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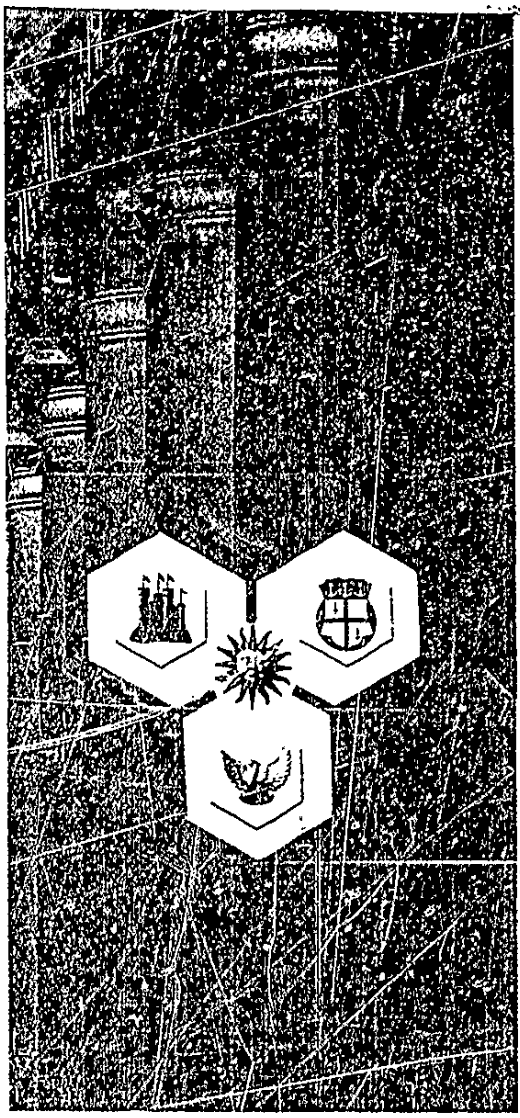

SUNALLIANCE GROUP plc

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SUNALLIANCE GROUP plc

Report and Accounts 1989

Contents

Head office and registered office: 1 Bartholomew Lane, London EC2N 2AB

Registrar: Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, West Sussex BN12 6DA

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SUNALLIANCE
GROUP plc

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at its registered office, 1 Bartholomew Lane, London EC2N 2AB, on Wednesday, 16th May, 1990 at 12.30 pm.

1. To receive and adopt the report of the directors and the accounts for the period ended 31st December, 1989 and to declare a final dividend for 1989.
2. To elect directors.
3. To re-appoint Coopers & Lybrand Deloitte as auditors and to authorise the directors to fix their remuneration.
4. To consider and if thought fit pass the following resolution which will be proposed as a special resolution:—

   That the directors of the Company be and are hereby authorised generally and unconditionally for the purpose of section 80 of the Companies Act 1985 to allot from time to time up to 208,401,830 shares of 25p each and empowered pursuant to section 95 of the said Act to allot shares for cash as if subsection (1) of section 89 of the Act did not apply to any such allotment provided that this power be limited to allotments—

   (a) in connection with a rights issue in favour of shareholders subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of, or the requirements of, any regulatory body or any stock exchange;

   (b) pursuant to any scrip dividend offer; and

   (c) otherwise than pursuant to sub-paragraphs (a) and (b) above, of not more than 39,579,908 shares during the period up to the conclusion of the next Annual General Meeting of the Company save that the Company may before the expiry of that period make an offer or agreement which would or might require shares to be allotted after such expiry and the directors may allot shares in pursuance of such offer or agreement.

   Explanation:—

   The Companies Act 1985 restricts the power of the directors to allot unissued capital and requires issues of equity capital for cash to be offered to existing shareholders in proportion to their holdings unless the shareholders resolve otherwise in general meeting. The above resolution renews the directors' power—

   (i) to allot unissued capital, subject to a slightly reduced limit, and

   (ii) to modify the pre-emption rights of shareholders in the event of a rights issue or other issue for cash, subject to certain restrictions and a slightly increased limit.

   No issue is in contemplation but it is felt prudent to have further capital readily available.

5. To consider and if thought fit pass the following resolution which will be proposed as an ordinary resolution:—

   That the directors be and are hereby authorised to exercise if they consider it appropriate the power contained in Article 133 of the Company's Articles of Association to implement a Scrip Dividend Offer in relation to any dividend or dividends declared before the conclusion of the Annual General Meeting of the Company in 1995.

