Incom

Board of Directors

Chairman
N. Lessels, CBE, CA *Age 55*‡
Senior Partner of Chiene & Tait, CA. Director of Bank of Scotland, Securities and Investments Board Limited and of other companies. Past President of the Institute of Chartered Accountants of Scotland. Appointed director in February 1978 and Chairman 1988.

Marie-Josée Drouin, MSc, LLD *Age 44*‡
Executive Director, Hudson Institute of Canada Inc. Director of Canadian Imperial Bank of Commerce, The Ford Motor Company of Canada and of other companies. Appointed director in April 1989.

Deputy Chairman
Sir Lawrence Airey, KCB *Age 68*†‡
Former Chairman of the Board of Inland Revenue. Appointed director in January 1987 and Deputy Chairman 1988.

T.R. King, BL *Age 52**
Director and General Manager (Sales) of the Company. Joined Standard Life in 1967. General Manager (Marketing) from 1985 to 1994. Appointed director in November 1992.

G.A. Ball, FCA *Age 50*†
Chairman and Chief Executive of CALA plc. Director of Scottish Mortgage & Trust PLC. Appointed director in March 1987.

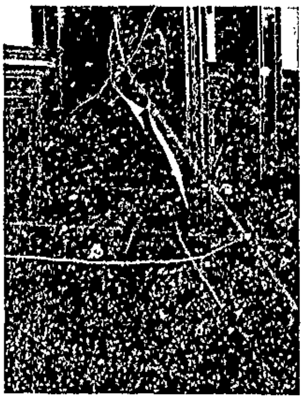
N.C.D. Kuenssberg, BA, FCIS, CIMgt *Age 51*
Chief Executive, Dawson Premier Brands and director of Dawson International PLC. Director of Scottish Power plc. Appointed director in January 1988.

H.W. Macdonell, QC *Age 64*†
Partner in McCarthy Tétrault, Barristers and Solicitors (Canada). Chairman of Canadian Niagara Power Company Ltd, Director of Canadian Tire Corporation Ltd, SNC Group Inc, ICI Canada Inc and of other companies. Appointed director in February 1979.

A.S. Bell, FFA, FPMI *Age 52**
Group Managing Director of the Company. Joined Standard Life in 1958. General Manager (Finance) from 1985 to 1988. Director of Bank of Scotland, Hammerson plc and Scottish Financial Enterprise. Appointed director in March 1988.

I.C. Lumsden, MA, FFA *Age 47**
Group Finance Director of the Company. Joined Standard Life in 1967. General Manager (Actuarial) from 1984 to 1990. Appointed director in March 1990.

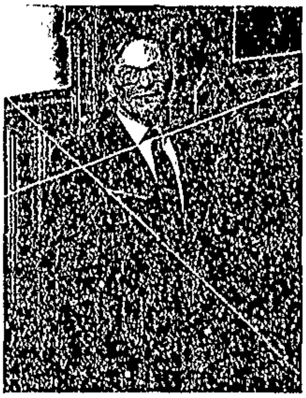
D.B. Pattullo, CBE *Age 56*
Governor and Group Chief Executive of Bank of Scotland. Director of The British Linen Bank and of other subsidiary companies of Bank of Scotland. Appointed director in March 1985.



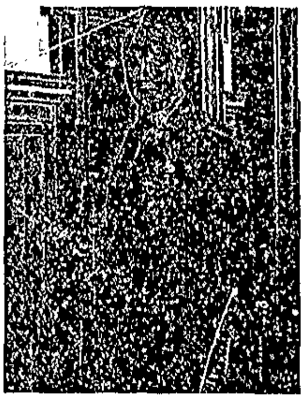
A.C. Shedden, MA, LLB *Age 49*†
Senior Partner of McGrigor Donald, Solicitors. Director of Scottish Financial Enterprise. Chairman of Legal Resources Group. Appointed director in November 1992.

Sir Robert Smith, CBE, MA, LLD, CA *Age 66*†‡
Chairman of the Alliance Trust. Director of Bank of Scotland, Edinburgh Investment Trust, Sidlaw Group and of other companies. Appointed director in June 1975; Chairman 1982-88.

B.J. Stewart, MSc, CA *Age 49*
Group Chief Executive of Scottish & Newcastle plc. Director of Booker plc. Appointed director in April 1993.



J. Stretton, BA, FFA *Age 50**
Chief Executive, UK Operations of the Company. Joined Standard Life in 1965. General Manager (Operations) from 1984 to 1988. Appointed director in April 1988.



D.G. Sutherland, CA *Age 54*†
Partner in Ernst & Young. Appointed director in August 1990.

J.F.H. Trott, BA *Age 56*
Executive Vice President, Bessemer Trust Company NA. Director of Brunner Investment Trust Ltd. Appointed director in January 1974.

J.B. Zaozirny, QC *Age 46*
Counsel, McCarthy Tétrault, Barristers and Solicitors (Canada). Former Minister of Energy and Natural Resources in the Government of Alberta. Appointed director in September 1991.

**Executive Director*
†Member of the Audit Committee
‡Member of the Remuneration and Appointments Committee

Chairman's Statement

The last year has seen wide differences in performance between the various markets in which we invest and continued change in our patterns of new business.

In the United Kingdom, though economic recovery has been slow and sporadic, both equities and fixed interest investments have given excellent returns over the year. Although Canadian equities and bonds also performed well, the property market in Canada remained severely depressed, affecting both our direct property portfolio and our commercial mortgages.

Taking everything together, our investment results have been highly satisfactory and the variation between the performances of individual investment markets highlights the great advantage of a prudent geographic spread in the disposition of policyholders' assets.

The new business trend of 1992 in the UK away from regular premium products and towards single premiums has continued again in 1993. It is not clear whether economic recovery will increase confidence among our customers in a way which will encourage them to move back towards regular premiums. However Standard Life has shown itself able to respond to changing trends and the growth in total new premium income to some £2.8bn is a very creditable achievement.

Our long term strategy – to develop our business in only those markets in which we are able to operate profitably for the benefit of our policyholders – was carried forward during the year with the acquisition of Prosperity SA in Spain and of the business of Sovereign Life in Canada. We will continue to look for opportunities which fulfil our demanding criteria.

Staff

I would like to add my thanks to those of the Group Managing Director to our staff for the part they played in achieving another year of progress for the Company. Our business is complex and ever-changing and this places great demands on them. Their response to these demands has again been outstanding.

In June our President, Canadian Operations, Alastair Fernie, retired after almost 37 years with the Company. He takes with him our very best wishes. He was appointed President in 1980 and during his period in that office our business grew very considerably. We will miss his experience of the industry and his knowledge of the Canadian market. We welcome Claude Garcia as his successor and wish him well in his challenging new role.

It is also a pleasure to welcome Tomás Soler as General Manager of our newly acquired Spanish operation.

Board

This year sees the retirement from the Board of three non-executive directors, each of whom has contributed greatly to the Company's activities.

Colin Crole retired on 31 December 1993 after more than 25 years' service as a director. He has played a part in the significant development of the Company over that period, especially in the investment field, and takes our thanks with him on his retirement.

At the conclusion of the Annual General Meeting we will also lose the services of Sir Lawrence Airey and Sir Robert Smith.

Sir Lawrence was appointed a director in 1987 following a distinguished career in the Civil Service. He has served as Deputy Chairman since 1988, and in that role has provided me with excellent and wise support. We are grateful to him for his very considerable contribution.

Sir Robert joined the Board in 1975 and has given the Company outstanding service. He was Deputy Chairman from 1980 to 1982 and Chairman from 1982 to 1988. He has been Chairman of our Audit Committee since its inception. In all those roles he has worked tirelessly and with distinction on behalf of Standard Life and we are much in his debt.

Future

Each year in my statement I have commented on the uncertainties which affect our business environment. This year these are as great as ever.

It is, however, the uncertainties of life which give rise to the needs of so many customers for our services and it is only companies like Standard Life, possessing both great financial strength and skilled staff, which can be expected reliably to meet those needs. We therefore face the uncertainties of the future with great confidence.

