

Registered number: 889209

Sun Alliance Linked Life Insurance Limited

Report and Financial Statements for the year ended 31 December 2003



Sun Alliance Linked Life Insurance Limited

Report and financial statements for the year ended 31 December 2003

| <u>Contents</u> | <u>Page</u> |
|--|-------------|
| Directors | 2 |
| Directors' report | 3 |
| Directors' responsibilities for financial statements | 4 |
| Independent auditors' report | 4 |
| Accounting policies | 5 |
| Profit and loss account | 6 |
| Movements in shareholders' funds | 6 |
| Balance sheet | 7 |
| Notes on the financial statements | 8 |

Sun Alliance Linked Life Insurance Limited

Directors

Mr R Craine

Mr R E K Greenfield

Mr P N Hanby

Mr M R Kipling

Mrs F Matthews

Secretary

Miss J E Fox

Registered office

New Hall Place, Old Hall Street, Liverpool L3 9UE

Auditors

PricewaterhouseCoopers LLP

8 Princes Parade, St Nicholas Place, Liverpool, L3 1QJ

Sun Alliance Linked Life Insurance Limited

Directors' report for the year ended 31 December 2003

Principal activities and review of business

During 2003 the authorisation of the Company to write life insurance business in the EEA has been voluntarily withdrawn. The directors continue to review the operations of the Company with view to its future developments.

Result and dividends

The result of the Company for the year is shown in the profit and loss account on page 6. No dividend is recommended for the year (2002 £Nil).

Directors and their interests

Messrs A Kerr and P S Egan resigned as directors of the Company with effect from 30 April 2003. Messrs P N Hanby, M R Kipling, R Craine and Mrs F Matthews were appointed as directors of the Company with effect from 14 January 2003, 27 May 2003, 26 June 2003 and 1 December 2003 respectively.

The other director, whose name appears on page 2 served throughout the year.

None of the directors had any interests in the shares of the Company.

The interests of the directors in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc are disclosed in the financial statements of Royal & Sun Alliance Life Holdings Limited.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting of Royal & Sun Alliance Insurance Group plc.

By order of the directors



J E Fox
Secretary

10 March 2004

Sun Alliance Linked Life Insurance Limited

Directors' responsibilities for financial statements

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that it is appropriate for the financial statements to have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditors' report to the members of Sun Alliance Linked Life Insurance Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with the applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Liverpool, 10 March 2004

Sun Alliance Linked Life Insurance Limited

Accounting policies

Accounting and disclosure requirements

The financial statements are drawn up in compliance with Part VII, Chapter I and Schedule 4 to the Companies Act 1985 and applicable United Kingdom accounting standards.

Change in accounting policies

During 2003 the authorisation of the Company to write life insurance business in the European Economic Area (EEA) has been voluntarily withdrawn.

In previous years, as an authorised insurer, the financial statements were drawn up in compliance with Section 255 of and Schedule 9A to the Companies Act 1985. Previous year's figures have been reclassified as appropriate with no financial impact on the shareholders' funds. The accounting policies in prior years were in accordance with the Statement of Recommended Practice ("SORP") issued by the Association of British Insurers in December 1998.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as permitted by the Companies Act 1985.

Investment income

Interest, rents and dividends on investments, other than ordinary shares, are included on an accruals basis. Account is taken of dividend income on ordinary shares when the related investment is quoted 'ex-dividend'. Investment income is net of related expenses.

Taxation

The UK taxation in the profit and loss account is based on profits/(losses) and income in the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions of prior years.

Deferred tax is provided in full and consists of the estimated taxation or relief from taxation which is expected to arise from material timing differences using rates based on tax rates and laws which have been substantively enacted by the balance sheet date. Credit is taken for relief for trading and other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in future periods.

Deferred tax assets and liabilities are discounted at rates reflecting post-tax yields to maturity that can be obtained at the balance sheet date on government bonds with maturity dates in currencies similar to those of the deferred tax assets and liabilities.

Sun Alliance Linked Life Insurance Limited

Profit and loss account

for the year ended 31 December 2003

| | Notes | 2003 £m | 2002 (restated) £m |
|--|-------|------------|--------------------------|
| Investment income | 1 | 0.6 | 0.6 |
| Profit on ordinary activities before taxation | | 0.6 | 0.6 |
| Taxation on profit on ordinary activities | 2 | (0.2) | (0.2) |
| Profit on ordinary activities after taxation | | 0.4 | 0.4 |
| Dividends | | - | - |
| Transfer to retained profits | | 0.4 | 0.4 |

All figures relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account and accordingly a statement of total recognised gains and losses has not been presented.

