

THE STANDARD LIFE ASSURANCE COMPANY

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
15 NOVEMBER 1995



Registered in Scotland number SZ4

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THE STANDARD LIFE ASSURANCE COMPANY

REPORT BY THE DIRECTORS

Directors' Report for the year ended 15 November 1995 to be presented to the 170th Annual General Meeting of the Company to be held at 3 George Street, Edinburgh, on 23 April 1996 at 2.30 pm.

Principal activities and business review

The Group transacts life assurance, pensions and health insurance 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 and Standard Life Fund Management Limited act as managers 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.

Changes in presentation of the accounts

The accounts have been prepared in accordance with Schedule 1, Part 1 of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (the Regulations) which amends Section 255 and Schedule 9A of the Companies Act 1985. The Group has followed the Association of British Insurers' Guidance on Accounting for Insurance Business (ABI Guidance) issued on 19 December 1995.

The Regulations require insurance companies to follow for the first time detailed prescribed formats for the profit and loss account and balance sheet and accordingly the prior year figures have been restated to comply with the changes in presentation introduced.

Where compliance with the Regulations and the ABI Guidance has necessitated changes in accounting policy, these are detailed in the Accounting Policies and Note 16 to the accounts.

Assets

Total assets under management by the Group amounted to £43,901.3m. This included assets managed on behalf of pension funds, unit trust holders and other investors.

Fixed assets

Changes in fixed assets during the year are summarised in Note 15 to the accounts.

Employees

The Group 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 Group will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate.

THE STANDARD LIFE ASSURANCE COMPANY

REPORT BY THE DIRECTORS (CONTINUED)

Employee involvement

The Group 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 four times a year with management 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 Group supports charitable and other appropriate bodies through its Community Involvement Programme. No contributions were made for political purposes.

Use of voting rights

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

Directors

The names of the current directors are listed on page 3. In addition to these directors, Mr H W Macdonell retired at the conclusion of the Annual General Meeting on 25 April 1995. Mr J-C Delorme was appointed a director on 22 August 1995 and his re-election will be proposed at the Annual General Meeting.

The directors who retire by rotation are Messrs Kuenssberg, Zaozirny, King, Lessels and Shedden and their re-election will be proposed.

Directors' remuneration

The remuneration of each executive director is determined by the Board after taking advice from the Remuneration and Appointments Committee and taking into account the remuneration paid by comparable companies within the insurance and other sectors. The remuneration includes a salary with pension entitlement and a bonus award which is not pensionable. The bonus award is based on an appraisal of corporate and individual performance.

The remuneration of non-executive directors is determined by the Board after taking advice from the Group Managing Director and taking into account the remuneration paid by comparable companies within the insurance and other sectors. No bonuses are payable to non-executive directors including the Chairman and Deputy Chairman.

The details of the remuneration for each director are shown in Note 7 to the accounts. The bonus figures for the executive directors were earned in respect of the stated year's performance.

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 certain of the Canadian non-executive directors on a non-funded basis. New non-executive directors will not be entitled to pension benefits. In all cases the pension contributions shown in Note 7 to the accounts reflect the overall funding rate for each scheme applied to the respective pensionable remuneration.

There are no directors' service contracts which are not terminable by the Company without payment of compensation (other than statutory compensation) within one year. Executive directors cannot take up any material outside appointment without the prior approval of the Board.

THE STANDARD LIFE ASSURANCE COMPANY

REPORT BY THE DIRECTORS (CONTINUED)

Corporate governance

Cadbury Committee Code of Best Practice

The directors consider that the Group complies with all recommendations contained in the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance.

Internal financial controls

The directors have reviewed the effectiveness of the Group's internal financial controls, for which they acknowledge their responsibility. The Board believes that effective internal financial controls provide reasonable but not absolute assurance against material misstatement or loss.

The key procedures designed to provide effective internal financial control are set out in a Group internal control policy which:

- (a) identifies the main business risks and the procedures to be followed in controlling and monitoring those risks;
- (b) clearly defines Group investment and lending policies;
- (c) requires regular monitoring and reporting of actual performance compared with the annual operating plan; and
- (d) clearly defines management responsibilities, authorities and certification requirements.

The effectiveness of the internal controls is regularly reviewed by Internal Audit and reported to the Audit Committee.

Going concern

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Audit Committee

The Audit Committee is composed entirely of non-executive directors. The Committee's remit is to consider at its discretion any matters relating to the Group's financial affairs, internal and external audit arrangements or regulatory compliance arrangements. The Committee normally meets four times a year and at least once a year the Committee meets with the external auditors without management being present.

THE STANDARD LIFE ASSURANCE COMPANY

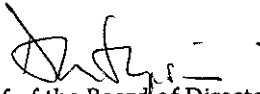
REPORT BY THE DIRECTORS (CONTINUED)

Auditors

Under the provisions of the Standard Life Assurance Company Act 1991, the re-appointment of the retiring auditors, Price Waterhouse, 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 1996.

Actuarial investigation

An extract of the Declaration of Bonuses by the directors is appended. The principal assumptions underlying the calculation of the long term business provision are set out in Note 17 to the accounts.



On behalf of the Board of Directors
D M Simpson *Secretary*
Edinburgh, 27 February 1996

