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**Sun Alliance Linked Life
Insurance Limited**

Report and Accounts 1994



Sun Alliance Linked Life Insurance Limited

Directors

R.H.W. Winch, Chairman

J.S. Kent

I.M. Trotter

J.J. Woods

Actuary

R.J. Skillin, B.A., M.Sc., F.I.A.

Secretary

E. R. Wills, F.C.I.I.

Registered office

1 Bartholomew Lane, London EC2N 2AB

Sun Alliance Linked Life Insurance Limited

Directors' report for the year ended 31st December, 1994

Activities

The Company transacts long-term insurance business in the United Kingdom.

Result for the year

The profit for the year is shown in the profit and loss account on page 6.

The directors recommend that a dividend of £2,000,000 be paid on 3rd July, 1995.

Directors

Mr.J.S.Kent and Mr.J.J.Woods were appointed directors on 15th July, 1994.

The other directors whose names appear on page 1 served throughout the year.

Mr.P.G.Taylor also served until he resigned on 15th July, 1994.

On 1st January, 1994 Mr I.M. Trotter held 20,000 shares of 25p each in Sun Alliance Group plc and options over 114,375 shares; during 1994 he was granted options to subscribe for 10,176 shares and exercised options over 17,845 shares; on 31st December, 1994 he held 30,197 shares and options over 106,706 shares.

By order of the directors

E.R. WILLS

28th February, 1995

Secretary

Directors' responsibilities for accounts

The directors are required by UK company law to prepare accounts 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 subject to statutory exemptions applicable to insurance companies.

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 accounts for the year ended 31st December, 1994. The directors also confirm that applicable accounting standards have been followed and that the accounts 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.

Sun Alliance Linked Life Insurance Limited

Auditors' report

Report of the auditors to the members of
Sun Alliance Linked Life Insurance Limited

We have audited the accounts on pages 4 to 10.

Respective responsibilities of directors and auditors

As described on page 2 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 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 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 have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

London
1st March, 1995

COOPERS & LYBRAND
Chartered Accountants
and Registered Auditors

Sun Alliance Linked Life Insurance Limited

Long-term insurance revenue account
for the year ended 31st December, 1994

	Notes	1994 £m	1993 £m
Premiums less reinsurance	3	60.4	82.1
Investment income		18.9	18.1
Realised and unrealised appreciation (depreciation) on investments		(38.9)	101.0
		<u>40.4</u>	<u>201.2</u>
less:			
Claims and surrenders	3	77.4	88.7
Commission		3.6	5.4
Expenses		6.5	4.7
Taxation	4	4.0	5.0
Transfer to profit and loss account	5	6.0	0.8
		<u>97.5</u>	<u>104.6</u>
Increase (decrease) in fund		<u>(57.1)</u>	<u>96.6</u>

Sun Alliance Linked Life Insurance Limited

Long-term insurance balance sheet
at 31st December, 1994

	Notes	1994 £m	1993 £m
Life assurance fund		551.1	608.2
Other liabilities including provisions			
Outstanding claims		3.5	3.5
Borrowings	6	12.5	1.5
Taxation		9.6	10.0
Sundry creditors		3.8	2.3
Due to fellow subsidiaries		6.3	2.3
Due to general fund		6.0	0.8
		<u>592.8</u>	<u>628.6</u>
Investments			
British Government and municipal securities		46.1	56.6
Debentures		2.5	4.1
Preference Shares		0.8	0.9
Ordinary stocks and shares	7	399.5	471.5
Property		54.6	38.0
Loans		0.2	0.2
Short-term deposits		84.5	53.0
		<u>588.2</u>	<u>624.3</u>
Current assets			
Debtors		4.6	4.3
		<u>592.8</u>	<u>628.6</u>

This balance sheet forms part of the balance sheet appearing on page 7

Sun Alliance Linked Life Insurance Limited

Profit and loss account
for the year ended 31st December, 1994

	Notes	1994 £m	1993 £m
Long-term insurance transfer	5	8.6	1.1
Investment income		1.4	1.4
Profit before taxation		10.0	2.5
Taxation	4	3.1	0.8
Profit after taxation		6.9	1.7
Dividend		2.0	2.0
Retained profit (loss) transfer		4.9	(0.3)

Statement of total recognised gains and losses for the year ended 31st December, 1994		1994 £m	1993 £m
Profit attributable to shareholders		6.9	1.7
Realised investment profits less losses, after taxation	8	-	0.9
Unrealised appreciation (depreciation) of investments	8	(1.5)	(0.7)
Total recognised gains (losses)		5.4	1.9

Reconciliation of movements in shareholders' funds
for the year ended 31st December, 1994

	1994 £m	1993 £m
Shareholders' funds at 1st January	13.7	13.8
Total recognised gains (losses)	5.4	1.9
Dividend	(2.0)	(2.0)
Shareholders' funds at 31st December	17.1	13.7

Sun Alliance Linked Life Insurance Limited

Balance sheet
at 31st December, 1994

	Notes	1994 £m	1993 £m
Share capital			
Authorised, issued and fully paid: 10,000,000 ordinary shares of £1 each		10.0	10.0
Reserves			
Retained profits	8	7.1	3.4
Revaluation reserve	8	-	0.3
		<hr/> 17.1	<hr/> 13.7
Liabilities and provisions			
Taxation		0.8	0.6
Provision for dividend		2.0	2.0
		<hr/> 19.9	<hr/> 16.3
Long-term insurance fund and liabilities (page 5)		592.8	628.6
		<hr/> 612.7	<hr/> 644.9
Investments			
British Government securities		10.8	12.3
Deposits at interest		2.6	2.8
		<hr/> 13.4	<hr/> 15.1
Current assets			
Debtors		0.3	0.3
Due from long-term fund		6.0	0.8
Bank balance		0.2	0.1
		<hr/> 19.9	<hr/> 16.3
Long-term insurance assets (page 5)		592.8	628.6
		<hr/> 612.7	<hr/> 644.9

The accounts on pages 4 to 10 were approved by the directors
on 28th February, 1995 and were signed on their behalf by:-

J.J.WOODS, Director

Sun Alliance Linked Life Insurance Limited

Notes on the accounts

1. Accounting and disclosure requirements

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to insurance companies.