Norman Lessels

Norman Lessels

Chairman

Executive

Group Managing Director	A.S. Bell, FFA, FPMI
Chief Executive, *UK Operations*	J. Stretton, BA, FFA
Group Finance Director	I.C. Lumsden, MA, FFA
IS Development Manager	S.P.A. Shearer, BSc, FFA
IS Operations Manager	D.G. Manson, MA
Group Chief Accountant	N.S. Ross, CA
Financial Control Manager	A.C. Hay, MA, FFA
Chief Accounts Manager	D.C. Bentley, BAcc, CA
Group Actuary	R.W. King, BSc, FIA
Director and General Manager *Sales*	T.R. King, BL
Assistant General Manager *New Business Administration*	J.B. Simpson, FFA
Assistant General Manager *IFA Sales*	N.A. Arthur, ACII
Assistant General Manager *Direct Sales*	D.J. Stewart
National Sales Manager *Direct Sales*	R.M. Kennedy, TD, FCII, FLIA
General Manager *Investment & Development*	A.M. Crombie, FFA
Chief Investment Manager	R.A. Barfield, BSc, FFA
Property Investment Manager	A.P. Watt, FRICS
Senior Investment Managers	K.G. Forman, BSc, FFA G.J. Wood, BSc, FFA
General Manager for the Republic of Ireland	A.S. Ashe, BA, BBS, FCMA
General Manager for Spain	T. Soler
Assistant General Manager *Development*	J.K. Thomson, BA
General Manager and Secretary	D.M. Simpson, MA, FFA
Chief Legal Officer	A.S. McLeish, MA, LLB
Joint Secretary	D.D. Fotheringham, FFA
Assistant General Manager *Audit & Compliance*	R.A.S. Carswell, MA, FFA, FIIA
Facilities Manager	D.J. Hood, FFA, FBIFM
General Manager *Customer Service*	A.M. Skinner, MA, FFA, FPMI
Deputy General Manager *Customer Service*	J.R. Gibson, FFA
Assistant General Managers *Customer Service*	A.R. Forbes, BSc, FFA M.D. Campbell, MA B. Higgins, BSc, FFA D.C. Hoskins, BSc, FFA C.F. Stuart, FFA
Manager, Unit Trusts	A.C. Burton, ACII
General Manager *Corporate Development*	D.M. Potter, FCII, FPMI
Assistant General Manager *Corporate Development*	I.G. Williamson, BSc, FFA
General Manager *Personnel*	N.H. McLeod, BSc, FFA
Assistant General Manager *Personnel*	D.A. McLean, MCIBS
General Manager *Marketing*	J.F. Hylands, BSc, FFA
Assistant General Manager *Pensions Marketing*	A.R. Goodman, BSc, FFA
Assistant General Manager *Life Marketing*	A.F. Maxwell, BSc, FFA
President, *Canadian Operations*	C.A. Garcia, FSA, FCIA
Senior Vice-President *Customer Services*	T.H. Golberg, FSA, FCIA
Senior Vice-President *Investments*	P.C. Hill, BESc, MESc, P.Eng
Senior Vice-President *Marketing*	D.A. Lussier, DBA
Senior Vice-President *Information and Technology*	C.J. Martineau, FSA, FCIA
Senior Vice-President *Finance*	N. St-Amour, FSA, FCIA
Chief Medical Officer	A.T. Proudfoot, MB, ChB, FRCP (Ed)
Solicitors	Dundas & Wilson, CS
Auditors	KPMG Peat Marwick

Group Managing Director's Review

THE GROUP

It is gratifying to be able to report that the Group has again enjoyed a year of substantial growth. Total new premiums worldwide increased by 15% to £2.8bn, with assets under management increasing by nearly £8bn to over £36bn.

An important development over the year was our purchase of the Spanish life assurance company, Prosperity SA. We have for some time been investigating opportunities which would enable us to develop the business of the Group within the European Union. In June 1993 we took the first step along this path when we bought Prosperity SA, and I look forward to the development of our newly acquired subsidiary.

Whilst it is always our aim to grow and develop our business profitably, our prime responsibility is to ensure that our existing customers are fully satisfied with both the returns on their contracts with us and the service we provide to them. This objective remains central to the way in which we manage our business.

We recently announced changes in our Group management structure to enable us to align ourselves more directly with the principal markets we serve, and, within each market, the customer needs we seek to meet. The list on page 6 sets out the responsibilities under this new structure.

Bonuses

A detailed description of our bonus declaration is given on pages 26 and 27.

Since the beginning of the year interest rates and inflation have fallen further in all the countries in which we operate, and with them our expectations of future investment returns. I said in my Review last year that if this were to happen it would be necessary for us to reduce our rates of reversionary bonus and bonus growth for unitised with profit funds. This year we have decided, therefore, to declare reduced reversionary bonus and bonus growth rates for most classes of business in the UK, Canada and the Republic of Ireland.

Even after the reductions our with profit growth rates will compare extremely favourably with bank and building society deposit rates. In the UK, for example, we will be adding 8.5% before tax, and 7% after tax, to the benefits attaching to a typical policy, with the potential for some terminal bonus in addition. Our with profit policies continue to be highly attractive investments.

Terminal bonuses recognise the difference between the amounts we have guaranteed to pay, and the amounts actually earned. This year's favourable returns from most investment markets have enabled us to maintain our maturity payouts for longer-term policies, and to keep the reductions in those for shorter-term policies to modest levels.

It may be asked why, in a year when the returns on our UK with profit funds averaged more than 20%, we have not generally increased our payouts. I would make two points.

The first is that we try to protect our policyholders from major fluctuations in asset values. This is the unique advantage of a with profit policy, and has been of particular value to our policyholders in the volatile conditions of recent years. It does, however, mean that we must smooth out upward fluctuations in asset values as well as downward ones since clearly we cannot pay out, on average, more than we earn.

My second point is that our payouts must reflect our earnings over the period a policy has been in force. A policy maturing this year has benefited from our recent good investment performance, but when compared to one maturing last year has been less exposed to the outstanding investment returns experienced in the late 1970s and most of the 1980s. Recent reductions in payouts have been necessary simply in order to reflect the lower average returns of recent years. If future investment returns are at relatively modest levels, as we expect, further reductions in payouts will be necessary but we remain confident that our policies will continue to provide returns which are consistently amongst the very best available.

Staff

I am again indebted to our staff in each of the countries in which we operate for their wholehearted support and commitment over the year. I believe that the Group has been successful in much of what it set out to achieve over the year. This is very much due to the enthusiastic and energetic way in which our staff, in whatever capacity they are employed, have responded to challenges and opportunities. I again thank them all most warmly.

I referred last year to the need for our staff to be fully aware of what we are seeking to achieve. To this end, and also to provide improved opportunities for staff to meet and discuss our plans and progress with senior managers, we have implemented a formal Internal Communications Programme throughout the UK and the Republic of Ireland, and plan to extend its application to other parts of the Group in the near future.

Our training and development programmes continue to evolve in support of our business needs. During 1994, the great majority of our staff will undergo training specifically designed to increase focus on customer service.


Protection

Two years ago we underlined our commitment to staff development by seeking to meet the Government-sponsored 'Investors in People' standard. I am delighted to be able to report that, in February of this year, we were acknowledged as having met the necessary standards for this award, becoming the first major life assurance company in the UK to have done so.

Our Community Involvement Programme in the UK has had a very successful first year of operation, with eight secondees having taken part in projects in the community. We have also seen the establishment of several volunteering groups within the Company. We believe that programmes of this type are the most effective means of supporting the community.

Europe

During the course of next year it will become possible for citizens of most other EU member states to effect life insurance contracts with UK companies, and similarly for UK citizens to take out contracts with life companies of other member states. It is nonetheless very doubtful whether a true single market will exist for some time to come.

Different taxation in the various member states still remains a substantial barrier to 'cross-border' trade. At the moment, for example, the basis of life office taxation in the UK is different from that which applies to companies operating in most other member states. We have for some time been concerned that the current life insurance tax regime in the UK poses a serious threat to our ability to compete in Europe. We were therefore pleased by the Chancellor's announcement in September that the regime would be reviewed in the context of the single market. We believe, however, that the timescale imposed may be too short. The issues involved are complex, and a proper solution is too important to be rushed.

Auditors

We have decided not to propose KPMG Peat Marwick for re-election as our auditors this year. The decision follows a dispute with KPMG Peat Marwick Thorne, the firm's Canadian partnership, over a real estate transaction. The matter is currently in the hands of our lawyers but, whatever the legal position, the policy pursued by KPMG Peat Marwick Thorne's partners over the transaction was, in our judgement, incompatible with our retaining a business relationship with them or, much to our regret, with their associates in the UK.

Some months ago we held discussions with a number of major audit firms and as a result we shall propose Price Waterhouse for election as our auditors at the Annual General Meeting this year.

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UNITED KINGDOM

New Business

Total new premium income in the UK increased by 20% to some £2bn.

The market as a whole has experienced a trend away from annual premium business to single premium investment and our results reflect this. This trend indicates that many people still lack confidence in the economy and are reluctant to be tied to regular premium contracts, particularly for the provision of pensions. There was, however, a return of confidence in the stock market during the year and this, along with our consistently good investment record, led to an increase of nearly 150% in sales of our Capital Investment Bonds.

Distribution

During the year we announced that the tied agency agreement between us and the Halifax Building Society will cease early in 1995. This agreement, under which the Halifax sells Standard Life products, began in July 1989 and has been of benefit to the customers of both organisations. Discussions took place during the year on various ways in which we and the Halifax might continue working together in the provision of insurance and investment products. In the event, it did not prove possible to identify a form of joint involvement which enabled the Halifax to meet its long-term objectives and at the same time allowed us to develop fully our business through other distribution channels. Any meaningful form of joint involvement would have required, on our part, a significant diversion of the various resources available to us and we concluded that the retention of direct control of these resources was essential for the long-term and profitable development of the Group. Both companies therefore decided that the interests of their respective customers would be best served by our taking separate paths on the cessation of the existing tied relationship.

Looking to the future, our aim is to build a distribution system which is both robust and broadly-based. We remain very committed to the Independent Financial Adviser market and indeed some 65% of our business last year was derived from this source. We have in recent years made good progress in building up our Customer Service Consultant (CSC) and Appointed Representative channels but have now decided to develop our CSCs, of whom we have some 350, into a much larger direct sales team. The creation over the next few years of a major direct sales force will bring considerably greater balance to our distribution capability and will allow us to develop our business further in a manner, and at a pace, of our own choosing.

[illegible] of Company pension schemes. The National Trust for Scotland has a Final Salary scheme which has been with Standard Life since 1971. Nigel Fairhead, Director of Finance and Trustee, and David Hutcheson, Secretary to the Trustees, pictured at the National Trust for Scotland's Georgian House in Edinburgh, are in regular contact with Standard Life to ensure the smooth operation of their pension scheme.