THE STANDARD LIFE ASSURANCE COMPANY

PROFIT AND LOSS ACCOUNT
for the year ended 15 November 1995

TECHNICAL ACCOUNT - LONG TERM BUSINESS

	Notes	GROUP		COMPANY	
		1995 £m	Restated 1994 £m	1995 £m	Restated 1994 £m
Earned premiums, net of reinsurance					
Gross premiums written	1	3,772.0	4,240.3	3,695.5	4,150.1
Outward reinsurance premiums		(25.7)	(26.8)	(661.9)	(1,313.4)
		<u>3,746.3</u>	<u>4,213.5</u>	<u>3,033.6</u>	<u>2,836.7</u>
Investment income	2	3,263.5	4,055.1	2,806.8	3,722.3
Unrealised gains on investments	2	2,248.7	-	1,863.0	-
Other technical income, net of reinsurance	3	218.8	144.4	229.4	200.6
		<u>9,477.3</u>	<u>8,413.0</u>	<u>7,932.8</u>	<u>6,759.6</u>
Claims incurred, net of reinsurance					
Claims paid - gross amount		3,075.3	2,727.3	3,038.6	2,725.3
- reinsurers' share		(65.6)	(77.2)	(602.1)	(494.9)
		<u>3,009.7</u>	<u>2,650.1</u>	<u>2,436.5</u>	<u>2,230.4</u>
Change in provision for claims		(3.8)	(9.3)	(3.9)	(9.1)
	4	<u>3,005.9</u>	<u>2,640.8</u>	<u>2,432.6</u>	<u>2,221.3</u>
Changes in other technical provisions, net of reinsurance					
Long term business provision					
- gross amount		1,969.4	700.3	1,966.9	694.3
- reinsurers' share		11.4	92.7	13.7	94.0
		<u>1,980.8</u>	<u>793.0</u>	<u>1,980.6</u>	<u>788.3</u>
Technical provisions for linked liabilities		852.2	1,042.6	56.3	28.8
Technical provisions for general business		22.0	12.0	14.5	9.3
Bonuses and rebates, net of reinsurance		1,051.7	937.6	1,051.7	937.6
		<u>3,906.7</u>	<u>2,785.2</u>	<u>3,103.1</u>	<u>1,764.0</u>
Net operating expenses	5	483.7	575.5	434.7	498.2
Investment expenses and charges	2	40.4	39.8	39.4	39.5
Unrealised losses on investments	2	-	3,150.7	-	3,044.5
Other technical charges, net of reinsurance	3	122.5	91.2	52.3	59.7
Tax attributable to the long term business	9	201.0	127.1	153.6	129.7
Transfers to/(from) the fund for future appropriations	16	1,717.1	(997.3)	1,717.1	(997.3)
		<u>2,564.7</u>	<u>2,987.0</u>	<u>2,397.1</u>	<u>2,774.3</u>
		<u>9,477.3</u>	<u>8,413.0</u>	<u>7,932.8</u>	<u>6,759.6</u>
Balance on the technical account - long term business		-	-	-	-

All recognised gains and losses are dealt with in the Profit and Loss Account.

All of the amounts above are in respect of continuing operations.

The Accounting Policies and Notes on pages 30 to 49 form an integral part of these accounts.

THE STANDARD LIFE ASSURANCE COMPANY

BALANCE SHEET

as at 15 November 1995

		GROUP		COMPANY	
	Notes	1995 £m	Restated 1994 £m	1995 £m	Restated 1994 £m
ASSETS					
Investments					
Land and buildings	11	3,176.7	2,884.4	3,139.0	2,861.2
Investments in group undertakings and participating interests	12	1,315.8	1,115.2	1,492.5	1,228.0
Other financial investments	11	30,472.7	26,219.9	30,190.7	25,986.7
		<u>34,965.2</u>	<u>30,219.5</u>	<u>34,822.2</u>	<u>30,075.9</u>
Assets held to cover linked liabilities	13	<u>7,466.6</u>	<u>6,584.8</u>	<u>641.0</u>	<u>560.8</u>
Reinsurers' share of technical provisions					
Long term business		<u>245.6</u>	<u>257.0</u>	<u>255.2</u>	<u>268.9</u>
Debtors	14				
Direct insurance operations		56.8	55.2	26.3	31.4
Other debtors		179.2	137.2	182.9	138.7
		<u>236.0</u>	<u>192.4</u>	<u>209.2</u>	<u>170.1</u>
Other assets					
Tangible assets	15	61.7	29.1	59.1	27.3
Cash at bank and in hand		8.6	7.6	4.9	4.9
		<u>70.3</u>	<u>36.7</u>	<u>64.0</u>	<u>32.2</u>
Prepayments and accrued income					
Accrued interest and rent		368.5	338.2	367.1	336.0
Deferred acquisition costs		483.3	476.9	483.3	476.9
Other prepayments and accrued income		80.1	48.3	68.8	43.4
		<u>931.9</u>	<u>863.4</u>	<u>919.2</u>	<u>856.3</u>
Total assets		<u>43,915.6</u>	<u>38,153.8</u>	<u>36,910.8</u>	<u>31,964.2</u>

The Accounting Policies and Notes on pages 30 to 49 form an integral part of these accounts.

THE STANDARD LIFE ASSURANCE COMPANY

BALANCE SHEET
as at 15 November 1995

		GROUP		COMPANY	
	Notes	1995 £m	Restated 1994 £m	1995 £m	Restated 1994 £m
LIABILITIES					
Fund for future appropriations	16	7,406.1	5,689.0	7,406.1	5,689.0
Technical provisions					
Long term business	17	28,129.1	24,995.5	28,083.0	24,952.7
Claims outstanding	18	70.6	74.4	70.2	74.1
Linked liabilities		7,466.6	6,584.8	641.0	560.8
General business		127.0	103.3	96.9	80.7
		35,793.3	31,758.0	28,891.1	25,668.3
Deposits received from reinsurers		38.3	42.0	38.3	42.0
Provisions for other risks and charges	19	128.9	131.5	128.9	131.5
Creditors	20				
Direct insurance operations		167.7	156.4	159.9	148.5
Mortgages secured on investments	21	13.5	13.2	11.9	11.4
Amounts owed to credit institutions	21	51.6	52.6	49.5	51.4
Guaranteed deposits		78.2	80.6	-	-
Other creditors including taxation and social security	20	122.9	126.0	124.7	125.1
		433.9	428.8	346.0	336.4
Accruals and deferred income		115.1	104.5	100.4	97.0
Total liabilities		43,915.6	38,153.8	36,910.8	31,964.2

On behalf of the Board of Directors

Norman Lessels

Norman Lessels Director

Iain Lumsden

Iain Lumsden Group Finance Director

Edinburgh, 27 February 1996

The Accounting Policies and Notes on pages 30 to 49 form an integral part of these accounts.

ACCOUNTING POLICIES

(a) *Basis of presentation and restatement of prior year amounts*

Except as detailed below, the accounts have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985, which cover the disclosures applicable to insurance companies. Following the implementation into UK law of the European Union Council Directive on the annual accounts of insurance undertakings, Schedule 9A to the Act has been substituted by Schedule 1 to the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (the Regulations). These accounts have been prepared in accordance with the new Schedule 9A.