   Explanation:—

   The above resolution renews the directors' authority to offer shares instead of dividends, conferred by resolutions passed at extraordinary general meetings in 1989, which related only to dividends paid before the first Annual General Meeting of the Company.

By order of the directors
H. SILVER
Secretary

23rd April, 1990

A member entitled to attend and vote at this Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company. Members who return completed forms may nevertheless attend the Meeting instead of their proxies and vote in person. A form of proxy is enclosed for holders of the Company's shares.

SUN ALLIANCE
GROUP plc

Directors

Chairman

H. U. A. LAMBERT

Director of Sun Alliance since 1972; Vice-Chairman from 1978 to 1983; Deputy Chairman from 1983 to 1985 and Chairman since 1985. Chairman of Agricultural Mortgage Corporation. Director of Barclays Bank.

Deputy Chairman

SIR DERRICK HOLDEN-BROWN

Director of Sun Alliance since 1977; Vice-Chairman from 1983 to 1985 and Deputy Chairman since 1985. Chairman of Allied Lyons.

Vice-Chairman

THE EARL OF CRAWFORD AND BALCARRES, PC

Director of Sun Alliance since 1975; Vice-Chairman since 1978. Former director of National Westminster Bank. Former Minister of State for Defence and Minister of State for Foreign and Commonwealth Affairs.

Vice-Chairman

J. N. C. JAMES

Director of Sun Alliance since 1972; Vice-Chairman since 1988. Trustee of the Grosvenor Estate. Director of Royal Bank of Scotland.

A. R. C. ARBUTHNOT

Director of Sun Alliance since 1970 and of The London Assurance from 1963 to 1989. Former Chairman of Arbuthnot Latham Holdings.

P. H. BARTRUM

Director of Sun Alliance since 1978. Former General Manager, Management Services and Planning.

SIR CHRISTOPHER BENSON

Director of Sun Alliance since 1988. Chairman of MEPC and Chairman of The Housing Corporation.

R. K. BISHOP

Director of Sun Alliance since 1984 and of Phoenix Assurance from 1976 to 1989. Former Chief General Manager of Phoenix Assurance.

GEOFFREY BOWLER

Director of Sun Alliance since 1969. Former Chief General Manager. Director of Charles Church.

G. E. BROWNE

Director of Sun Alliance since 1988. Managing Director of Sun Alliance Investment Management.

M. L. DEW

Managing Director of Sun Alliance Group Properties.

HENRY KESWICK

Director of Sun Alliance since 1975. Chairman of Matheson & Company. Director of Robert Fleming Holdings.

THE LORD KINDERSLEY

Director of Sun Alliance since 1965 and of The London Assurance from 1957 to 1989. Director of Lazard Brothers.

D. B. MONEY-COUTTS

Director of Sun Alliance since 1984 and of Phoenix Assurance from 1978 to 1989. Chairman of Coutts & Co. Director of Gerrard & National Holdings and of M & G Group.

R. A. G. NEVILLE, VRD

Director of Sun Alliance since 1979. Group Chief Executive.

W. G. NIVEN

Director of Sun Alliance since 1978. Former Group Finance Director.

R. PETTY

Managing Director of Sun Alliance Insurance Overseas.

PETER QUAILE

Director of Sun Alliance since 1980. Former Deputy Chief General Manager.

LEOPOLD DE ROTHSCHILD, CBE

Director of Sun Alliance since 1982. Director of N. M. Rothschild & Sons.

R. J. TAYLOR

Director of Sun Alliance since 1986. Group Executive Director.

S. C. WHITBREAD, DL

Chairman of Whitbread and Company.

B. A. WRIGHT

Director of Sun Alliance since 1984. Group Executive Director.

SUNALLIANCE
GROUP plc

Management

Holding Company

Sun Alliance Group plc

Group Chief Executive	— R. A. G. Neville, VRD, FCA
Group Executive Directors	— B. A. Wright, FIA
	— R. J. Taylor, FCII
General Managers	— T. A. Hayes, FCII, ACIS
	— T. S. Nelson, CA
Secretary	— H. Silver, Barrister