Mr Hutcheson said: "The pensions of 300 [illegible] of our staff plus about 200 past [illegible] of staff are in the hands of [illegible]. The Trust enjoys an amicable [illegible] with Standard Life and a [illegible] operation has been forged [illegible] basis."

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Regulation

Standard Life has consistently supported firm and effective regulation of the sales of investment products. We believe that the creation of a single regulator to cover the sales of life assurance, unit trust and friendly society products could be a significant step towards that end. It is, though, essential that the new regulatory body should be soundly constituted and properly accountable. Changes to our regulatory regime are expensive and contribute to uncertainty amongst customers so the new structure must be both durable and worthy of trust.

Service

In recent years I have referred to our commitment to improving the quality of service which we provide to our customers. To do this we must continuously strive to increase our focus on customers by assessing, and then ensuring that we meet, their requirements. I believe that we have made further progress over the year in this but recognise that much still needs to be done before we can claim to be meeting fully our customers' needs. We have therefore recently undertaken a detailed review, involving both research with policyholders and intermediaries and discussions with many members of our staff, to help us determine more clearly the further improvements which we must make.

Our plan, to which I referred last year, to re-organise structurally the way in which we deliver service to new and existing policyholders was successfully implemented over the year. New business is now being processed in our Area Offices with existing business service provided mainly by Head Office. These arrangements have both shortened lines of communication and increased accountability, and as a result are already facilitating a faster and better service to our customers.

Investment

The main feature of the investment markets around the world during the year was the decline of short term interest rates. This was a direct consequence of slow economic growth and much lower levels of inflation and led to lower long-term interest rates and to a rise in equity markets world-wide.

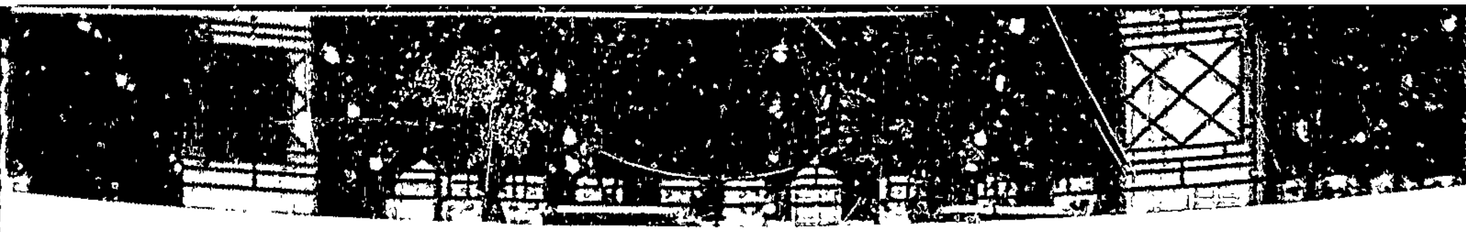
In the UK, economic recovery has been patchy. There were concerns during the summer that weakness in European economies could threaten recovery in the UK, and these were compounded by the size of the Government's funding requirement. Market sentiment improved in the second half of the year as German interest rates were cut. Investors' confidence was increased by lower UK interest rates and increasing company profits and dividends.

Overseas the US economy continued to expand and corporate profits grew correspondingly. In Europe, on the other hand, corporate profitability has been low. Japanese economic growth and corporate profits have both been very disappointing and in spite of several Government spending packages the equity market has performed poorly, and significantly worse than other world markets. The smaller Far Eastern markets were particularly strong during the year as higher economic growth was increasingly recognised by the world's major investors, particularly those in the United States where low short-term interest rates led to a search for value elsewhere.

One market which lagged for most of the year was the UK commercial property market. However, although the letting market remained very depressed, investor demand grew significantly in the second half of the year as returns available from other forms of assets declined. There was also strong overseas demand for good quality property investments.

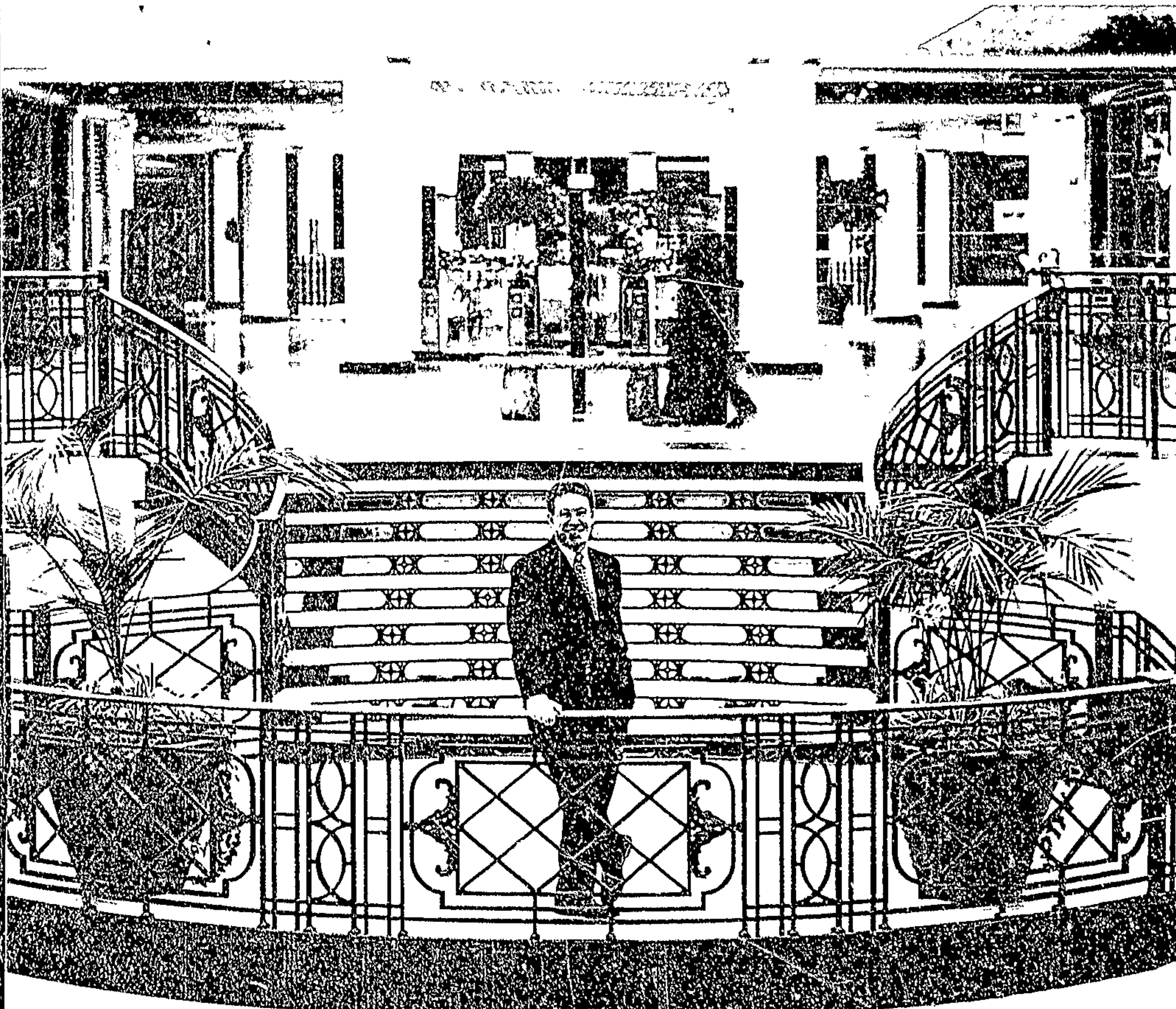
During the year most of the new money available to us was invested in fixed interest securities as we sought to increase modestly the proportion of our with profit funds held in that asset class. Around 90% of these funds are invested in equity-type assets which we continue to believe will provide our policyholders with the best long-term rates of return.

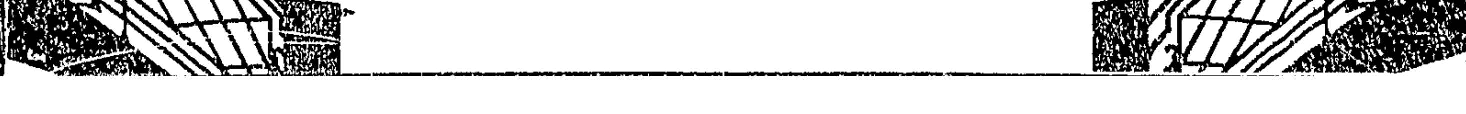
Until three or four years ago we concentrated our new property investments on developments but there have been attractive opportunities over the last eighteen months to acquire completed investments fully let to good tenants. Sutton's Business Park in Reading was purchased early in the year. After the year end we were able to conclude several other major transactions including the Ashley Shopping Centre in Epsom, the Blackburn Shopping Centre and the offices at 3 St. James's Square, London. We believe that these will all prove good long-term investments for our policyholders.



Standard Life has invested in a wide range of business, office, industrial and retail property. One of our major retail investments is Whiteleys of Bayswater. The 90-year-old building in central London had been a large department store until it was developed into a prestigious 80 unit shopping centre and re-opened in 1989.

Alex Brick, who – together with his brother Brian owns a chain of menswear shops which has branches throughout England, was one of our first tenants at Whiteleys. He said; "I rent two shop units from Standard Life – one here at Whiteleys and another at a shopping centre in Wimbledon. Both properties are top quality which makes it easier for me to attract and retain custom".