The accounts have been prepared in accordance with applicable accounting standards and with the Association of British Insurers' Guidance on Accounting for Insurance Business (ABI Guidance) issued on 19 December 1995. However, there is conflict between the requirements of Statement of Standard Accounting Practice (SSAP) 19 - Accounting for Investment Properties and the requirements of the new Schedule 9A in respect of the depreciation of investment properties and the treatment of owner occupied buildings. Explanation of departures of the Company's accounting policy from the requirements of SSAP 19 and the Companies Act 1985 is given in Accounting Policy (f).

(b) *Basis of consolidation*

The Group accounts consolidate the Profit and Loss Accounts and Balance Sheets of The Standard Life Assurance Company and its principal subsidiary undertakings.

(c) *Changes in accounting policies*

Preparation of the accounts in accordance with the Regulations and the ABI Guidance has necessitated a change to certain of the accounting policies previously adopted by the Group. Details of the principal changes are given in Note 16 to the accounts. Comparative figures have been restated as appropriate.

(d) *Premiums*

Premiums are accounted for when due for payment.

(e) *Claims*

Maturity claims and annuities are accounted for when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision and/or the technical provision for linked liabilities. Death claims and all other claims are accounted for when notified.

Claims payable include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

ACCOUNTING POLICIES (CONTINUED)

(f) *Investments*

(i) *Investment valuations*

Listed investments are included in the balance sheet at mid-market value, and unlisted investments, mortgages and loans at directors' valuation. Land and buildings, other than those occupied by the Group, are valued at open market value as determined by qualified valuers. Land and buildings occupied by the Group are valued at market value based on vacant possession.

Under the Companies Act 1985 land and buildings are required to be depreciated over their expected useful economic lives. In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19, that no depreciation should be provided in respect of such investments. The directors consider that to depreciate the investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted. Depreciation is only one of the factors reflected in the annual valuations, and the amounts which might otherwise have been shown cannot reasonably be separately identified or quantified. In respect of the freehold properties occupied by the Group, it is the Group's practice to maintain them in a continuous state of sound repair. Accordingly the directors consider that the lives of these assets and their residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is insignificant and is thus not provided.

(ii) *Investment income and expenses*

Investment income includes dividends, interest, rents, gains and losses on the realisation of investments and related expenses. Dividends are recorded on the date on which the shares are quoted ex-dividend. Interest, rents and expenses are accounted for on an accruals basis.

(iii) *Investment gains and losses*

Realised gains and losses on investments are calculated as the difference between net sales proceeds and their original cost and are dealt with through the technical account as are unrealised gains and losses.

(g) *Long term business provision*

The long term business provision is determined by the Company's Appointed Actuary following his annual investigation of the long term business. The calculation uses the net premium valuation method and, as such, includes explicit provision for vested bonuses (including those vesting following the current valuation). Implicit provision is made for future reversionary bonuses by means of reductions in the valuation rate of interest.

(h) *Fund for future appropriations*

The fund for future appropriations incorporates amounts which have yet to be allocated to participating policyholders. Transfers to and from the fund reflect the excess or deficiency of income (including premiums and investment gains and losses) over expenses (including claims) and amounts required to be allocated to policyholders in each accounting period.

(i) *Deferred acquisition costs*

The costs of acquiring new insurance contracts and the renewal of existing insurance contracts which are incurred during a financial year but which relate to a subsequent financial year, are deferred to the extent that they are recoverable out of future margins. Such costs are determined for non-unitised business by means of a Zillmer adjustment applied to the net premium valuation of the long term business provision. Deferred acquisition costs for unitised business are determined explicitly.

The rate of amortisation of the deferred acquisition cost asset is consistent with a prudent assessment of the expected pattern of receipt of the future margins over the period the relevant contracts are expected to remain in force.

(j) *Tangible assets*

Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful lives which range from two to ten years.

ACCOUNTING POLICIES (CONTINUED)

- (k) *Deferred taxation*
Deferred taxation is provided on all material timing differences unless the liability is unlikely to become payable in the foreseeable future. In addition, deferred taxation is provided on unrealised capital gains in the valuation of linked business and where, for taxation purposes, a realisation is deemed to occur.
- (l) *Pension costs*
Charges in respect of employer's contributions are calculated on a basis which spreads the cost over the service lives of scheme members.
- (m) *Foreign currencies*
Assets and liabilities in currencies other than sterling are translated at the rates of exchange ruling on the Balance Sheet date. 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.

THE STANDARD LIFE ASSURANCE COMPANY

NOTES ON THE ACCOUNTS

1. SEGMENTAL ANALYSIS

(a) *Premiums written*

	GROUP		COMPANY	
	1995	1994	1995	1994
	Gross	Gross	Gross	Gross
	£m	£m	£m	£m
<i>Life assurance</i>				
Annual				
Participating	947.6	907.1	947.6	907.1
Non-participating	114.8	116.8	109.9	112.8
Linked	166.7	160.2	166.7	160.2
Single				
Participating	6.4	5.7	6.4	5.7
Non-participating	5.3	2.6	1.8	0.4
Linked	104.3	760.7	104.3	760.7
<i>Annuities</i>				
Annual				
Participating	4.4	4.0	4.4	4.0
Non-participating	60.2	53.7	60.2	53.7
Linked	40.1	55.8	40.1	55.8
Single				
Participating	0.1	0.3	0.1	0.3
Non-participating	627.3	578.5	627.3	578.5
Linked	84.7	117.3	16.6	33.3
<i>Pensions</i>				
Annual				
Participating	326.2	298.7	326.2	298.7
Non-participating	24.4	37.0	24.4	37.0
Linked	289.2	254.4	289.2	254.4
Single				
Participating	263.3	314.6	263.3	314.6
Non-participating	459.1	331.3	459.1	331.3
Linked	242.8	235.0	242.8	235.0
<i>Permanent Health</i>				
Participating	4.8	6.3	4.8	6.3
Non-participating	0.3	0.3	0.3	0.3
Total	3,772.0	4,240.3	3,695.5	4,150.1
<i>Comprising:</i>				
United Kingdom	2,926.2	3,507.7	2,926.2	3,507.7
Other European	110.3	108.2	101.9	102.0
Canada	735.5	624.4	667.4	540.4
Total	3,772.0	4,240.3	3,695.5	4,150.1
<i>Comprising:</i>				
Individual business	3,147.8	3,704.1	3,139.4	3,697.9
Group contracts	624.2	536.2	556.1	452.2
Total	3,772.0	4,240.3	3,695.5	4,150.1