Principal Subsidiaries

Sun Alliance Insurance UK Ltd

Managing Director—J. H. Bishop, FIA

Sun Alliance and London Assurance Co. Ltd

Managing Director—P. G. Taylor, FCII

Sun Alliance Insurance International Ltd

Managing Director—E. G. Coward, FCII

Sun Alliance Insurance Overseas Ltd

Managing Director—R. Petty, ACII

Sun Alliance Investment Management Ltd

Managing Director—G. E. Browne, FCII

Sun Alliance Group Properties Ltd

Managing Director—M. L. Dew, FRICS

Sun Alliance Management Services Ltd

Managing Director—J. Rochelle, MBCS

SUNALLIANCE
GROUP plc

Summary of Group Results 1989

	1989 £m	1988 £m
Premium income		
General insurance	2,475·3	2,252·2
Long-term insurance	810·6	859·6
	3,285·9	3,111·8
Profit and loss account		
General insurance underwriting result	(63·7)	58·7
Long-term insurance profits	40·5	34·0
Investment and other income	341·8	279·7
Profit before taxation	318·6	372·4
Taxation	90·9	110·3
Minority interests	12·3	10·4
Profit attributable to shareholders	215·4	251·7
Dividend	99·0	80·9
Profit retained	116·4	170·8
Earnings per share	27·3p	31·9p
Dividend per share	12·5p	10·25p

Earnings and dividend per share for 1988 have been restated to reflect the four for one share exchange on 1st July, 1989.

Territorial analysis

General insurance

	1989 Premium income £m	1989 Underwriting result £m	1988 Premium income £m	1988 Underwriting result £m
United Kingdom*	1,569·0	1·2	1,428·0	88·1
Europe	365·3	(22·2)	295·0	(9·7)
U.S.A.*	262·7	(6·2)	228·3	(1·8)
Canada	63·7	(5·2)	130·9	(4·2)
Australia	109·7	(21·5)	70·7	(2·9)
Other overseas	104·9	(9·8)	99·3	(10·8)
	2,475·3	(63·7)	2,252·2	58·7

**including discontinued reinsurance business*

Long-term insurance

	1989 Premium income £m	1989 Shareholders' profits £m	1988 Premium income £m	1988 Shareholders' profits £m
United Kingdom	654·8	37·5	702·8	31·2
Europe	116·6	0·3	92·0	0·9
Australia	19·2	2·0	48·4	0·8
Other overseas	20·0	0·7	16·4	1·1
	810·6	40·5	859·6	34·0

Chairman's Statement

1989 was a difficult year. There was sharper competition in the marketplace, particularly in the UK where high interest rates, which are the Government's main resource to fight the rapid rise in inflation, encouraged some underwriters to take on business at unrealistic rates. It was a year of natural disasters, with destructive hurricanes in the Caribbean and the south-eastern United States, and earthquakes in California and Australia. In all these calamities the Group bore its share of loss, but inevitably for our company nothing was more costly than the long hot summer in the UK which has so far produced some 7,800 claims for subsidence. Some of these arise only when houses change hands and prospective purchasers have a survey. Consequently we may expect further claims when the residential property market in due course revives.

In all these circumstances we regard the Group profit of £318m as satisfactory, particularly since this result does not fully disclose the immense strength of the Sun Alliance. The benefits of our consistent policy of looking for long-term growth in our portfolio of equities and property were clearly demonstrated during 1989 by the increase of more than £800m in the Group's net assets. This balance sheet strength gives us the capacity to underwrite with confidence on a European and worldwide scale, to expand our business in a coherent manner in the developing financial services market, and to maintain dividend growth despite the inevitable fluctuations of underwriting results.

In the Review of Operations will be found a note on the embedded value of our UK life and pensions business. This concept provides a means of assessing from year to year the growth in the value of the shareholders' interest in the long-term insurance business. Whilst this conservative figure is considerably less than the value of our long-term business as a going concern, it does furnish further evidence of the strength of the Group.

The Group reorganisation foreshadowed in last year's report, and established by the Scheme of Arrangement sanctioned by the High Court, has gone ahead smoothly with a more logical co-ordination of marketing, underwriting, and dealing with claims. This will enable us to offer an even higher standard of service to our long-standing connections. We have seen all-round progress in developing our new channels of distribution through our link with Swinton and with Hogg Robinson.

Chairman's Statement continued

The appointed representative agreement with the Woolwich is being followed by the establishment of a jointly-owned life company.

The Group continued to enjoy a close and constructive relationship with Chubb in the United States. During 1989 we concluded co-operation agreements covering the UK and Japan with Taisho, one of the largest Japanese insurers.

It is important that our office premises meet the needs of staff and computer systems and the growth of our business. At Horsham we have, in co-operation with the local authority, embarked upon a major development which will house a large part of our Head Office. Leadenhall Court in the City has just been commissioned as our City underwriting centre. An important new computer centre is under construction in the Aztec West Business Park at Bristol to strengthen further our information technology facilities. In recent years we have made a considerable investment to keep the Group in the vanguard of progress in management information systems and this commitment will continue.