CANADA

Market conditions in Canada were difficult in 1993, with high unemployment, stagnant disposable incomes and falling interest rates having an adverse effect on our business. The continued recession in commercial real estate led to record high vacancy rates and dramatic reductions in rental levels throughout Canada's major centres. Moreover, the restructuring of the Canadian financial services industry continued unabated, with fierce competition and very demanding customers.

In this environment, although we did not meet all of our objectives, preliminary data show that we have maintained and even increased our market share relative to other life offices in most of our lines of business. A major contributor to this achievement was our very high retention rate of existing business.

New Business

Total new premium income amounted to $1.3bn. We experienced a fall in demand for our Individual Annuity and Savings products, with new premiums declining to $749m. This was, however, more than offset by an increase in Group Pension sales, with new premiums rising by some 60%. The Group Life and Health portfolio again exhibited good growth, with total premiums increasing to $144m. We enjoyed further success with our individual life products and again increased our market share.

Sovereign Life

One of the highlights of the year was the acquisition of the business of Sovereign Life. While the integration process is still continuing, the addition of the Sovereign sales force and policies has given us increased exposure in markets where we had been less visible. Our purchase also underlined our commitment to the individual life market. We believe that other similar opportunities may present themselves as the restructuring of the life industry in Canada continues.

Investment

Although our large mortgage portfolio, comprising principally commercial mortgages, weathered the downturn in property values exceptionally well during the two previous years, our experience in 1993 was similar to that of other significant Canadian mortgage lenders.

We believe the real estate market has reached a cyclical low in Canada and there are some signs of firming in demand for retail and industrial space. The supply of office space, however, still considerably exceeds demand, especially in the Toronto area.

Financial markets, both bonds and equities, performed well over the year, with the former producing a return over 15% and the latter over 30%.

REPUBLIC OF IRELAND

The Irish life assurance market has continued to be difficult. High interest rates and turmoil in the currency markets caused uncertainty in the early part of the year and economic recovery since then has been slow.

A Government initiative to encourage savings through special cash deposit accounts enjoying a favourable tax regime tilted the playing field against our products. Subsequent concessions by the Government towards life assurance products fell short of restoring balance between competing savings vehicles.

As was the case in the UK, there has been much adverse media comment on endowment mortgages. To add balance to the debate on the suitability of this method of funding house purchase transactions, we mounted an extensive communications campaign in a series of radio broadcasts, press articles and seminars. Our efforts were followed by a similar exercise organised by the Irish Insurance Federation to answer criticism of the product. Despite these initiatives, demand for endowment mortgages has been very weak throughout the year.

New Business

Because of lack of confidence amongst investors, and in spite of very buoyant stock markets, sales of life assurance policies were generally depressed. There was, however, strong demand for our pensions products. Competition from products which we have chosen not to offer, such as With Profit Bonds, caused sales of our single premium bonds to suffer.

Overall, annual premium business fell by 6%, while single premium business decreased by 4%. In all the circumstances, this is a creditable performance. We look forward to business gains in 1994 as new products become available and we begin to benefit from being more able to respond fully to market conditions and requirements.

Transfer of Responsibility

I referred last year to our decision to transfer a number of important administrative functions to the Republic of Ireland. This process has continued and is now nearly complete. Early in 1993, we took the further step of giving our management team in Dublin full responsibility for almost all aspects of our business in the Republic in order to allow it fully to meet the specific needs of our customers in that country.

SPAIN

I referred earlier in the Review to our purchase of Prosperity SA. The company is based in Barcelona and has branches in 21 locations throughout Spain. It began trading in 1990 and, although it is still very small, we believe that it will in time grow to become an important part of the Group.

We will trade in Spain under the name Prosperity for some time to come, in order to capitalise on the fact that even after a comparatively short period the name has become well known. Our principal focus in the initial period of our ownership has been to inform the market of the size and strength of Prosperity's new owner. Prosperity's business had suffered in the first half of the year from the adverse publicity surrounding the financial difficulties of its former parent. We took it both as a sign that the market had welcomed us and as confirmation that we had acquired an excellent organisation when Prosperity in November won a major brokers' award.

In 1994 and beyond, we will bring more products to the Spanish market and expand our network of branches and agents. With the natural growth in the market and the quality of our products and of our management and staff, I look forward with confidence to the future of this part of the Group.

A. S. Bell

A.S. Bell
Group Managing Director

Report by the Directors

Directors' Report for the year ended 15 November 1993 to be presented to the 168th Annual General Meeting to be held at 3 George Street, Edinburgh, on 26 April 1994 at 2.30 pm.

Principal activities and business review

The Group transacts life assurance, annuity, disability and capital redemption business. Management services for pension funds are provided in the UK by Standard Life Pension Funds Limited and in Canada by Standard Life Portfolio Management Limited. Standard Life Trust Management Limited acts as manager for a range of authorised unit trusts.

The operations of the Group are described in the Chairman's Statement and the Group Managing Director's Review.

New business

During the year the Group issued 500,670 insurance contracts for the following amounts (after deduction of reinsurances):

	Annual premium £m	Single premium £m
United Kingdom		
Assurances – non-linked	90.8	0.1
Assurances – linked	17.9	462.0
Annuities – non-linked	–	323.2
Pensions – non-linked	56.5	873.6
Pensions – linked	28.4	219.0
General business	0.1	1.3
Total	193.7	1,879.2
Other European		
Assurances – non-linked	7.0	4.1
Assurances – linked	1.0	7.3
Annuities – non-linked	0.7	0.8
Annuities – linked	0.1	–
Total	8.8	12.2
Canada		
Assurances – non-linked	3.9	1.3
Annuities – non-linked	9.7	568.3
Annuities – linked	–	76.2
General business	9.1	–
Total	22.7	645.8
Grand Total	225.2	2,537.2

In addition, 763 unit trust contracts were issued for amounts totalling £5.1m (exclusive of intra-group investments), and guaranteed deposits were received for amounts totalling £41.0m.

Investment income

Investment income before taxation as stated in the Group Revenue Account was £1,744.7m.

Assets

The net assets, as stated in the Group Balance Sheet, before deduction of the investment reserve, amounted to £34,957.4m. In addition, the Group managed the investment of assets of £1,403.3m on behalf of pension funds, unit trust holders and other investors. Total assets under management by the Group amounted to £36,360.7m.

Employees and their remuneration

The average number of persons employed in the UK by the Company and its subsidiaries was 6,149 with aggregate remuneration of £118.5m.

The Company is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, sex, marital status or disablement. The Company will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate.

Employee involvement

The Company keeps staff informed of progress and policies through line management channels, training courses, conferences and an Internal Communication Programme, which covers various house publications and briefing seminars with staff. In addition, staff representatives are elected to a number of Area Consultative Committees and to the National Consultative Committee which meet twice a year with management (four times a year with effect from 1994) to discuss formally matters of general staff concern. Minutes of these meetings are made available to staff.

Since the Company is mutual, there is no employees' share scheme.

Charitable and other donations

The Company supports charitable and other appropriate bodies through its Community Involvement Programme. Additionally, cash donations to charities in the UK amounted to £2,000. No contributions were made for political purposes.

Use of voting rights

As an institutional investor the Company has a policy of always voting on resolutions at General Meetings of UK companies. If the Company intends to vote against such resolutions this will be made known to the company concerned beforehand.

Directors

The directors at the date of this Report are shown on pages 2 and 3. In addition to those directors, Mr C.A. Crole served as a director throughout the year and subsequently retired on 31 December 1993. Sir Lawrence Airey and Sir Robert Smith retire from the Board of Directors at the conclusion of the Annual General Meeting on 26 April 1994. The directors who retire by rotation are Messrs Ball and Lumsden and Madame Drouin and their re-election will be proposed.

No director has a service contract with the Company.

Corporate governance

The directors consider that the Company complies with the recommendations contained in the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance, except for those items where further guidance is still to be provided. The auditors have confirmed to the directors that this statement appropriately reflects the Company's compliance in respect of the paragraphs of the Code specified for their review.

Auditors

Under the provisions of The Standard Life Assurance Company Act 1991, the appointment of Price Waterhouse as auditors in place of KPMG Peat Marwick will be proposed at the Annual General Meeting. Authority will be sought for the directors to fix the remuneration of the auditors for the year to 15 November 1994.

Actuarial investigation

An extract of the Declaration of Bonuses by the directors is appended. A statement by the Appointed Actuary giving details of the annual Actuarial Investigation into the affairs of the Company appears on page 39.

On behalf of the Board of Directors
D.M. Simpson *Secretary*
Edinburgh, 22 February 1994

Declaration of Bonuses

Reversionary Bonuses

For policies on the Company's books as at 1 February 1994, other than any such policies on the Company's Canadian books, issued under reversionary bonus plans and on which all premiums due have been paid, the directors have declared reversionary bonuses at the rates shown below for the year which ended on 15 November 1993.

For policies on the Company's Canadian books at their respective anniversaries in the year beginning 1 April 1994, issued under reversionary bonus plans and on which all premiums due have been paid, the directors have declared reversionary bonuses at the rates shown below for the year ending on the said anniversaries.