THE STANDARD LIFE ASSURANCE COMPANY

NOTES ON THE ACCOUNTS (CONTINUED)

1. SEGMENTAL ANALYSIS (CONTINUED)

(b) *New Business*

	GROUP		COMPANY	
	1995 Gross £m	1994 Gross £m	1995 Gross £m	1994 Gross £m
<i>Life assurance</i>				
Annual				
Participating	51.0	75.8	51.0	75.8
Non-participating	9.8	12.0	8.1	9.3
Linked	19.9	23.8	19.9	23.8
Single				
Participating	6.4	5.7	6.4	5.7
Non-participating	5.3	2.6	1.8	0.4
Linked	104.3	760.7	104.3	760.7
<i>Annuities</i>				
Annual				
Participating	-	0.6	-	0.6
Non-participating	9.7	5.0	9.7	5.0
Linked	-	0.2	-	0.2
Single				
Participating	0.1	0.3	0.1	0.3
Non-participating	627.3	578.5	627.3	578.5
Linked	84.7	117.3	16.6	33.3
<i>Pensions</i>				
Annual				
Participating	47.9	47.3	47.9	47.3
Non-participating	0.4	0.8	0.4	0.8
Linked	38.0	35.7	38.0	35.7
Single				
Participating	263.3	314.6	263.3	314.6
Non-participating	459.1	331.3	459.1	331.3
Linked	242.8	235.0	242.8	235.0
<i>Permanent Health</i>				
Participating	0.4	-	0.4	-
Total	1,970.4	2,547.2	1,897.1	2,458.3
<i>Comprising:</i>				
United Kingdom	1,327.7	2,022.6	1,327.7	2,022.6
Other European	34.8	36.4	29.6	31.5
Canada	607.9	488.2	539.8	404.2
Total	1,970.4	2,547.2	1,897.1	2,458.3
<i>Comprising:</i>				
Individual business	1,628.4	2,328.3	1,623.2	2,323.4
Group contracts	342.0	218.9	273.9	134.9
Total	1,970.4	2,547.2	1,897.1	2,458.3

The Company new business figures are shown gross of reinsurance to subsidiary undertakings.

NOTES ON THE ACCOUNTS (CONTINUED)

1. SEGMENTAL ANALYSIS (CONTINUED)

In classifying new business premiums the following basis of recognition is adopted:

- (i) New recurrent single premium contracts are included in regular new business premiums to the extent that they are deemed likely to renew.
- (ii) DSS rebates on certain pensions products are included as single premiums.
- (iii) Pensions vested into annuity contracts under existing group pension schemes are not included as new business.
- (iv) Products substituted due to the exercise of standard contract terms are not included in the new business statistics.

Regular new business premiums are included on an annualised basis where they are received other than annually.

It is considered inappropriate to analyse net assets and profits between different business segments.

2. INVESTMENT ACTIVITY ACCOUNT

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Investment income				
Participating interests	44.8	33.1	44.8	33.1
Group undertakings	-	-	2.1	7.0
Other investments				
- land and buildings	232.1	217.1	202.7	192.6
- listed	1,484.1	1,185.7	1,297.6	1,044.8
- other	424.1	428.5	394.5	379.3
	<u>2,185.1</u>	<u>1,864.4</u>	<u>1,941.7</u>	<u>1,656.8</u>
Gains on realisation of investments	1,078.4	2,190.7	865.1	2,065.5
	<u>3,263.5</u>	<u>4,055.1</u>	<u>2,806.8</u>	<u>3,722.3</u>
Movement in unrealised gains/(losses)	2,248.7	(3,150.7)	1,863.0	(3,044.5)
Investment management expenses including interest	(40.4)	(39.8)	(39.4)	(39.5)
Net investment return included in the long term business technical account	<u>5,471.8</u>	<u>864.6</u>	<u>4,630.4</u>	<u>638.3</u>

NOTES ON THE ACCOUNTS (CONTINUED)

3. OTHER TECHNICAL INCOME AND CHARGES

Other technical income comprises general business income, management charges received and non-insurance subsidiary income.

Other technical charges comprise general business payments to policyholders and overheads, along with non-insurance subsidiary expenses and taxation.

The general business figures included within these headings are as follows:

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Premiums	108.2	69.7	59.3	56.5
Investment income	9.7	6.3	7.5	5.7
	<u>117.9</u>	<u>76.0</u>	<u>66.8</u>	<u>62.2</u>
Payments to policyholders	75.4	48.0	42.4	39.7
Other expenditure	20.5	16.0	9.9	13.2
	<u>95.9</u>	<u>64.0</u>	<u>52.3</u>	<u>52.9</u>
Movement in technical provision	<u>22.0</u>	<u>12.0</u>	<u>14.5</u>	<u>9.3</u>

4. CLAIMS INCURRED

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Claims by death	200.0	189.4	161.6	155.8
Claims by maturity	605.7	498.7	470.1	395.5
Surrenders	834.7	691.2	659.5	595.9
Returns under pension schemes	550.5	538.2	326.6	350.8
Annuities	794.2	703.8	794.0	703.8
	<u>2,985.1</u>	<u>2,621.3</u>	<u>2,411.8</u>	<u>2,201.8</u>
Claims handling expenses	20.8	19.5	20.8	19.5
	<u>3,005.9</u>	<u>2,640.8</u>	<u>2,432.6</u>	<u>2,221.3</u>

5. NET OPERATING EXPENSES

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Acquisition costs incurred	276.9	330.4	292.2	355.4
Change in deferred acquisition costs	(6.3)	54.5	(6.3)	54.5
Administrative expenses	214.4	195.1	182.9	178.3
	<hr/>	<hr/>	<hr/>	<hr/>
Reinsurance commissions	485.0 (1.3)	580.0 (4.5)	468.8 (34.1)	588.2 (90.0)
	<hr/>	<hr/>	<hr/>	<hr/>
	483.7	575.5	434.7	498.2

The total commission accounted for during the year in respect of direct insurance, excluding payments to employees, was £150.9m (£229.3m) for the Group and £117.4m (£140.7m) for the Company.

Auditors' remuneration in relation to audit services was £495,370 (£451,898) for the Group and £311,840 (£295,396) for the Company.