The Group welcomes Sir Leon Brittan's efforts to speed up the process of bringing freedom to supply personal general and life business services throughout Europe, but conditions must be the same for all competitors in the market, and this applies particularly to taxation. It is unsatisfactory that reserves set aside to allow for catastrophes such as the recent storms should be eligible for tax relief in many European countries but not in the UK. It is equally unhelpful that the Inland Revenue continues to seek to discount outstanding general business claims, which would effectively tax investment income before it was received. We should not be placed under a handicap in competing for business at a time when other trade barriers are being dismantled, and when Government expenditure abroad and the heavy outflow of funds on interest payments are making serious inroads into the hard-won invisible earnings to which insurance has been so vital a contributor over the years.

1990 has started with violent hurricanes much more widespread than those of October 1987 and well insured companies and individuals will have reason to be thankful for their cover. The cost, although mitigated by catastrophe reinsurance, will be high. If these storms prove, as some suggest, to be the harbingers of serious climatic change, there can be no doubt that rates will have to reflect the risk. Nevertheless, after the Group's steady advance in the 1980s there is every reason to look forward with confidence to the last decade of the century.

Chairman's Statement continued

Dividend

The Directors recommend a final dividend for 1989 of 8p per share, making a total dividend for the year of 12·5p.

Directors

At the Annual General Meeting Mr. Peter Quaile and Mr. Pat Bartrum will be retiring. Mr. Quaile, who founded the Loss Prevention Council and became its first Chairman, played an important role as Deputy Chief General Manager in the shaping of the new Group structure. Mr. Bartrum, who was President of the Chartered Insurance Institute in 1985/6, was in overall control of our Management Services at a time of rapid change and successfully implemented major strategic developments. To both of them we extend our warmest thanks and good wishes.

Mr. Ralph Petty, who is responsible for our widespread overseas business, and Mr. Michael Dew, who has played so important a part in building up our very large property portfolio, have joined the Board. We welcome also Mr. Sam Whitbread as a non-executive director.

Conclusion

The setting up of our new structure and its smooth inauguration has called for imagination, meticulous planning and much hard work. Its success and the good results for 1989 are due to the leadership of Mr. Roger Neville and his colleagues and the enthusiastic support of all the people who work for the Group at home and abroad. To all of them I express my admiration and gratitude.

4th April, 1990

H D A Lambert

SUNALLIANCE
GROUP plc

Review of Operations 1989

Sun Alliance UK

General insurance	1989 £m	1988 £m
Premium income	888	787
Underwriting result	33	47

Sun Alliance UK writes the Group's personal general insurance business in the United Kingdom. At the start of 1989, the company was restructured in order to focus more strongly on the different channels of distribution for personal insurances.

Three Divisions have been established, each responsible for all personal insurance products in its target market: Broker Division, Corporate Client Division and Customer Services Division.

Total premium income increased by 13%. The generally mild winter weather resulted in a lower than average number of claims but the long, dry summer has produced a sharp increase in subsidence claims. Despite this cost, estimated at £68m, a satisfactory underwriting profit was achieved.

Weather is a major factor in determining premium rates and variations in weather patterns are being monitored closely. In assessing their impact we will adhere to our twin principles of sound underwriting practice and providing a high standard of service to our policyholders, particularly at times of widespread disaster.

The downturn in activity in the housing market during 1989 had a dampening effect on premium growth in the household insurance market, but concentration on quality of service and distribution channels has enabled significant growth to be achieved in our household portfolio.

Competition in the motor market intensified as interest rates increased and premium rates failed to match rising claims costs. Our motor accounts achieved modest premium growth overall but underwriting results were variable, with an increased underwriting loss. Bradford-Pennine again performed well, both in terms of growth and profit, and good progress was made in developing our broker distribution network.

Direct Marketing activity continued to be profitable but here again motor insurance margins have come under increasing pressure.

The company has a growing portfolio of personal accident, health, legal expenses and credit protection business which is not affected by the vagaries of weather and supports our strategy of offering customers a comprehensive range of personal insurance services. The Legal Protection Group now provides customers with 24 hour legal, domestic and motor telephone helplines, offering practical assistance and reinforcing our reputation for customer care.

Review of Operations 1989 continued

During 1989 we conducted a corporate television advertising campaign, featuring 'Norman', who is developing into a well-known personality. These advertisements have conveyed the importance we attach to customer service, while emphasising the practical and innovative approach which has enabled us to maintain our position as the country's leading personal lines insurer.

