-	1
£145,001	-	1	-
	£5,000		
	£10,000		
	£15,000		
	£100,000		
	£150,000		

### 7. TAXATION

	1994 £000	1993 £000
Cash received in respect of consortium relief	(2,116)	(176)
Irrecoverable overseas taxation	<u>385</u>	<u>205</u>
	<u>(1,731)</u>	<u>29</u>

### 8. TANGIBLE FIXED ASSETS POLICYHOLDERS' FUNDS

COST	Short Term Leasehold Buildings	Motor Vehicles Computers and other Equipment	Total
	£000	£000	£000
At 30 September 1993	274	5,375	5,649
Additions	54	1,582	1,636
Disposals	( - )	( 283 )	( 283 )
At 30 September 1994	<u>328</u>	<u>6,674</u>	<u>7,002</u>
DEPRECIATION			
At 30 September 1993	28	1,748	1,776
Charge for year	60	1,172	1,232
Disposals	( - )	( 118 )	( 118 )
At 30 September 1994	<u>88</u>	<u>2,802</u>	<u>2,890</u>
NET BOOK VALUE			
At 30 September 1993	<u>246</u>	<u>3,627</u>	<u>3,873</u>
At 30 September 1994	<u>240</u>	<u>3,872</u>	<u>4,112</u>

Included in the total net book value of tangible fixed assets is £240,208 (1993 - £240,208) less accumulated depreciation of £165,473 (1993 - £127,333) in respect of assets acquired under finance leases. Depreciation for the period on these assets was £38,140.

# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS (Contd)

### 9. INVESTMENTS

POLICYHOLDERS' FUNDS	1994 £000	1993 £000
British Government Securities	52,767	23,585
Debenture and Other Fixed Interest Stocks	22,822	30,732
Ordinary and Convertible Stocks	295,037	187,863
Floating Rate Notes	62,430	-
Cash on Deposit	<u>51,143</u>	<u>33,325</u>
	<u>484,199</u>	<u>275,505</u>

Cash on Deposit includes £6,540,483 (1993 £8,746,606) on deposit with The Royal Bank of Scotland plc.

### 10. SUBSIDIARY COMPANY

At 30 September 1994 the Company held shares in the following subsidiary company, which is incorporated in Great Britain, registered in Scotland. The subsidiary has only one class of ordinary share, and has issued share capital of £100:-

Name	Principal Activity	% Held
RSA (Services) Limited	Financial Investment Consultancy	100%

### 11. DEBTORS

#### POLICYHOLDERS' FUNDS

	1994 £000	1993 £000
Accrued income and sundry debtors	<u>10,315</u>	<u>8,748</u>

# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS (Contd)

### 12. CREDITORS POLICYHOLDERS' FUNDS

	1994		1993	
	Due within one year £000	Due after one year and within five years £000	Due within one year £000	Due after one year and within five years £000
Amounts owed to Holding Company and fellow subsidiaries				
- Obligations under finance leases	-	-	79	-
- Other Creditors	12	8,368	8	-
- Bank Overdraft	<u>-</u>	<u>-</u>	<u>920</u>	<u>-</u>
	12	8,368	1,007	-
Tax and social security	216	-	147	-
Purchase of Investments not settled	2,652	-	9,340	-
Income Received in advance	2,630	-	2,495	-
Other creditors	<u>7,069</u>	<u>54,061</u>	<u>2,788</u>	<u>-</u>
	<u>12,579</u>	<u>62,429</u>	<u>15,777</u>	<u>-</u>

### 13. SHARE CAPITAL

	1994		1993	
Ordinary shares of £1 each	No	£000	No	£000
Authorised	<u>100,000,000</u>	<u>100,000</u>	<u>100,000,000</u>	<u>100,000</u>
Allotted, Called up and Fully Paid	<u>49,000,000</u>	<u>49,000</u>	<u>40,000,000</u>	<u>40,000</u>

On 30 September 1994 9,000,000 ordinary shares of £1 each were allotted fully paid to strengthen the capital base of the Company to finance future growth.

# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS (Contd)

### 14. RESERVES

#### Profit and Loss Account £000

At 30 September 1993	(28,141)
Loss for year	(3,487)
At 30 September 1994	(31,628)

### 15. RECONCILIATION OF SHAREHOLDERS' FUNDS

#### £000

At 30 September 1993	11,859
Loss for year	( 3,487)
Issue of Ordinary Share Capital	9,000
	<u>17,372</u>

### 16. NOTES TO CASH FLOW STATEMENT

#### a) Reconciliation of operating loss to net cash outflow from operating activities.

	1994 £000	1993 £000
Operating loss	(3,487)	(9,302)
(Gain) on sale of investments	-	( 119)
Change in unrealised (gain)/loss on investments	-	81
Interest and dividends received	(513)	( 1,160)
Net cash (outflow) from operating activities	(4,000)	(10,500)

#### b) Analysis of changes in cash and cash equivalents during year.

	1994 £000	1993 £000
Balance at 1 October 1993	11,859	691
Net cash inflow/(outflow)	<u>5,513</u>	<u>11,168</u>
Balance at 30 September 1994	<u>17,372</u>	<u>11,859</u>

# ROYAL SCOTTISH ASSURANCE plc

## NOTES TO THE ACCOUNTS (Contd)

17. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES	1994 £000	1993 £000
--	--------------	--------------

### Capital Expenditure

Contracted for but not provided	<u>Nil</u>	<u>Nil</u>
Authorised but not contracted for	<u>Nil</u>	<u>Nil</u>

At 30 September 1994 the Group had entered into, in the normal course of business, forward foreign exchange contracts.

### Contingent Liability

Guidance has been issued by the Securities and Investment Board to all companies involved in the business of pension transfers and opt-outs. The company is following this guidance to review the position and this may lead to the company having liabilities in relation to business written. The actual amount of any liabilities which may arise cannot yet be determined with any degree of certainty. The directors consider that, on the basis of information currently available, any such liabilities can be absorbed within the long term fund.

## 18. PENSION COMMITMENTS

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. Contributions to the scheme are charged to the revenue account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the current unit method with 20 year control period. The assumptions which will have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It is assumed that the investment returns will be 9% per annum, that salary increases will average 8% per annum and that present and future pensions will increase at the rate of 3% per annum on GMP and 5% on non GMP. A valuation of the Scheme was carried out as at 1 January 1993 which demonstrated that on these assumptions the assets of the scheme exceeded the liabilities. As a result of this valuation the contributions of the company and the employees were adjusted to 22% and 0% of pensionable earnings respectively (previously 23.3% and 0%).

The pension charge relating to the scheme for the period was £1,174,205.

In addition to contributions to the above scheme, the Company made pension contributions totalling £32,400 in respect of employees who are members of other schemes.

# ROYAL SCOTTISH ASSURANCE plc

## 19. OPERATING LEASE COMMITMENTS

	1994		1993	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Expiring within one year	-	-	13	13
Expiring outwith one year but within five years	108	-	106	-
Expiring outwith five years	<u>55</u>	<u>-</u>	<u>20</u>	<u>-</u>
	<u>163</u>	<u>-</u>	<u>139</u>	<u>13</u>

## 20. HOLDING COMPANIES

The ultimate holding company is The Royal Bank of Scotland Group plc. The immediate holding company is The Royal Bank of Scotland plc. Both companies are registered in Scotland and incorporated in Great Britain and accounts can be obtained from The Company Secretary, The Royal Bank of Scotland plc, 42 St Andrew Square, Edinburgh.

## 21. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 8 November 1994.