Remuneration to the auditors of the Company in respect of non-audit services to the Company was £556,924 (£233,740) and in respect of non-audit services to UK subsidiaries was £20,450 (£19,700).

6. STAFF COSTS

The average number of persons employed by the Group during the year was:

	1995	1994
United Kingdom	6,590	6,305
Other European	362	342
Canada	2,084	1,852
	<hr/>	<hr/>
	9,036	8,499

The increase in the average number of persons employed by the Group was largely as a result of the acquisition of Prime Health Limited during 1994 and the expansion of the Group's overseas operations.

The aggregate remuneration payable to those employees was:

	1995 £m	1994 £m
Wages and salaries	173.0	166.5
Social security costs	16.0	14.6
Other pension costs	20.1	16.9
	<hr/>	<hr/>
	209.1	198.0

NOTES ON THE ACCOUNTS (CONTINUED)

7. DIRECTORS' REMUNERATION

	1995 £000	1994 £000
Salaries and benefits	829	750
Performance related bonuses	140	118
	<u>969</u>	<u>868</u>
Pension contributions	151	119
Unfunded pensions paid to former non-executive directors	18	-
Fees to non-executive directors	214	265
	<u>1,352</u>	<u>1,252</u>

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 certain of 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. Pension contributions in respect of the Chairman of £12,555 (£8,600) and of the highest paid director of £40,150 (£29,705) were made to the appropriate schemes.

The remuneration, excluding pension contributions, of the executive directors was as follows:

	Basic salary		Benefits		Performance related bonuses		Total	
	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000
A S Bell	275.0	241.5	15.9	16.6	50.9	41.1	341.8	299.2
J Stretton	210.0	192.0	8.6	7.2	37.8	32.6	256.4	231.8
I C Lumsden	170.0	154.0	13.2	10.3	30.6	26.2	213.8	190.5
T R King	127.5	120.0	9.0	8.3	20.4	18.0	156.9	146.3
	<u>782.5</u>	<u>707.5</u>	<u>46.7</u>	<u>42.4</u>	<u>139.7</u>	<u>117.9</u>	<u>968.9</u>	<u>867.8</u>

The performance related bonuses are based on an appraisal of corporate and individual performance. The bonus figures shown were earned in respect of the stated year's performance.

The fees and expenses, excluding pension contributions, paid to non-executive directors by Group companies were as follows:

	1995 £000	1994 £000
N Lessels (Chairman)	45.0	47.2
J F H Trott (Deputy Chairman - appointed 26 April 1994)	33.6	29.5
Sir Lawrence Airey (Deputy Chairman - retired 26 April 1994)	-	13.5
G A Ball	15.0	17.2
T R Beamish (appointed 1 June 1994)	15.8	7.1
C A Crole (retired 31 December 1993)	-	7.2
J-C Delorme (appointed 22 August 1995)	3.5	-
Mme M-J Drouin (resigned 16 May 1994)	-	9.1
N C Kuenssberg	15.5	17.2
H W Macdonell (retired 25 April 1995)	9.7	21.1
Sir Bruce Pattullo	15.0	17.2
A C Shedden	15.0	17.2
Sir Robert Smith (retired 26 April 1994)	-	9.8
B J Stewart	15.0	17.2
D G Sutherland	15.1	17.2
J B Zaozirny	15.8	17.2
	<u>214.0</u>	<u>264.9</u>

NOTES ON THE ACCOUNTS (CONTINUED)

8. PENSION COSTS

The Group operates pension schemes for its employees providing benefits based on final pensionable pay. The two main schemes operate for employees in the UK and Canada. The contributions to the schemes are determined by qualified actuaries employed by the Company using the projected unit credit method. The valuations on which the 1995 charge was based were as at 15 November 1994 for both the UK scheme and the Canadian scheme. The Group's total pension cost for the year was £19.9m (£17.6m) of which £14.5m (£12.0m) related to the UK scheme and £4.4m (£5.1m) related to the Canadian scheme. In addition a provision of £15.1m (£13.0m) is included in creditors in respect of benefits not funded within the Canadian scheme.

The main schemes operate as follows:

United Kingdom

The scheme is valued on a triennial basis with the most recent valuation at 15 November 1994. On that date, the market value of the assets held in a separate trustee administered fund was £320.0m. For the purpose of the valuation it was assumed that the investment return would exceed the rate of increase in salaries by 1.5% per annum and would exceed the rate of increase in present and future pensions by 4% per annum. The actuarial value of the scheme's assets represented 118.6% of the benefits which had accrued to members, after allowing for expected future increases in earnings and pensions. The actuary recommended future contributions be increased from 12.3% to 14.6% of total pensionable pay.

Canada

The scheme is valued on an annual basis with the most recent valuation at 15 November 1995. On that date, the market value of the assets held in a separate trustee administered fund was £48.8m. For the purpose of the valuation it was assumed that the investment return would exceed the rate of increase in salaries by 2% per annum and would exceed the rate of increase in present and future pensions by 4.75% per annum. The actuarial value of the scheme's assets represented 112.0% of the benefits which had accrued to members, after allowing for expected future increases in earnings and pensions. The actuary recommended future contributions be increased from 7.7% to 7.8% of total pensionable pay.

9. TAX CHARGE

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
UK corporation tax at 25% (25%)	102.0	73.0	100.4	72.3
Double tax relief	(2.5)	(3.5)	(2.2)	(3.0)
Tax on franked investment income	55.4	37.5	46.8	31.6
Overseas tax	36.3	25.4	34.1	23.3
Deferred tax	41.0	(15.6)	5.4	(4.4)
(Over)/under provision in respect of prior years	(31.2)	10.3	(30.9)	9.9
	<u>201.0</u>	<u>127.1</u>	<u>153.6</u>	<u>129.7</u>

THE STANDARD LIFE ASSURANCE COMPANY

NOTES ON THE ACCOUNTS (CONTINUED)

10. INTEREST PAYABLE

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Interest payable on bank loans and overdrafts and other loans				
- repayable within five years, otherwise than by instalments	9.6	10.9	8.6	10.6
- repayable within five years by instalments	0.5	0.4	0.4	0.4
Interest payable on other loans				
- repayable after five years	3.6	3.6	3.6	3.6
	<u>13.7</u>	<u>14.9</u>	<u>12.6</u>	<u>14.6</u>

