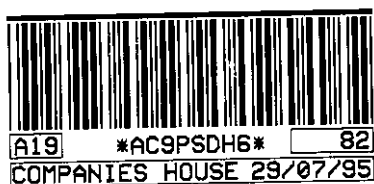


928046

ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED
A MEMBER OF THE ROYAL INSURANCE HOLDINGS GROUP

Report and Accounts
for the year ended 31st December 1994



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DIRECTORS

Mr D R Parry (Chairman)

Mr R Calver

Mr M Iqbal

Mr D Shore

Mr J Sidwell

Mr M White

Secretary

Mr D J Morgan

Registered Number: 928046

Registered Office: New Hall Place, Old Hall Street, Liverpool L69 3HS

DIRECTORS' REPORT

The Directors present to the Members the financial statements of the Company for the year 1994, together with their report.

PRINCIPAL ACTIVITY

The principal activity of the Company is the transaction of unit linked long-term insurance business in the United Kingdom.

REVIEW OF THE YEAR

The Company has maintained a constant flow of new business during the year.

FUTURE DEVELOPMENTS

The Directors expect that the Company will continue to benefit from various initiatives which have been taken to improve the trading position.

BUSINESS TRANSACTED

Premium income of the Company for the year was **£40,551,000** (1993 £38,088,000) and as at 31st December 1994, the total long-term business funds amounted to **£314,249,000** (1993 £339,509,000).

VALUATION

A valuation of the long term insurance business of the Company was made as at 31st December 1994 in respect of the year ended as at that date. The result of the valuation showed a surplus of **£16,918,000**, of which **£8,916,000** has been transferred to the profit and loss account.

The net transfer to shareholders is comprised of two elements, profit of £3,132,000 and a repayment of development finance of £5,784,000 which has been shown as a movement through reserves.

RESULT AND DIVIDEND

The profit for the year attributable to the shareholders, after providing for taxation was **£4,080,000** (1993 £4,876,000) all of which is to be transferred to retained profits. No dividend for the year will be paid.

DIRECTORS

The Directors whose names appear on page 2 were all Directors of the holding company, Royal Life Holdings Limited as at 1st January 1994, or date of appointment where later, and 31st December 1994. Therefore the register maintained by the Company in accordance with the provisions of Section 325 of the Companies Act 1985 does not show their interests in the capital of the ultimate holding company, Royal Insurance Holdings plc.

According to the aforementioned register, no Director was at any time during the year interested in the shares of the Company or in the shares or debentures of any subsidiary of the ultimate holding company.

Mr R Calver was appointed a Director of the Company on 17th June 1994.

There is no requirement under the Company's Articles of Association for Directors to retire, by rotation or otherwise, at an Annual General Meeting.

ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

AUDITORS

The Group's Auditors are Coopers & Lybrand. In accordance with the Companies Act 1989 the Company has dispensed with the appointment of Auditors annually.

By Order of the Board

A handwritten signature in black ink, appearing to read 'D J Morgan', is written over the typed name.

D J Morgan
Secretary

Liverpool, 16th February 1995

DIRECTORS' RESPONSIBILITY

The Directors are required to present for each accounting period financial statements which have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to Insurance Companies. In preparing the financial statements, suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, have to be used and applied consistently. Applicable accounting standards also have to be followed subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are also responsible for maintaining adequate accounting records so as to enable them to ensure the safeguarding of assets of the Company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

We have audited the financial statements on pages 6 to 15.