Country of issue and bonus series	Rate per cent per annum calculated on sum assured	Rate per cent per annum calculated on attaching reversionary bonus
United Kingdom		
Ordinary reversionary bonus series	4.25	5.50
Executive Pension Plan and Personal Pension Policy series	5.25	5.25
Republic of Ireland		
Ordinary reversionary bonus series	4.25	5.50
Penplan and Personal Pension Policy series	5.25	5.25
Canada		
Premier series	3.60	3.60
Canadian series	2.00	2.00

Until further notice intermediate bonuses will be payable in respect of the UK ordinary reversionary bonus series at 3.50% per annum calculated on sum assured and 4.75% per annum calculated on attaching reversionary bonus, in respect of the Republic of Ireland ordinary reversionary bonus series at 3.75% per annum calculated on sum assured and 5.00% per annum calculated on attaching reversionary bonus, in respect of the UK Executive Pension Plan and Personal Pension Policy series at 4.50% per annum calculated on sum assured and attaching reversionary bonus and in respect of the Republic of Ireland Penplan and Personal Pension Policy series at 4.75% per annum calculated on sum assured and attaching reversionary bonus. Until further notice intermediate bonus in respect of the Canadian Premier series and the Canadian series will be payable at the declared rates. Corresponding bonuses have been declared under other bonus series.

With Profit Funds

Until further notice the bonus growth rates applicable to the With Profit Fund and the Pension With Profit Fund will be 4% per annum and 4.5% per annum, respectively. Corresponding bonuses have been declared in respect of other with profit funds.

Terminal Bonuses

Until further notice terminal bonuses will be payable in respect of policies issued under the ordinary reversionary bonus series in the UK or the Republic of Ireland which become claims by death or maturity on or after 1 February 1994, and in respect of policies issued in Canada under all reversionary bonus series which become claims by death or maturity on or after the policy anniversary first following 1 April 1994. These bonuses will be subject to all premiums due in terms of the original contracts having been paid. Policies issued in lieu of any contract for which a proposal was made to a branch of the Company outside the UK, the Republic of Ireland or Canada will not qualify for these bonuses.

The rates of bonus will vary both with the number of premiums paid and the country of issue. They will be expressed as percentages of the sum assured and reversionary bonus attaching as at the date of claim and will range from 5% to 270% in the UK, from 5% to 275% in the Republic of Ireland and from 1.8% to 63% in Canada.

Until further notice terminal bonuses will be payable under Personal Pension Plans and Castle Series policies linked to units of the Pension With Profit Fund which become claims on or after 1 February 1994. These bonuses will be calculated as percentages of the growth in value of the units cancelled. The rates of bonus will vary from 10% for units purchased in the year which ended on 15 November 1989 to 65% for units purchased in the year which ended on 15 November 1983.

Group Cash Bonuses

In respect of group pension policies issued in Canada, bonuses have been declared varying with the duration of the contract and the experience.

Cost of Bonuses

These bonuses absorb the sum of £959.3m.

Group Revenue Account

Group Revenue Account for the year ended 15 November 1993

	Note	1993 £m	1992 £m
Income			
Premiums	2	4,491.5	3,867.9
Investment income	3	1,744.7	1,611.9
		6,236.2	5,479.8
Expenditure			
Payments to policyholders	4		
Claims by death		171.0	150.3
Claims by maturity		475.1	387.1
Surrenders		719.7	653.0
Returns under pension schemes		364.6	332.5
Bonuses in cash		16.9	36.9
Annuities		630.9	522.9
		2,378.2	2,082.7
Commission		221.0	218.0
Expenses of management	5	286.3	261.8
Taxation	6	148.9	43.1
		3,034.4	2,605.6
Excess of Income over Expenditure		3,201.8	2,874.2
Movement in Funds			
Funds at beginning of year		23,383.5	19,679.6
Adjustment for alteration in rates of exchange		(130.5)	206.7
		23,253.0	19,886.3
Excess of income over expenditure		3,201.8	2,874.2
Change in value of linked investments		829.1	123.0
Transferred from investment reserve		1,355.0	500.0
Funds at end of year		28,638.9	23,383.5

The Accounting Policies on pages 31 and 32 and the Notes on pages 33 to 37 are an integral part of these accounts.

Group Balance Sheet

Group Balance Sheet on 15 November 1993

	Note	£m	1993 £m	£m	1992 £m
Funds					
Life Assurance and Annuity Fund			23,446.0		*19,661.3*
Canadian Segregated Funds	7		325.8		*229.4*
Standard Life Pension Funds Limited			68.1		*52.8*
Standard Life Investment Funds Limited			4,799.0		*3,440.0*
			28,638.9		*23,383.5*
Represented by:					
Investments					
Securities issued or guaranteed by a government or public authority			6,694.3		*4,362.3*
Debentures and debenture stocks			2,337.5		*1,900.0*
Preference stocks			75.3		*84.2*
Ordinary stocks	9		19,346.3		*15,135.2*
Properties			2,811.6		*2,692.6*
Mortgages and loans			3,289.3		*2,634.9*
Deposits			741.2		*933.8*
			35,295.5		*27,743.0*
Current Assets					
Investments sold for subsequent settlement		323.7		*93.0*	
Sundry debtors		392.6		*349.7*	
Taxation recoverable		70.6		*61.9*	
Cash in hand and on current account		18.5		*15.1*	
			805.4		*519.7*
			36,100.9		*28,262.7*
Less:					
Current Liabilities					
Investments purchased for subsequent settlement		509.3		*121.8*	
Sundry creditors		408.7		*453.5*	
Taxation		18.3		*11.8*	
Bank loans and overdrafts		24.6		*20.9*	
		960.9		*608.0*	
Other Liabilities					
Mortgages secured on investments	10	18.5		*13.9*	
Deferred taxation		58.3		*24.9*	
Other taxation	11	12.8		*-*	
Guaranteed deposits	12	93.0		*88.3*	
			1,143.5		*735.1*
			34,957.4		*27,527.6*
Less:					
Investment Reserve			6,318.5		*4,144.1*
			28,638.9		*23,383.5*

On behalf of the Board of Directors
Norman Lessels *Director*
Iain Lumsden *Group Finance Director*
Edinburgh, 22 February 1994

The Accounting Policies on pages 31 and 32 and the Notes on pages 33 to 37 are an integral part of these accounts.

Balance Sheet

Balance Sheet on 15 November 1993

	Note	£m	1993 £m	£m	1992 £m
Funds					
Life Assurance and Annuity Fund			23,440.6		*19,661.3*
Canadian Segregated Funds	7		94.7		*51.0*
			23,535.3		*19,712.3*
Represented by:					
Investments					
Securities issued or guaranteed by a government or public authority			6,256.2		*4,030.4*
Debentures and debenture stocks					
Subsidiary undertakings			2.8		*0.3*
Others			2,321.4		*1,871.2*
Preference stocks			72.4		*83.2*
Ordinary stocks					
Subsidiary undertakings	8		54.1		*27.2*
Others	9		15,288.0		*12,316.2*
Properties			2,525.5		*2,421.2*
Mortgages and loans					
Subsidiary undertakings			4.0		*6.5*
Others			3,145.6		*2,519.8*
Deposits			357.9		*679.8*
			30,027.9		*23,955.8*
Current Assets					
Investments sold for subsequent settlement		261.4		*79.5*	
Sundry debtors		360.4		*322.3*	
Taxation recoverable		60.7		*40.8*	
Amounts due by subsidiary undertakings		12.0		*29.2*	
Cash in hand and on current account		15.8		*9.1*	
			710.3		*480.9*
			30,738.2		*24,436.7*
Less:					
Current Liabilities					
Investments purchased for subsequent settlement		415.8		*94.9*	
Sundry creditors		395.6		*442.7*	
Taxation		18.1		*11.7*	
Amounts due to subsidiary undertakings		0.4		*0.2*	
Bank loans and overdrafts		24.1		*20.2*	
		854.0		*569.7*	
Other Liabilities					
Mortgages secured on investments	10	14.3		*9.7*	
Deferred taxation		2.9		*0.9*	
Other taxation	11	12.8		*-*	
			884.0		*580.3*
			29,854.2		*23,856.4*
Less:					
Investment Reserve			6,318.9		*4,144.1*
			23,535.3		*19,712.3*

On behalf of the Board of Directors
Norman Lessels *Director*
Iain Lumsden *Group Finance Director*
Edinburgh, 22 February 1994

Norman Lessels
I Lumsden

The Accounting Policies on pages 31 and 32 and the Notes on pages 33 to 37 are an integral part of these accounts.

Accounting Policies

(a) Disclosure requirements

The accounts have been prepared in accordance with S.255A of and Schedule 9 to the Companies Act 1985. The Group avails itself of certain of the exemptions from the disclosure requirements of the Act applicable to insurance companies. The accounts, therefore, do not comply with applicable accounting standards to the extent that compliance would conflict with such exemptions.

The Company Revenue Account has not been included in accordance with the exemptions provided by S.230 of the Companies Act 1985.

(b) Basis of consolidation

The Group accounts comprise the Revenue Accounts and Balance Sheets of The Standard Life Assurance Company and its principal subsidiary undertakings.

The Revenue Account includes the results of associated undertakings only to the extent of dividends received. The difference between the dividends received and the amounts which would be included on consolidation in accordance with Statement of Standard Accounting Practice No. 1 is not material. The Balance Sheets include the equity share interests in associated undertakings valued in accordance with the provisions of the Insurance Companies Regulations 1981 as outlined below.

(c) Valuation of assets

(i) Assets which are linked to contracts under which the benefits payable are determined by reference to the value of these assets have been valued in accordance with the terms of the relevant contracts.