11. INVESTMENTS

(a) LAND AND BUILDINGS

GROUP

	Occupied by Group companies £m	Short leasehold £m	Long leasehold £m	Freehold £m	Total £m
Land and buildings at current values					
At 16 November 1994	142.5	41.7	857.5	1,842.7	2,884.4
Exchange revaluation	0.1	1.0	0.3	8.6	10.0
Additions	0.8	21.3	30.7	377.8	430.6
Disposals	(0.5)	-	(95.3)	(35.1)	(130.9)
Revaluations	(13.5)	3.1	21.7	(28.7)	(17.4)
At 15 November 1995	<u>129.4</u>	<u>67.1</u>	<u>814.9</u>	<u>2,165.3</u>	<u>3,176.7</u>
Land and buildings at cost					
At 16 November 1994	162.2	27.2	547.0	1,599.9	2,336.3
Exchange revaluation	0.1	0.7	0.2	9.8	10.8
Additions	0.8	21.3	30.7	377.8	430.6
Disposals	(0.1)	-	(46.6)	(38.4)	(85.1)
At 15 November 1995	<u>163.0</u>	<u>49.2</u>	<u>531.3</u>	<u>1,949.1</u>	<u>2,692.6</u>

NOTES ON THE ACCOUNTS (CONTINUED)

11. INVESTMENTS (CONTINUED)

(a) LAND AND BUILDINGS (CONTINUED)

COMPANY

	Occupied by the Company £m	Short leasehold £m	Long leasehold £m	Freehold £m	Total £m
Land and buildings at current values					
At 16 November 1994	142.5	41.8	848.0	1,828.9	2,861.2
Exchange revaluation	0.1	0.9	0.2	8.2	9.4
Additions	0.8	15.2	30.7	370.3	417.0
Disposals	(0.5)	-	(95.3)	(35.1)	(130.9)
Revaluations	(13.5)	2.8	21.7	(28.7)	(17.7)
At 15 November 1995	129.4	60.7	805.3	2,143.6	3,139.0
Land and buildings at cost					
At 16 November 1994	162.2	27.3	543.0	1,586.3	2,318.8
Exchange revaluation	0.1	0.6	0.1	9.3	10.1
Additions	0.8	15.2	30.7	370.3	417.0
Disposals	(0.1)	-	(46.6)	(38.4)	(85.1)
At 15 November 1995	163.0	43.1	527.2	1,927.5	2,660.8

Land and buildings in both the Group and the Company were valued on an open market basis at 15 November 1995 by Montagu Evans (Chartered Surveyors) in the UK and by appropriately qualified valuers in Canada.

(b) OTHER FINANCIAL INVESTMENTS

GROUP

	Market value		Cost	
	1995 £m	1994 £m	1995 £m	1994 £m
Shares and other variable yield securities and units in unit trusts	15,894.6	13,917.0	10,045.2	8,929.1
Debt securities and other fixed income securities	11,707.9	9,752.5	11,477.6	9,876.2
Loans secured by mortgages	2,251.4	2,245.9	2,172.2	2,260.3
Loans secured on policies	109.7	98.8	109.7	98.8
Other loans	38.6	47.9	41.0	50.6
Deposits with credit institutions	470.5	157.8	467.0	159.4
	30,472.7	26,219.9	24,312.7	21,374.4

11. INVESTMENTS (CONTINUED)

(b) OTHER FINANCIAL INVESTMENTS (CONTINUED)

Included in market value above:

	Listed on a recognised investment exchange		Other listed investments		Total listed investments	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Shares and other variable yield securities and units in unit trusts	12,694.4	11,812.3	1,613.7	1,952.0	14,308.1	13,764.3
Debt securities and other fixed income securities	9,271.7	7,931.4	266.9	266.3	9,538.6	8,197.7
	<u>21,966.1</u>	<u>19,743.7</u>	<u>1,880.6</u>	<u>2,218.3</u>	<u>23,846.7</u>	<u>21,962.0</u>

COMPANY

	Market value		Cost	
	1995 £m	1994 £m	1995 £m	1994 £m
Shares and other variable yield securities and units in unit trusts	15,834.1	13,884.1	10,002.0	8,912.6
Debt securities and other fixed income securities	11,597.7	9,672.4	11,374.3	9,798.2
Loans secured by mortgages	2,181.7	2,171.4	2,103.4	2,185.5
Loans secured on policies	109.7	98.8	109.7	98.8
Other loans	38.6	47.9	41.0	50.6
Deposit with credit institutions	428.9	112.1	425.4	113.7
	<u>30,190.7</u>	<u>25,986.7</u>	<u>24,055.8</u>	<u>21,159.4</u>

Included in market value above:

	Listed on a recognised investment exchange		Other listed investments		Total listed investments	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Shares and other variable yield securities and units in unit trusts	12,660.9	11,782.0	1,588.1	1,949.5	14,249.0	13,731.5
Debt securities and other fixed income securities	9,220.6	7,885.3	223.8	232.3	9,444.4	8,117.6
	<u>21,881.5</u>	<u>19,667.3</u>	<u>1,811.9</u>	<u>2,181.8</u>	<u>23,693.4</u>	<u>21,849.1</u>

NOTES ON THE ACCOUNTS (CONTINUED)

12. INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

GROUP

	Market value		Cost	
	1995 £m	1994 £m	1995 £m	1994 £m
Participating interests	1,264.1	1,095.2	419.6	412.9
Debt securities issued by, and loans to, undertakings in which the Group has a participating interest	51.7	20.0	51.0	19.8
	<u>1,315.8</u>	<u>1,115.2</u>	<u>470.6</u>	<u>432.7</u>

COMPANY

Shares in group undertakings	117.0	71.6	146.6	99.9
Debt securities issued by, and loans to, group undertakings	59.7	41.2	32.3	17.7
Participating interests	1,264.1	1,095.2	419.6	412.9
Debt securities issued by, and loans to, undertakings in which the Company has a participating interest	51.7	20.0	51.0	19.8
	<u>1,492.5</u>	<u>1,228.0</u>	<u>649.5</u>	<u>550.3</u>

Included in market value for both Group and Company above:

	Listed on a recognised investment exchange		Other listed investments		Total listed investments	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Shares and other variable yield securities	1,196.8	1,027.2	30.4	27.8	1,227.2	1,055.0
Debt securities and other fixed income securities	11.5	10.7	-	-	11.5	10.7
	<u>1,208.3</u>	<u>1,037.9</u>	<u>30.4</u>	<u>27.8</u>	<u>1,238.7</u>	<u>1,065.7</u>

13. ASSETS HELD TO COVER LINKED LIABILITIES

The cost of assets held to cover linked liabilities was £5,815.8m (£5,333.1m) for the Group and £573.7m (£509.0m) for the Company.