2. Accounting policies

The principal accounting policies of the Company set out below comply with U.K. accounting standards to the extent that they are applicable to life assurance companies.

(a) Long-term insurance business

The business of the Company consists of unit-linked life assurances. The premiums, after deduction of charges, are applied to the allocation to policies of units in the investment funds managed by the Company.

The long-term insurance transfer is determined annually by actuarial valuation. The shareholders' proportion of these profits is grossed up in the profit and loss account by the estimated tax in the long-term insurance funds attributable to such profits.

(b) Investment income

Income on listed investments of the unit-linked funds is included by reference to ex-dividend dates. Other investment income is included on an accruals basis.

(c) Taxation

The taxation charge in the long-term insurance revenue account is based on the income of the year, less reliefs.

The taxation charge in the profit and loss account is based on the profits and income of the year.

Provision is made for deferred taxation on the unrealised appreciation of investments in unit-linked funds and is deducted in arriving at the balance sheet market values of related investments.

(d) Investments

Investments are stated in the balance sheets at market values, as determined in accordance with the policy terms for investments in unit-linked funds, open market valuations by Jones Lang Wootton or Savills, Chartered Surveyors for properties and stock exchange values for other securities.

In the long-term insurance accounts the difference between market values and book values of investments and realised investment profits and losses is dealt with in the revenue account.

The difference between market values and book values of general fund investments is taken to revaluation reserve. Realised investment profits and losses, less taxation, are taken to retained profits.

3. Group reinsurance

During the year premiums of £1.9m (1993 £1.8m) were received from and claims of £4.2m (1993 £3.6m) paid to group companies under reinsurance agreements entered into in 1986.

Sun Alliance Linked Life Insurance Limited

Notes on the accounts *continued*

4. Taxation

The charges for taxation comprise:-

	Long-term insurance revenue account		Profit and loss account	
	1994 £m	1993 £m	1994 £m	1993 £m
United Kingdom				
Corporation tax	3.0	4.6	0.5	0.5
Tax attributable to U.K. dividend income	0.9	0.4	2.6	0.3
Prior year release	0.1	-	-	-
Deferred tax	-	-	-	-
	<u>4.0</u>	<u>5.0</u>	<u>3.1</u>	<u>0.8</u>
Overseas taxation on profits	-	-	-	-
	<u>4.0</u>	<u>5.0</u>	<u>3.1</u>	<u>0.8</u>

The charge for U.K. corporation tax in the profit and loss account is calculated at 33% (1993 33%).

The charge for U.K. corporation tax in the long-term revenue account is provided at an aggregate rate between 25% and 33% computed in accordance with the rules applicable to life assurance companies.

5. Long-term insurance profits

The amount included in the profit and loss account for the shareholders' proportion of long-term insurance profits is made up as follows:-

	1994 £m	1993 £m
Transfer from revenue account	6.0	0.8
Related taxation	2.6	0.3
	<u>8.6</u>	<u>1.1</u>

6. Borrowings

Borrowings in the long-term insurance balance sheet are as follows:-

	1994 £m	1993 £m
Bank overdraft	5.5	1.5
Other loans from group companies at commercial rates of interest, repayable within one year	7.0	-
	<u>12.5</u>	<u>1.5</u>

Interest payable on borrowings deducted from investment income in the long-term insurance revenue account, is as follows:-

	1994 £m	1993 £m
Other loans	0.1	-

Sun Alliance Linked Life Insurance Limited

Notes on the accounts continued

7. Investments

The long-term insurance fund includes as an investment a 34% (1993 39%) holding in the Capital International Fund of Capital International Fund S.A., an investment company registered in Luxembourg. The investment has been valued in accordance with the policy terms for unit-linked investments, reflecting net asset value.

8. Reserves

Reserves and reserve movements are as follows:

	Retained profits		Revaluation reserve	
	1994	1993	1994	1993
	£m	£m	£m	£m
Balance at 1st January	3.4	2.8	0.3	1.0
Retained profits (loss) for the year	4.9	(0.3)	-	-
Realised investment profits less losses, after taxation	-	0.9	-	-
Unrealised appreciation (depreciation) of investments	-	-	(1.5)	(0.7)
Transfer to/from revaluation reserve	(1.2)	-	1.2	-
Balance at 31st December	7.1	3.4	-	0.3

9. Directors' emoluments

No emoluments were paid or are payable to the directors in respect of 1994 or 1993.

All the directors receive remuneration from Sun Alliance and London Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

10. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £26,500 (1993 £26,500). The auditors of the Company also received fees of £7,246 (1993 £7,390) in respect of non-audit services.

11. Parent companies

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

The Company's ultimate parent company is Sun Alliance Group plc which is registered in England and Wales. A copy of that company's accounts can be obtained from 1 Bartholomew Lane, London EC2N 2AB.