(ii) Assets other than those referred to in (i) above have been valued in accordance with the provisions of the Insurance Companies Regulations 1981. The bases of valuation used subject to the Regulations are as follows:

Shares in dependent companies, being companies in which the Group holds at least one-third of the voting rights, have been valued on a net assets basis as determined in the Regulations or at directors' valuation if less.

Securities dealt in on a recognised stock exchange, other than shares in dependent companies, have been valued at the middle market quotations ruling on the Balance Sheet date.

Investments in authorised unit trusts have been valued at bid price and are included under Ordinary Stocks in the Balance Sheets.

Unlisted fixed interest investments, under which repayment is or will become due within 12 months of the date of the Balance Sheets, have been valued at the amount expected to be recovered. Loans on security of policies have been valued at par. Other unlisted fixed interest investments have been valued at the amounts which could reasonably be expected to be received if the assets were sold or at directors' valuation if less.

Unlisted equity shares not dealt in on a recognised stock exchange, other than shares in dependent companies, have been valued on a price earnings basis in accordance with the provisions of the Regulations or at directors' valuation if less.

No value has been placed on machinery, office furniture and equipment and motor vehicles.

Properties have been valued on an open market basis by the Company's qualified valuers as at the date of the Balance Sheets. As at 15 November 1993 an independent professional valuation was carried out on approximately 18% in value of the Company's freehold and leasehold properties and the total value disclosed did not differ materially from the value placed on these properties by the Company's own qualified valuers.

Accounting Policies continued

(d) Foreign currency translation

Assets and liabilities in currencies other than sterling are translated at the rates of exchange ruling on the Balance Sheet date. The change in value resulting from the revaluation of the opening funds is shown in the Revenue Account. Transactions of foreign branches are translated at the rates of exchange ruling on the Balance Sheet date. Other foreign currency transactions are translated at the rate of exchange ruling on the date on which the transaction occurred.

(e) Capital expenditure and depreciation

Capital expenditure on machinery, office furniture and equipment and motor vehicles is depreciated on a straight line basis over 2 or 4 years. The depreciation is charged to expenses of management (Note 5 (a)). The residual value is charged against the investment reserve. Although this policy does not conform with Statement of Standard Accounting Practice No. 12 it has been adopted since, in accordance with (c) previous, no value is placed on these assets.

Properties owned and occupied by the Company are treated as investment properties and are included in the Balance Sheets at market value with the market rent being charged to expenses of management. As the amount would be immaterial no charge for depreciation is made.

(f) Investment reserve

Investment reserve includes transfers to and from revenue, realised and unrealised appreciation and depreciation on investments other than linked investments, unamortised capital expenditure, and exchange differences.

(g) Premiums

Premiums receivable are accounted for when due for payment and any premiums for reinsurance ceded in respect thereof are accounted for in the same accounting period. In the Group Revenue Account premiums are shown net of reinsurance (Note 2).

(h) Investment income

Investment income, adjusted by transfers to and from reserves, is shown after deduction of interest payable (Note 3) and includes rental income. Dividends on quoted securities are dealt with on an ex-dividend basis. Interest on fixed interest securities and rental income are dealt with on an accruals basis.

(i) Payments to policyholders

Payments to policyholders are provided for when they become due or when notification is received. In the Group Revenue Account these are shown net of reinsurance (Note 4).

(j) Deferred taxation

Deferred taxation is provided on all material timing differences unless the liability is unlikely to become payable in the foreseeable future and, where appropriate, on unrealised capital gains in the valuation of the investment linked funds.

(k) Pension costs

Pension costs, adjusted for prepayments and accruals where appropriate, are included in expenses of management in such a way as to spread the cost of pensions over the employees' and directors' working lives with the Company (Note 5 (c) and (d)).

Notes on the Accounts

1. Segmental Information

Due to the nature of the Company's business and its mutual status, the directors consider the appropriate segmental analysis to be as follows:

	United Kingdom		Other European		Canada		Total	
	1993	*1992*	1993	*1992*	1993	*1992*	1993	*1992*
	£m	*£m*	£m	*£m*	£m	*£m*	£m	*£m*
Premiums								
Assurances – non-linked	857.6	*864.5*	43.7	*43.1*	79.8	*31.4*	981.1	*939.0*
Assurances – linked	621.0	*266.9*	17.8	*21.9*	–	–	638.8	*288.8*
Annuities – non-linked	323.3	*258.9*	11.9	*7.9*	607.4	*593.6*	942.6	*860.4*
Annuities – linked	–	–	17.0	*12.0*	96.1	*30.0*	113.1	*42.0*
Pensions – non-linked	1,207.0	*1,214.5*	–	–	–	–	1,207.0	*1,214.5*
Pensions – linked	545.3	*463.9*	–	–	–	–	545.3	*463.9*
Permanent health	0.9	*1.8*	2.8	*4.6*	–	–	3.7	*6.4*
General business	1.3	0.7	–	–	58.6	*52.2*	59.9	*52.9*
	3,556.4	*3,071.2*	93.2	*89.5*	841.9	*707.2*	4,491.5	*3,867.9*

2. Premiums

Premiums of £4,491.5m (£3,867.9m) are net of reinsurance premiums ceded of £337.9m (£8.5m) and exclude transfer values reapplied.

3. Investment Income

Investment income is net of interest payable as follows:

	1993	*1992*
	£m	*£m*
On bank overdrafts	9.1	*10.0*
On loans wholly repayable within 5 years	7.5	*5.9*
On other loans	1.3	*1.4*
	17.9	*17.3*

4. Payments to Policyholders

Payments to policyholders of £2,378.2m (£2,082.7m) are net of reinsurance of £27.9m (£19.0m).

Notes on the Accounts continued

5. Expenses of Management

Expenses of management are net of management fees received and include:
(a) Depreciation of £18.6m (£20.1m).

(b) Auditors' remuneration in relation to audit services of the Group £568,514 (£549,566) and of the Company £432,465 (£414,421).

Remuneration to auditors of the parent Company in respect of non-audit services to the Company of £130,705 (£31,405) and in respect of non-audit services to UK subsidiaries of £16,850 (£8,234).

The above amounts do not include remuneration in respect of audit services payable by unit trusts managed by a subsidiary undertaking.

(c) Directors' remuneration
The remuneration of the directors was as follows:

		1993	*1992*
For services as directors	fees	£225,683	*£188,496*
	pension contributions	29,124	*21,120*
For management services	remuneration excluding bonuses	717,369	*568,323*
	performance related bonuses	113,980	*90,950*
	pension contributions	83,302	*69,893*
		£1,169,458	*£938,782*

The remuneration of each executive director is determined by the Board, after taking advice from the Remuneration and Appointments Committee. The remuneration includes a salary with pension entitlement and a bonus award based on an appraisal of corporate and individual performance. The bonus figures shown above were earned in respect of the stated year's performance.

No bonuses are payable to non-executive directors including the Chairman and Deputy Chairman.

Executive directors are members of the Staff Pension Scheme which provides pensions on a final salary basis. Certain of the UK non-executive directors are members of the Retirement Benefits Scheme for Directors which provides pensions based on final remuneration. A similar pension entitlement is provided to the Canadian non-executive directors on an unfunded basis. The pension contributions reflect the overall funding rate for each scheme applied to the respective pensionable remuneration.

The remuneration, excluding pension contributions, of the Chairman was £42,750 (£36,000). The remuneration, excluding pension contributions, of the highest paid director was £285,862 (£273,128) including a performance related bonus of £39,270 (£37,400). In addition, pension contributions in respect of the Chairman of £8,187 (£6,552) and of the highest paid director of £33,243 (£31,660) were made to the appropriate schemes.

The number of directors whose remuneration, excluding pension contributions, fell within the ranges stated below was as follows:

	1993	*1992*
£5,001 to £10,000	1	–
£10,001 to £15,000	7	*8*
£15,001 to £20,000	4	*2*
£20,001 to £25,000	1	*1*
£35,001 to £40,000	–	*1*
£40,001 to £45,000	1	–
£140,001 to £145,000	1	–
£170,001 to £175,000	–	*1*
£180,001 to £185,000	1	–
£210,001 to £215,000	–	*1*
£220,001 to £225,000	1	–
£270,001 to £275,000	–	*1*
£285,001 to £290,000	1	–

(d) Pension costs

The Group operates pension schemes for its employees providing benefits based on final pensionable pay. The contributions to the schemes are determined by the Company's actuaries using the projected unit credit method and are charged to the Revenue Account so as to spread the cost of pensions over the expected duration of the employees' remaining service lives with the Company. The valuations on which the 1993 charge to Revenue was based were as at 15 November 1991 for UK and Republic of Ireland and as at 15 November 1992 for Canada. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in earnings and pensions. For the purpose of the valuations it was assumed that the investment return would exceed the rate of increase in earnings by 1% per annum in the UK and Republic of Ireland and 1.5% per annum in Canada and would exceed the rate at which present and future pensions would increase by 4% per annum in the UK and Republic of Ireland and 5.5% per annum in Canada. The total contribution charged for the year was £15.9m (£15.9m) of which £3.9m (£4.7m) related to the Canadian Scheme and £83,302 (£69,893) related to the contribution in respect of executive directors. In addition a provision of £11.9m (£11.2m) is included in sundry creditors in respect of benefits not funded within the Canadian Scheme.