Movements in shareholders' funds

for the year ended 31 December 2003

| | Share capital £m | Profit & loss account £m | Total 2003 £m | 2002 £m |
|---|------------------------|-----------------------------------|---------------------|-------------|
| Shareholders' funds at 1 January | 1.0 | 16.0 | 17.0 | 16.6 |
| Shareholders' recognised gains | - | 0.4 | 0.4 | 0.4 |
| Shareholders' funds at 31 December | 1.0 | 16.4 | 17.4 | 17.0 |

The profit & loss account includes **£16.4m** (2002 **£16.0m**) which is distributable.

The notes on pages 8 and 9 form part of these financial statements.

Sun Alliance Linked Life Insurance Limited

Balance Sheet

At 31 December 2003

| | Notes | 2003 £m | 2002 (restated) £m |
|--|-------|-------------|--------------------------|
| Fixed assets | | | |
| Other financial investments | 3 | 0.9 | 0.9 |
| Current assets | | | |
| Debtors | | | |
| Amounts due from group companies | | 16.9 | 16.3 |
| Creditors: amounts falling due within one year | | | |
| Taxation | | (0.4) | (0.2) |
| Net current assets | | 16.5 | 16.1 |
| Net assets | | 17.4 | 17.0 |
| Capital and reserves (see page 6) | | | |
| Called up share capital | 4 | 1.0 | 1.0 |
| Profit and loss account | | 16.4 | 16.0 |
| Shareholders' funds – equity interests | | 17.4 | 17.0 |

The notes on pages 8 and 9 form part of these financial statements.

The financial statements for pages 5 to 9 were approved by the directors on 10 March 2004 and were signed on their behalf by:

R E K Greenfield
Director

10 March 2004

Sun Alliance Linked Life Insurance Limited

Notes on the financial statements

1. Investment income

| | 2003 £m | 2002 £m |
|--|------------|------------|
| Investment income comprises: | | |
| Interest receivable from group companies | 0.6 | 0.6 |

2. Taxation

The charges for taxation in the profit and loss account comprise:

| | 2003 £m | 2002 £m |
|---------------------------------|------------|------------|
| United Kingdom taxation charge: | | |
| Corporation tax | (0.2) | (0.2) |

UK corporation tax for the life current year included above is at the standard rate of 30% (2002 at the standard rate of 30%).

3. Investments

| | 2003 £m | 2002 £m |
|---|------------|------------|
| Other financial investments: | | |
| Debt securities and other fixed income securities | | |
| British government securities | 0.9 | 0.9 |

The historical cost of the above investments is £0.9m (2002 £0.9 m) all of which are listed.

4. Share capital

| | 2003 £m | 2002 £m |
|--------------------------------------|------------|------------|
| Authorised, issued and fully paid | | |
| 1,000,000 ordinary shares of £1 each | 1.0 | 1.0 |

5. Directors' emoluments

All the directors who are employed by Royal & Sun Alliance Insurance Group receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. The directors received no emoluments in respect of their services to the Company.

6. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £2,317 (2002 £2,317). The auditors of the Company also received fees of £1,117 (2002 £1,064) in respect of non-audit services.

7. Pension costs and other post-retirement benefits

All of the staff in the UK are employed by Royal & Sun Alliance Insurance plc and are members of either one of the defined benefit pension schemes or a defined contribution pension scheme, details of which are disclosed in the accounts of that company. Contributions are based on pension costs across the UK group as a whole.

Sun Alliance Linked Life Insurance Limited

Notes on the financial statements

8. Capital commitments

The Company had no capital commitments at 31 December 2003 (2002 £Nil).

9. Financial commitments

The Company had no financial commitments under non-cancellable operating leases at 31 December 2003 (2002 £Nil).

10. Cash flow

The Company is a wholly owned subsidiary of Royal & Sun Alliance Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of Royal & Sun Alliance Insurance Group plc. The Company has thus taken advantage of the exemption permitted by Financial Reporting Standard 1 (revised) and has elected not to prepare its own cash flow statement.

11. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31 December 2003 (2002 £ Nil).

12. Related party transactions

Advantage has been taken of the exemption provided in Financial Reporting Standard 8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

13. Parent companies

The Company's immediate parent company is Royal & Sun Alliance Life Holdings Limited, which is registered in England and Wales.

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

The Company's ultimate parent company and controlling party is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales, and is the parent undertaking of the largest group to consolidate these financial statement. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1J 6EW.