14. DEBTORS

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Debtors arising out of direct insurance operations				
Amounts owed by policyholders	55.5	53.9	25.6	30.6
Due from reinsurers	1.3	1.3	0.7	0.8
Other debtors				
Outstanding sales of investments	102.6	95.5	102.6	95.5
Group undertakings	-	-	67.1	25.5
Taxation recoverable	13.9	18.0	13.2	17.7
Other debtors	62.7	23.7	-	-
	<u>236.0</u>	<u>192.4</u>	<u>209.2</u>	<u>170.1</u>

NOTES ON THE ACCOUNTS (CONTINUED)

15. TANGIBLE ASSETS

GROUP	Motor vehicles £m	Computer equipment £m	Furniture and machinery £m	Total £m
Cost				
At 16 November 1994	16.5	70.4	26.4	113.3
Exchange revaluation	-	0.3	0.1	0.4
Additions	3.9	47.1	9.9	60.9
Disposals	(3.0)	(17.0)	(8.3)	(28.3)
At 15 November 1995	17.4	100.8	28.1	146.3
Depreciation				
At 16 November 1994	14.8	46.4	23.0	84.2
Exchange revaluation	-	0.2	-	0.2
Disposals	(3.0)	(17.0)	(8.2)	(28.2)
Charge for year	3.3	17.5	7.6	28.4
	15.1	47.1	22.4	84.6
Net book value				
At 15 November 1995	2.3	53.7	5.7	61.7
At 15 November 1994	1.7	24.0	3.4	29.1

The Group charge for depreciation for the year ended 15 November 1994 was £19.4m.

COMPANY	Motor vehicles £m	Computer equipment £m	Furniture and machinery £m	Total £m
Cost				
At 16 November 1994	16.0	68.1	25.0	109.1
Exchange revaluation	-	0.2	0.1	0.3
Additions	3.6	46.1	9.5	59.2
Disposals	(2.9)	(16.7)	(8.1)	(27.7)
At 15 November 1995	16.7	97.7	26.5	140.9
Depreciation				
At 16 November 1994	14.7	44.8	22.3	81.8
Exchange revaluation	-	0.1	0.1	0.2
Disposals	(2.9)	(16.7)	(8.1)	(27.7)
Charge for year	3.1	16.9	7.5	27.5
	14.9	45.1	21.8	81.8
Net book value				
At 15 November 1995	1.8	52.6	4.7	59.1
At 15 November 1994	1.3	23.3	2.7	27.3

The Company charge for depreciation for the year ended 15 November 1994 was £18.9m.

NOTES ON THE ACCOUNTS (CONTINUED)

16. POLICYHOLDER LIABILITIES AND FUND FOR FUTURE APPROPRIATIONS

GROUP

	Long term business fund £m	Investment reserve £m	Long term business provision £m	Technical provision for linked liabilities £m	Technical provision for general business £m	Fund for future appropriations £m	Tangible assets £m
Balance at 16 November 1994 as previously stated	30,985.1	5,373.1	-	-	103.3	-	-
Prior year adjustments:							
Redefinition of long term business fund	(30,985.1)	-	24,400.3	6,584.8	-	-	-
Revaluation of investments in subsidiaries	-	-	(24.4)	-	-	36.5	-
Revaluation of investments	-	-	-	-	-	252.1	-
Deferred acquisition costs, net of tax	-	-	362.6	-	-	-	-
Subsidiary tangible assets	-	-	-	-	-	-	(1.8)
Reallocation of investment reserve	-	(5,373.1)	-	-	-	5,400.4	(27.3)
At 16 November 1994 as restated	Nil	Nil	24,738.5	6,584.8	103.3	5,689.0	(29.1)
Exchange rate adjustment			112.5	29.6	1.7	-	
Movement in technical provisions for the year			1,980.8	852.2	22.0	-	
Cost of bonus			1,051.7	-	-	-	
Transfer to fund for future appropriations			-	-	-	1,717.1	
At 15 November 1995			27,883.5	7,466.6	127.0	7,406.1	

The prior year adjustments resulting from accounting policy changes brought about by the implementation of the Regulations and the ABI Guidance are as follows:

- (i) Acquisition costs incurred in an accounting period, but relating to subsequent accounting periods, are deferred and amortised over the period in which the profit from the related policy is earned. Previously acquisition costs were accounted for as incurred but deferred through the liability provision.
- (ii) Realised and unrealised gains and losses on policyholder investments are now initially credited to the technical account, instead of investment reserves as in prior years, and a transfer is subsequently made to the fund for future appropriations of any surplus not allocated to policyholders.
- (iii) Tangible assets, which were previously written to reserves, are now treated as other assets in the balance sheet.
- (iv) Subsidiaries have been valued on a net assets basis.
- (v) Certain investments, previously valued on a restricted DTI valuation, have been revalued at market or directors' valuation.

The effect of the above adjustments on the current year's results is similar to the quantified effect on the prior year.

NOTES ON THE ACCOUNTS (CONTINUED)

16. POLICYHOLDER LIABILITIES AND FUND FOR FUTURE APPROPRIATIONS (CONTINUED)

COMPANY

	Long term business fund £m	Investment reserve £m	Long term business provision £m	Technical provision for linked liabilities £m	Technical provision for general business £m	Fund for future appropriations £m	Tangible assets £m
Balance at 16 November 1994 as previously stated	24,882.0	5,373.1	-	-	80.7	-	-
Prior year adjustments:							
Redefinition of long term business fund	(24,882.0)	-	24,321.2	560.8	-	-	-
Revaluation of investments in subsidiaries	-	-	-	-	-	36.5	-
Revaluation of investments	-	-	-	-	-	252.1	-
Deferred acquisition costs, net of tax	-	-	362.6	-	-	-	-
Reallocation of investment reserve	-	(5,373.1)	-	-	-	5,400.4	(27.3)
At 16 November 1994 as restated	Nil	Nil	24,683.8	560.8	80.7	5,689.0	(27.3)
Exchange rate adjustment			111.7	23.9	1.7	-	
Movement in technical provisions for the year			1,980.6	56.3	14.5	-	
Cost of bonus			1,051.7	-	-	-	
Transfer to fund for future appropriations			-	-	-	1,717.1	
At 15 November 1995			27,827.8	641.0	96.9	7,406.1	