The main schemes operate as follows:

United Kingdom and Republic of Ireland

The scheme is valued on a triennial basis with the most recent valuation at 15 November 1991. On that date, the market value of the assets held in a separate trustee administered fund was £219.6m. The actuarial value of the scheme's assets represented 121% of the benefits which had accrued to members, after allowing for expected future increases in earnings and pensions. The actuary recommended future contributions of 12.3% of total pensionable pay, after allowing for a reduction of 4.6% to eliminate the surplus over the average remaining service lives of the scheme members. During the year, a segregated Republic of Ireland Staff Pension Fund was set up to provide separate benefits for Irish employees. Assets totalling £9.5m were transferred to fund that scheme.

Canada

The scheme is valued on an annual basis with the most recent valuation at 15 November 1992. On that date, the market value of the assets held in a separate trustee administered fund was £32.4m. The actuarial value of the scheme's assets represented 108.7% of the benefits which had accrued to members, after allowing for expected future increases in earnings and pensions. The actuary recommended future contributions of 8.1% of total pensionable pay.

6. Taxation

Provision has been made for the estimated liability in respect of UK corporation tax and income tax and foreign taxes due for accounting periods up to 15 November 1993 on the bases appropriate to the business of the Group as follows:

	1993 £m	*1992 £m*
UK corporation tax	50.1	*34.6*
Less: Double taxation relief	16.7	*5.7*
	33.4	*28.9*
Tax relating to franked investment income	34.6	*31.8*
Foreign taxes	43.1	*22.8*
Deferred tax	33.5	*2.7*
	144.6	*86.2*
Adjustments for earlier years	4.3	*(43.1)*
	148.9	*43.1*

Notes on the Accounts continued

Provision has not been made for the additional tax amounting to £752.0m (£351.0m) for the Group and £716.0m (£335.0m) for the Company, which would have been payable had all assets been realised at the values at which they are shown in the accounts.

7. Canadian Segregated Funds

The Canadian Segregated Funds comprise deposits made by policyholders in separate funds in terms of certain contracts of assurance issued by the Company and a subsidiary undertaking. The funds are invested in accordance with the terms of the contracts and all income, gains and losses accrue to the individual funds. The assets of these funds, which are available only to meet the liabilities arising under these particular contracts of assurance, have been included under the relevant headings in the Balance Sheets. The Group Revenue Account incorporates the income, expenditure and the change in value of the investments of these linked funds.

8. Subsidiary Undertakings

The following are particulars of the Company's main subsidiaries which are wholly owned:

Name	Country of registration or incorporation	Share class	Year end	Nature of business
Standard Life Pension Funds Limited	Scotland	Limited by Guarantee	15 Nov	Life assurance
Standard Life Investment Funds Limited	Scotland	Ordinary Shares	15 Nov	Life assurance
Standard Life Trustee Company Limited	Scotland	Ordinary Shares	15 Nov	Trustee services
Standard Life Trust Management Limited	Scotland	Ordinary Shares	15 Nov	Unit trust management
Bonaventure Trust Incorporated	Canada	Class 'A' Shares	31 Oct	Financial services
The Standard Life Assurance Company of Canada	Canada	Class 'A' Shares	31 Oct	Life assurance
Standard Life Portfolio Management Limited	Canada	Common Shares	31 Dec	Investment management
Prosperity SA de Seguros y Reaseguros	Spain	Ordinary Shares	31 Dec	Life assurance

The above subsidiaries, with the exception of Standard Life Pension Funds Limited, have an issued share capital consisting of one class only. Standard Life Pension Funds Limited is limited by guarantee. To meet local conditions certain overseas subsidiaries have different financial year ends.

9. Ordinary Stocks – Associated Undertakings and Significant Shareholdings

At 15 November 1993 the Company held shares of one-tenth or more in nominal value of the allotted shares of at least one class of the equity capital of a number of undertakings, but to provide details of all of them would result in particulars of excessive length. Those holdings which principally affect the amount of the revenue or assets of the Company are as follows:

Name	Country of registration or incorporation	Share class and proportion held		Nature of business
Bank of Scotland	Scotland	Ordinary Stock	32.8%	Banking
Halifax Standard Life (Holdings) Limited	Scotland	Ordinary Shares	50.0%	Financial services
D.O.B. Estate Limited	England	Ordinary Shares	34.8%	Property development
The Hammerson Property Investment and Development Corporation plc	England	'A' Ordinary Stock	21.3%	Property investment
		Ordinary Stock	31.3%	
First Phase Civic Square Limited	Canada	Common Shares	37.0%	Property investment
Monarch Development Corporation	Canada	Common Shares	25.6%	Property investment

10. Mortgages Secured on Investments

Mortgages secured on property owned by both the Group totalling £18.5m (£13.9m) and by the Company £14.3m (£9.7m) are repayable at various dates up to 2012 and bear interest at rates varying between 6.0% and 12.4% per annum.

11. Other Taxation

Other taxation comprises taxation payable at various dates between 1995 and 2000.

12. Guaranteed Deposits

Guaranteed deposits placed with a subsidiary undertaking are repayable at various dates up to 1998. The subsidiary undertaking holds assets to meet these deposits.

13. Overseas Deposits and Charged Assets

Certain of the assets are specifically deposited under Canadian legislation as security to holders of policies issued in that country. Securities valued at £3.2m (£4.0m) were pledged as collateral for investment transactions.

14. Capital Expenditure

Capital expenditure during the year by both the Group and the Company of £21.5m (£13.5m) has been accounted for in accordance with Accounting Policy (e).

The estimated amount of capital expenditure not provided for in the accounts is (a) contracted for £93.2m (£1.7m) for the Group and £85.2m (£1.7m) for the Company and (b) authorised but not contracted for £0.4m (£92.0m) for the Group and for the Company. In addition property investment commitments not provided for in the accounts amounted to £21.2m (£76.1m) for the Group and £20.9m (£75.7m) for the Company.

Directors' Responsibilities

Company law requires the directors to prepare for each financial year accounts which comply with the provisions of the Companies Act 1985 applicable to insurance groups. In addition, the directors should take all reasonable steps to ensure that adequate accounting records are maintained, that the assets of the Group are safeguarded and that fraud and other irregularities are prevented or detected.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements of the Group for the year ended 15 November 1993. The directors also confirm that the financial statements have been prepared on a going concern basis and that applicable accounting standards have been followed as described in the Accounting Policies.

Auditors' Report

To the Members of The Standard Life Assurance Company

We have audited the accounts on pages 28 to 37.

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 Group'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 for the year ended 15 November 1993 have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance groups.

KPMG Peat Marwick

KPMG Peat Marwick *Chartered Accountants*
Registered Auditors

Edinburgh, 22 February 1994

Actuarial Investigation

Valuation Basis

The annual investigation into the affairs of the Company has been made and the liabilities of the Company have been valued as at 15 November 1993 using modified net premium methods and the basis shown below. Additional provisions have been made for specific contingencies.

Rates of Interest used

1. Assurances

	With Profit	Without Profit
(i) Individual pension	4.25%	6.00%
(ii) Other	3.25%	4.00%

2. Annuities

	Deferred		Immediate
	in deferment	after vesting	
(a) United Kingdom and Republic of Ireland			
(i) Individual with profit	4.25%	6.50%	–
(ii) Other individual	6.50%	6.50%	6.50%
(iii) Group money purchase	4.25%	4.25%	4.25%
(iv) Other group	6.50%	6.50%	6.50%
(b) Canada	7.00%	7.00%	7.00%

Mortality Tables used

1. Assurances — AM80 ultimate

2. Annuities

(a) United Kingdom and Republic of Ireland	
(i) Individual and group, in deferment	AM80 ultimate
(ii) Individual, after vesting	IM80C10 ultimate (males) IF80C10 ultimate (females)
(iii) Group, after vesting	PMA80C10 (males) PFA80C10 (females)
(b) Canada	
(i) Individual	1983 IAM
(ii) Group	1983 GAM

Surplus

The surplus in the Company's Funds as at 15 November 1993, after providing for the liabilities in the stringent manner described above and after meeting the cost of intermediate and cash bonuses during the year, was £959.3m. The Funds represent the value of the assets less the Investment Reserve.

Iain Lumsden *Appointed Actuary*
Edinburgh, 22 February 1994

UK and International Offices

HEAD OFFICE
3 George Street, Edinburgh EH2 2XZ

UNITED KINGDOM
Chief Offices
3 George Street, Edinburgh EH2 2XZ
23 Annandale Street, Edinburgh EH7 4BP
Brunswick House, 4 Brunswick Street
Edinburgh EH7 5YP
1 Tanfield, Edinburgh EH3 5JS

Regional and Area Offices

CENTRAL & WEST REGION
Bristol Standard Life House, 125 Redcliff Street,
Redcliff Quay, BS1 6HU

Area Offices
Birmingham 24-26 Calthorpe Road,
Edgbaston, B15 1RP
Bristol Standard Life House, The Pithay, BS1 2NL
Cardiff South Gate House, Wood Street, CF1 1EW
Leicester Peat House, 1 Waterloo Way,
LE1 6LP
Plymouth Midland House, Norre Street, PL1 2EJ
Reading Abbots House, Abbey Street, RG1 3AT
Southampton 3 Town Quay, SO1 0WB
Telford Standard Life House, Hall Court,
Hall Park Way, TF3 4NH