Respective responsibilities of Directors and Auditors

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

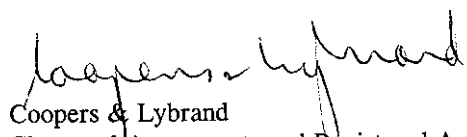
Basis of opinion

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 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 have been properly prepared in accordance with the Companies Act 1985 applicable to insurance companies.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Liverpool, 16th February 1995

ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

LONG-TERM INSURANCE REVENUE ACCOUNT
for the year ended 31st December 1994

	Notes	1994 £000	1993 £000
Funds at start of the year		339,509	289,840
Premiums and Annuity Considerations	1(c),2		
Single		-	20
Periodical		40,551	38,068
		40,551	38,088
Investment Income			
- gross		12,818	12,883
- less expenses		(1,290)	(1,771)
		52,079	49,200
Development Finance transferred from Retained Profits & Other Reserves		(5,784)	(546)
		46,295	48,654
Claims	1(c),2	(12,257)	(12,326)
Surrenders	1(c),2	(23,795)	(30,498)
Commission		(2,716)	(2,845)
Expenses		(9,996)	(8,043)
UK and Overseas Taxation	1(f),3	(1,336)	7,885
		(50,100)	(45,827)
		(3,805)	2,827
Exchange Revaluation		307	(86)
Realised Investment Appreciation		24,986	30,572
Unrealised Investment Appreciation		(43,616)	20,810
		(22,128)	54,123
Long term Insurance Profit after taxation	1(d)	(3,132)	(4,454)
Addition to Funds		(25,260)	49,669
Funds at end of year		314,249	339,509

The notes on pages 11 to 15 form an integral part of these accounts.

PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1994

	Notes	1994 £000	1993 £000
Long-term Insurance Profit		4,267	4,454
Investment Income	1(e)	1,415	1,293
Profit before Taxation from continuing operations		5,682	5,747
UK and Overseas Taxation	1(f)	(1,602)	(871)
Profit after Taxation		4,080	4,876
Transfer to Retained Profits		4,080	4,876

The notes on pages 11 to 15 form an integral part of these accounts.

**MOVEMENTS IN CAPITAL & RESERVES INCLUDING STATEMENT OF
SHAREHOLDER RECOGNISED GAINS for the year ended 31st December 1994**

	1994	1993
	£000	£000
Capital & Reserves at 1st January	27,753	22,331
Profit for the period	4,080	4,876
Total Shareholder Recognised Gains for the year	4,080	4,876
Development Finance	5,784	546
Change in Capital & Reserves	9,864	5,422
Capital & Reserves at 31st December	37,617	27,753


The notes on pages 11 to 15 form an integral part of these accounts.

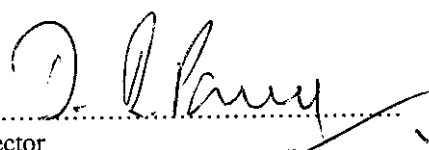
ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

SHAREHOLDERS' BALANCE SHEET
as at 31st December 1994

	Notes	Shareholders' 1994 £000	1993 £000
CAPITAL AND RESERVES			
Share Capital			
Authorised: £65,000,000			
Issued: 62,850,000 ordinary shares of £1 each fully paid		62,850	62,850
Share Premium Account		675	675
Retained Profits and Reserves		(25,908)	(35,772)
Equity Shareholders' Funds		37,617	27,753
LIABILITIES			
Deferred Taxation		3	5
Sundry Liabilities and Provisions	4	470	879
		38,090	28,637
Represented by:			
ASSETS			
Cash on Deposit		23,474	18,010
Other Assets	5	14,616	10,627
		38,090	28,637

The accounts on pages 6 to 15 were approved today by the Board of Directors and are signed on its behalf by:


.....
Director


.....
Director

Liverpool, 16th February 1995

The notes on pages 11 to 15 form an integral part of these accounts.

ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

LONG TERM BALANCE SHEET
as at 31st December 1994

	Notes	Long term 1994 £000	1993 £000
LIABILITIES			
Long-term Insurance Funds		314,249	339,509
Deferred Taxation		504	-
Sundry Liabilities and Provisions	4	26,617	54,753
		341,370	394,262
Represented by:			
ASSETS			
Liquid Investments			
British Government Securities		28,231	42,208
Corporate Bonds		8,098	6,662
Preference Stocks and Shares		993	687
Ordinary Stocks and Shares		246,415	273,151
Cash on Deposit		39,782	31,863
		323,519	354,571
Freehold & Leasehold Property		10,387	7,106
Other Assets	5	7,464	32,585
		341,370	394,262

The notes on page 11 to 15 form an integral part of these accounts.

NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1994

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with UK Accounting Standards, including Financial Reporting Standard Number 3 - Reporting Financial Performance, so far as considered appropriate to insurance companies.

There were no material changes in accounting policy.

a) BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investments.

b) TRANSLATION AND CONVERSION OF FOREIGN CURRENCIES

Revenue transactions in foreign currencies are translated to sterling at approximately the average rates of exchange ruling during the year and assets and liabilities at the rates ruling at the end of the year.

Within shareholders' funds the exchange adjustments resulting from the translation of assets (including the book value of investments, subsidiaries and associated undertakings) and liabilities and gains and losses on the conversion of remittances are dealt with in Retained Profits & Reserves. The corresponding adjustments in respect of long-term business are included in the Long-term Insurance Revenue Account.

c) LONG TERM INSURANCE REVENUE

All items are shown net of reinsurance.

Premiums and Annuity Considerations are accounted for when due except premiums in respect of linked assurance contracts which are accounted for when the policy liabilities are created.

Claims, surrenders and annuities are charged when due or notified. Claims under investment-linked policies are charged when such policies cease to participate in the relevant investment fund.

d) LONG TERM INSURANCE PROFIT

Long-term Insurance Profit represents a proportion of the total distributed surplus, as determined annually on Actuarial Valuation of the long-term funds, in which shareholders have a proprietary interest. In the Profit & Loss Account the profit is grossed up by the estimated UK and Overseas Taxation referable to it.

e) INVESTMENT INCOME

Investment Income, which includes property rents, is net of related expenses and interest payable on loans for onward lending.

f) TAXATION

The UK and Overseas Taxation in the Profit & Loss Account and Long-term Insurance Revenue Account is based on profits/(losses) and income of the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions for prior years.

UK and Overseas Taxation in the Profit & Loss Account includes the tax by which the Long-term Insurance Profit has been grossed up.

NOTES ON THE ACCOUNTS (Continued)

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences; expected future rates of tax are used where applicable. Credit is taken for relief of trading losses only to the extent that the Directors anticipate that profits will absorb such losses in the foreseeable future.

Appropriate allowance has been made in valuing the linked investments or actuarial liabilities of the long-term insurance fund for deferred taxation arising from the unrealised appreciation of investments, the disposal of which would give rise to taxation which will ultimately be borne by policyholders in accordance with policy conditions.

Tax payable or recoverable on the realisation of investments is dealt with in Retained Profits & Reserves.

g) INVESTMENTS

Investments are shown at market value, for which purpose unlisted investments, mortgages and loans are included at Directors' valuation and properties at professional valuation. Properties are valued annually and the Directors do not regard it as appropriate to provide for depreciation on any of the properties, those occupied by Companies within the Group not being material in the context of total assets. A number of the properties have been valued by the Group's professional staff who are members of the Royal Institute of Chartered Surveyors. The principal valuers are Hiller Parker May & Rowden, Gooch & Wagstaff and St. Quintin.

h) COMPANIES ACT 1985

The accounts are drawn up in compliance with Sections 255 of, and Schedule 9A to, the Companies Act 1985.

ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

2. Premiums Written and Claims Payable - Long-term Insurance	1994 £000	1993 £000
Gross premiums and annuity considerations		
Single	-	20
Periodical	53,350	55,485
Reassurance premiums payable		
Single	-	-
Periodical	12,799	17,417
Net premiums and annuity considerations		
Single	-	20
Periodical	40,551	38,068
The annualised value of new periodical premiums was £4.45m (1993 £4.39m)..		
Gross claims payable		
Claims	15,746	14,278
Surrenders	23,795	30,498
Recoverable from reinsurers		
Claims	3,489	1,952
Surrenders	-	-
Net Claims Payable		
Claims	12,257	12,326
Surrenders	23,795	30,498

3. Taxation	Shareholders'		Long-term	
	1994 £000	1993 £000	1994 £000	1993 £000
UK Taxation				
Corporation Tax	3	3	(148)	7,019
Group Relief (Payable)/Receivable	(470)	(874)	-	739
	(467)	(871)	(148)	7,758
Imputed tax on franked investment income	-	-	(1,094)	-
Tax included in Long Term Insurance profit	(1,135)	-	-	-
Overseas Taxation	-	-	(94)	127
	(1,602)	(871)	(1,336)	7,885
Included in the above are:				
Deferred Taxation	3	3	(358)	-
Prior year adjustments	-	(444)	-	-

UK Corporation Tax is based on a rate of **33%** (1993 **33%**) in respect of shareholders income and **25%** (1993 **25%**) in respect of policyholders income.

There are unrelieved expenses of management of **£11,248,000** (1993 **£13,990,000**) at the end of the year for which no tax relief has been included in the Accounts. For tax purposes these are being carried forward for set off against future taxable income.

NOTES ON THE ACCOUNTS (Continued)

	Shareholders'		Long-term	
	1994	1993	1994	1993
	£000	£000	£000	£000
4. Sundry Liabilities and Provisions				
Claims admitted but not paid	-	-	4,487	4,035
Amounts payable to policyholders, intermediaries and insurance companies	-	-	197	1,081
Amounts payable to holding company and fellow subsidiaries	470	879	6,038	2,981
Due from Long Term Account	-	-	8,916	5,000
Sundry credit balances	-	-	6,979	41,656
	470	879	26,617	54,753

Note: The 1993 figure for Amounts payable to policyholders, intermediaries and insurance companies has been restated and the amount payable to brokers of £17,209,000 has been re-classified to Sundry Credit balances.

	Shareholders'		Long-term	
	1994	1993	1994	1993
	£000	£000	£000	£000
5. Other Assets				
Amounts receivable from policyholders, intermediaries and insurance companies	-	-	-	19
Interest and dividends accrued	8	16	1,830	1,443
Tax recoverable	-	-	402	2,715
Amounts receivable Group companies	5,684	5,604	-	739
Due to Shareholders' Account	8,916	5,000	-	-
Sundry debit balances	-	-	4,576	24,446
Cash on current account	8	7	656	3,223
	14,616	10,627	7,464	32,585

6. Auditors' Remuneration

The estimated remuneration of the Auditors for audit was £7,190 (1993 £6,305) (inclusive of irrecoverable VAT) and for non-audit services to the Company was £8,025 (1993 £3,907). In order to be consistent with the 1994 figure, the 1993 comparative for audit has been restated to reflect the billed amount.

7. Directors' Remuneration

None of the Directors received nor waived any emoluments in respect of their services to the Company in the current or previous year.

8. Contingent Liabilities

Other than in the normal course of insurance business the Company had no material contingent liabilities as at 31st December 1994.

9. Cash Flow

As permitted by FRS1, it is not considered appropriate or meaningful to include within the Financial Statements a Cash Flow Statement as the Company is a wholly owned subsidiary.

ROYAL LIFE (UNIT LINKED ASSURANCES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

10. Holding Company

The Company's ultimate holding company is Royal Insurance Holdings plc, registered in England and Wales. The parent of the smallest group for which accounts, including Royal Life (Unit Linked Assurances) Limited are drawn up is Royal Insurance Holdings plc registered in England and Wales.

Copies of the accounts for Royal Insurance Holdings plc can be obtained from the Registered Office at 1 Cornhill, London EC3V 3QR