NOTES ON THE ACCOUNTS (CONTINUED)

17. LONG TERM BUSINESS PROVISION

The long term business provision was calculated by the Appointed Actuary using a net premium method. The principal assumptions used to calculate the long term business provision were as follows:

Rates of interest used

1. Assurances	With Profit	Without Profit
(i) Individual pension	4.25%	5.75%
(ii) Other	3.75%	4.50%
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%
(iii) Group money purchase	4.25%	4.25%
(iv) Other group	6.50%	6.50%
(b) Canada	7.00%	7.00%

Mortality Tables used

1. Assurances	AM80 ultimate
2. Annuities	
(a) United Kingdom	
(i) Individual and group, in deferment	AM80 ultimate
(ii) Individual, after vesting	
Pension annuity	90% IM80C10 ultimate (males)
	100% IF80C10 ultimate (females)
Other	80% IM80C10 ultimate (males)
	95% IF80C10 ultimate (females)
(iii) Group, after vesting	90% PMA80C10 (males)
	110% PFA80C10 (females)
(b) 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)
(c) Canada	
(i) Individual	90% 1983 IAM
(ii) Group	90% 1983 GAM

18. CLAIMS OUTSTANDING

	GROUP £m	COMPANY £m
At 16 November 1994	74.4	74.1
Movement for the year	(3.8)	(3.9)
At 15 November 1995	70.6	70.2

19. PROVISIONS FOR OTHER RISKS AND CHARGES

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Provision for deferred taxation	128.9	131.5	128.9	131.5
The potential liability for deferred tax provided in the accounts and the amounts not provided are as follows:				
Liability provided in the balance sheet				
Unrealised gains on investments	35.8	26.6	35.8	26.6
Deferred acquisition costs	59.7	74.9	59.7	74.9
Short term timing differences	33.4	30.0	33.4	30.0
	128.9	131.5	128.9	131.5

Potential liability not provided in the balance sheet

Unrealised gains on investments	362.0	222.0	358.0	218.0
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In addition, the potential liability not provided in respect of linked assets was £8m (£7m) for the Group and £Nil (£Nil) for the Company.

20. CREDITORS

Except as indicated in Note 21, all creditors are payable within a period of five years.

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Other creditors including taxation and social security				
Provision for current taxation	11.2	11.6	11.2	9.0
Other creditors	111.7	114.4	113.5	116.1
	122.9	126.0	124.7	125.1

21. BORROWINGS

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Bank borrowings and other loans are as follows:				
Amounts owed to credit institutions, repayable otherwise than by instalments within one year or on demand				
	51.6	52.6	49.5	51.4
Mortgages secured on property, repayable otherwise than by instalments				
Within one year on demand	1.4	1.8	1.4	1.8
Between one and two years	-	1.6	-	1.6
Between two and five years	2.4	-	2.4	-
After five years	9.7	9.8	8.1	8.0
	13.5	13.2	11.9	11.4
	65.1	65.8	61.4	62.8

NOTES ON THE ACCOUNTS (CONTINUED)

22. 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 Trust Management Limited	Scotland	Ordinary Shares	15 Nov	Unit trust management
Standard Life (Holdings) Limited	Scotland	Ordinary Shares	15 Nov	Financial services
Standard Life Fund Management Limited	Scotland	Ordinary Shares	15 Nov	Unit trust and PEP management
Prime Health Limited	England	Ordinary Shares	15 Nov	General insurance
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

To meet local conditions certain overseas subsidiaries have different financial year ends. For those subsidiary undertakings with 31 December year ends, management accounts to dates within two months of 15 November are used for consolidation purposes.

23. PARTICIPATING INTERESTS AND SIGNIFICANT SHAREHOLDINGS

At 15 November 1995, 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 32.3%	Banking
D.O.B. Estate Limited	England	Ordinary Shares 34.8%	Property development
Hammerson plc	England	Ordinary Stock 20.9%	Property investment
First Phase Civic Square Limited	Canada	Common Shares 37.0%	Property investment
Monarch Development Corporation	Canada	Common Shares 23.4%	Property investment

None of the above are considered to be associated undertakings.

24. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	1995 £m	1994 £m	1995 £m	1994 £m
Estimated capital expenditure not accounted for in the accounts				
Contracted for	54.1	89.9	53.5	89.9
Authorised but not contracted for	0.7	0.1	0.5	0.1
	<u>54.8</u>	<u>90.0</u>	<u>54.0</u>	<u>90.0</u>
Property investment not provided for	<u>302.7</u>	<u>180.0</u>	<u>292.6</u>	<u>166.2</u>

THE STANDARD LIFE ASSURANCE COMPANY

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which comply with the Companies Act 1985 and give a true and fair view of the state of affairs of the Group and the Company and of the results of the Group and the Company for that period. 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 accounts of the Group for the year ended 15 November 1995. The directors also confirm that the accounts have been appropriately prepared on a going concern basis and that applicable accounting standards have been followed as described in the Accounting Policies.

THE STANDARD LIFE ASSURANCE COMPANY

AUDITORS' REPORT
TO THE MEMBERS OF THE STANDARD LIFE ASSURANCE COMPANY

We have audited the accounts on pages 27 to 49 which have been prepared in accordance with the accounting policies set out on pages 30 to 32.

Respective responsibilities of directors and auditors

As described on page 50 the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Group and the Company as at 15 November 1995 and the results of the Group and the Company for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Report on corporate governance matters

In addition to our audit of the financial statements we have reviewed the directors' statements on page 25 concerning the Group's compliance with the paragraphs of the Code of Best Practice specified for our review. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

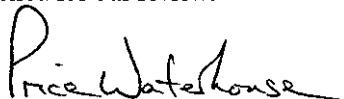
Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the directors' statement on the ability of the Group to continue in operational existence.

Opinion

In our opinion, the directors' statements on internal financial controls and on going concern on page 25, have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related Guidance for directors) and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the Company and examination of relevant documents, the directors' statement on page 25 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.



PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Edinburgh
27 February 1996