NORTH REGION
Manchester Beaver House, 125 Portland Street,
M1 4QD

Area Offices
Chester 3rd Floor, Windsor House, Pepper Street,
CH1 1TN
Hull Kingston House Tower
(Silvester Street Entrance), Bond Street, HU1 3EN
Leeds Zicon House, Wade Lane, LS2 8NL
Liverpool 2nd Floor, India Buildings, Water Street,
L2 0UW
Manchester Beaver House, 125 Portland Street,
M1 4QD
Nottingham Byron House, 2a Maid Marian Way,
NG1 6HS
Preston Edward VII Quay,
Navigation Way, Ashton-on-Ribble, PR2 2YF
Sheffield Bank House, 100 Queen Street, S1 2DW

SCOTTISH REGION
Edinburgh 91 Hanover Street, EH2 3DJ

Area Offices
Aberdeen 33 Albyn Place, AB1 1YL
Belfast Park House, 87-91 Great Victoria Street,
BT2 7AG
Dundee 35 Yeamans Shore, DD1 4BU
Edinburgh Raeburn House, 32 York Place,
EH1 3HU
Glasgow Standard Life House,
2 West Regent Street, G2 1RP
Inverness Ballantyne House,
84 Academy Street, IV1 1LU
Newcastle Maybrook House,
27-35 Grainger Street, NE1 5SL

SOUTH REGION
London 5th Floor, 6 Devonshire Square,
EC2M 4YE

Area Offices
Brentwood Kings House,
101-135 Kings Road, CM14 4DR
Brighton 126 Dyke Road, BN1 2SU
Cambridge Bridge House,
Bridge Street, CB2 1SW
Croydon Sunley House, Bedford Park, CR9 2TP
Ipswich Orchard House,
St. Helen Street, IP4 2JL
Kingston-upon-Thames
Millbank House, 171-185 Ewell Road,
Surbiton, Surrey, KT6 6AX
London City 2nd Floor, 6 Devonshire Square,
EC2M 4YE
London West End 1st Floor, Quadrant House,
80-82 Regent Street, W1R 5PF
Maidstone Miller House, 43/51 Lower Stone
Street, ME15 6LN
Norwich Horsefair House, 17 St. Faith's Lane,
NR1 1NQ
Peterborough Long Causeway Chambers,
Long Causeway, PE1 1YD
Watford Rushmoor Court,
Croxley Business Park, Hatters Lane,
WD1 8YZ

CANADA

Chief Office
Montreal
The Standard Life Building,
1245 Sherbrooke Street West, H3G 1G3

Area Offices
St John's Nfld. 140 Water Street, A1C 6H6
Halifax N.S. 1791 Barrington Street, B3J 3L1
Bridgewater N.S. 66 Pleasant Street, B4V 1N1
Prince Edward Island 535 North River Road, West Royalty, C1E 1J6
Fredericton N.B. 1133 Regent Street, E3B 3Z2
Moncton N.B. 869 Main Street, E1C 1G5
Quebec City Que. Place Standard Life, 1126 Chemin St-Louis, G1S 1E5
Chicoutimi Que. 345 rue des Sagueneens, G7H 6K9
Montreal Que.
1600 René-Levesque Boulevard West, H3H 1P9
8000 Langelier Boulevard, H1P 3K2
1010 de la Gauchetière Street West, H3B 4N9
Ottawa Ont.
275 Slater Street, K1P 5H9
1400 St. Laurent Boulevard, K1H 4H4
Kingston Ont. 920 Princess Street, K7L 1H1
Belleville Ont. 100 Bell Boulevard, K8P 4Y7
Toronto Ont.
200 Consilium Place, Scarborough, M1H 3E4
The Standard Life Centre,
121 King Street West, M5H 3T9
1200 Bay Street, M5R 2A5
5255 Yonge Street, M2N 6P4
21 Four Seasons Place, Etobicoke, M9B 6J8
5925 Airport Road, Mississauga, L4V 1R9
Hamilton Ont.
The Standard Life Centre,
120 King Street West, L8P 4V2
Kitchener/Waterloo Ont.
100 Regina Street South, N2J 4P9
Grand Valley Ont.
342 Victoria Street North, N2B 3C1
London Ont.
285 King Street, N6B 3M6
123 St. George Street, N6A 3A1
Winnipeg Man.
330 Portage Avenue, R3C 0C4
Saskatoon Sask. 1418 8th Street East, S7H 0T1
Regina Sask. 1230 Blackfoot Drive, S4S 7G4
Calgary Alta.
The Standard Life Building,
639 5th Avenue S.W., T2P 0M9
640 6th Avenue S.W., Suite 200, T2P 0S4
800 6th Avenue S.W., T2P 3G3
Edmonton Alta.
The Standard Life Centre,
10405 Jasper Avenue, T5J 3N4
Vancouver B.C.
The Standard Life Building,
625 Howe Street, V6C 2T6
Victoria B.C.
880 Douglas Street, V8W 2B7
1175 Douglas Street, V8W 2E1
Nanaimo B.C. 495 Dunsmuir Street, V9R 2V2
Kelowna B.C. 3275 Lakeshore Road, V1W 3S9

REPUBLIC OF IRELAND

Chief Office
Dublin 90 St. Stephen's Green, 2

Area Offices
Cork 10 South Mall
Dublin 90 St. Stephen's Green, 2
Galway Mayoralty House, Flood Street
Limerick 48 O'Connell Street
Sligo 3 Wine Street
Waterford 131-132 The Quay

SPAIN

Chief Office
Barcelona Paseo de Gracia, 16 - 08007

Area Offices
Alicante Ab-El-Hamet, 1 - 03003
Almeria Centro Resid. Oliveros, Bloq. Singular 2 fase - 04004
Barcelona Paseo de Gracia, 16 - 08007
Bilbao Gordoniz, 6 - 48010
Coruña Nicaragua, 4 - 15005
Cádiz Ana de Viya, 3, Edif. Minerva - 11009
Girona Grand Vía Jaume I, 38 - 17001
Lleida Obispo Ruita, 17 - 25C
Madrid Francisco Gervás, 17 - 28001
Málaga Cañón, 13 - 29015
Orense Santo Domingo, 68 - 32003
Oviedo Jovellanos, 27 - 33003
Palma Mallorca Jaime III, 21, Ed. Nacar - 07012
Santander Castilla, 6 - 39002
Sevilla S. Fco. Javier, 24, Edif. Sevilla - 41005
Tarragona Catalunya, 49 - 43002
Toledo Donantes de Sangre, 1 - 45005
Valencia Marqués del Turia, 71 - 46005
Vigo Policarpo Sanz, 11 - 36202
Zaragoza Independencia, 6 - 50004

Notice of Annual General Meeting

Notice is hereby given that the 168th Annual General Meeting of the Company will be held in the Head Office, 3 George Street, Edinburgh, on Tuesday 26 April 1994 at 2.30 pm for the following purposes:

1. To receive and adopt the Report of the Directors and the Accounts for the year ended 15 November 1993.
2. To re-elect Mr G.A. Ball as a director of the Company.
3. To re-elect Mme M-J. Drouin as a director of the Company.
4. To re-elect Mr I.C. Lumsden as a director of the Company.
5. To appoint Price Waterhouse as auditors of the Company in place of the retiring auditors KPMG Peat Marwick.
6. To authorise the directors to fix the remuneration of the auditors for the year to 15 November 1994.
7. To resolve in terms of Regulation 43 of The Standard Life Assurance Company Act 1991 that for each year as from 16 November 1993 the remuneration of the directors as directors shall, until otherwise fixed by resolution of the Company in General Meeting, be an aggregate sum not exceeding £325,000 per annum.
8. To resolve by special resolution that the regulations of the Company be and hereby are amended with effect from 27 April 1994:-
   (a) by inserting after regulation 3:
   "3A The provisions of subsection (2) of section 14 of the Act shall apply for the alteration, extension or modification of the objects and powers of the Company set forth in the regulations in like manner as they apply for the alteration of any other provision of the regulations."; and
   (b) by deleting paragraphs (2) and (3) of regulation 45 and substituting therefor:
   "45(2) If the number of directors going out of office at any annual general meeting under regulation 45(1) is less than one-third of the directors for the time being, there shall also go out of office at the close, or adjournment under regulation18, of that meeting such other director or directors as are necessary to bring the total number of directors going out of office at that time under this regulation 45 to one-third of the directors for the time being (or, if the number of directors is not three or an integral multiple of three, the number nearest to one-third); but if there is only one director, he shall retire. References in this paragraph to directors shall not include any director who is bound to retire under regulation 48(2).

45(3) The directors to retire at each annual general meeting under paragraph (2) of this regulation shall include, so far as necessary to obtain the number required, firstly, any director who wishes to retire and not offer himself for re-election, and secondly, those directors who have been longest in office since their last election. Two or more directors whose last election took place on the same date shall be regarded for the purposes of this regulation as having been elected alphabetically according to their respective surnames. The directors to retire under paragraph (2) of this regulation on each occasion (both as to number and identity) shall be determined by the composition of the board of directors at the close of business on the date to which the annual accounts and balance sheet laid before the annual general meeting are made up, and no director shall be required to retire, or to be relieved from retiring, under paragraph (2) of this regulation by reason of any change in the number or identity of the directors after such time but before the close of the meeting."

By Order of the Board of Directors

D.M. Simpson *Secretary*

Edinburgh, 30 March 1994

Note 1: A member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote in place of the member. A proxy need not be a member. Proxy forms may be obtained from the Secretary, at 3 George Street, Edinburgh, EH2 2XZ.

Note 2: The effects of the special resolution are:-

(a) to clarify the means by which the objects and powers of the Company may be amended; and

(b) to increase the number of directors who retire by rotation each year from three to one third of the total.