Sun Alliance International

Business written in Sun Alliance International covers UK commercial insurances and London market business including marine, aviation and insurance programmes for multinational companies.

General insurance	1989 £m	1988 £m
Premium income	681	641
Underwriting result	(32)	41

The market downturn has continued and premium rates have been under pressure in most classes of business, particularly property, aviation, marine and professional indemnity. The soft market conditions have affected all our regions, with the City market, where we transact a substantial portion of our business, being the most competitive. Overall the rate of growth in premium income has fallen slightly to 6% p.a.

A major factor in the underwriting result was the significant and increased underwriting loss on the employers' liability account caused by the continuing poor claims experience and the need further to strengthen reserves. Whilst rates in this class have been increased they are still well short of the required level for profit.

Favourable weather conditions together with a reduction in the cost of large claims have contributed to another good result in the property account.

The strong development of our special risks portfolio continued despite increasing competition for professional indemnity business. There was good growth in premium income for most classes and the result for the account showed a satisfactory, although reduced, underwriting profit.

National Vulcan, our engineering insurance subsidiary, has again achieved a good result despite increasing competition in the provision of plant and machinery inspection services, where income growth has been difficult to secure.

In the marine account, the problems of over-capacity and continued overseas competition, mainly from Europe and the USA, have made trading conditions extremely difficult. At the same time claims experience has been severely affected by a further succession of major casualties. Provision has been made for deficits anticipated on the years where accounts remain open, and the result reported in 1989 is a considerable underwriting loss.

Review of Operations 1989 continued

Intense international competition in the aviation markets continued to drive premium rates down despite a substantial increase in the cost of major losses to the market as a whole. Whilst the 1987 underwriting year has closed with a good underwriting profit the results for the two open years must inevitably worsen.

Sun Alliance Overseas

The Overseas company is responsible for the Group's general and life business written by subsidiaries, branches and agencies overseas. The underlying growth in non-life premium income after adjusting for the sale of our two companies in Canada was 7%. The underwriting result was disappointing with a deficit of £65m of which some £26m came from hurricane Hugo in the Caribbean and the USA and from the earthquake which struck Newcastle in Australia at the end of the year. In the long-term insurance account, although annual premiums increased, there was a small reduction in aggregate premium income owing to a sharp decline in single premium business, principally in Australia.

	1989	1988
General insurance	£m	£m
Premium income	906	824
Underwriting result	(65)	(29)
Long-term insurance		
Premium income	156	157
Shareholders' profits	3	3

Europe

In original currencies the overall premium growth in the general classes was 5%, reflecting satisfactory increases in most of the major countries against a background of intense competition. The underwriting loss increased significantly with a poor result from France where heavy fire losses affected the Group as well as the rest of the market. Results from Belgium and Spain also deteriorated. On the other hand excellent profits were again recorded by Codan in Denmark and by the Group branch in the Republic of Ireland, while Holland continued its improving trend.

Sun Alliance is now represented in all European Community countries and further considerable progress has been made in restructuring operations to ensure that the Group will address the single market in a vigorous and co-ordinated manner. Our long established life businesses in Denmark and Germany continued to grow and plans are well advanced for the further development of life assurance elsewhere in the EC.

U.S.A.

The increased underwriting deficit reflects deteriorating market conditions and the consequence of hurricane Hugo, the Californian earthquake and exceptional cold weather

Review of Operations 1989 continued

conditions in December. The result was, however, again markedly better than the general market experience in the US and in particular the specialist lines managed for us by Chubb and Son Inc. and the marine business of Wm. H. McGee and Co. Inc. all produced profits. Growth in dollar terms continued to be modest.

Canada

The Phoenix Assurance Company of Canada and the Century Insurance Company of Canada were sold with effect from 1st January, 1989. The reduction in premium income compared with 1988 is entirely a consequence of this sale; the general business of Sun Alliance Insurance Company grew in dollar terms by 6·4%. The result was disappointing with a high incidence of large fires, severe winter weather and continuing poor auto experience all being contributing factors.

Australia

Substantial growth in the non-life sector was due largely to the acquisition of the Lombard Insurance Co. (Australia) Ltd. in November, 1988 and to the decision to participate in the privatised compulsory third party motor insurance scheme in New South Wales. The Newcastle earthquake and a series of bad weather losses cost some £13m and these natural disasters together with one very large fire claim were the main contributors to a poor result.

In spite of a fall in single premium income in the long-term account a good profit transfer was achieved. The main Australian business portfolio of AMEV Life Assurance Co. Ltd. was purchased during the year.

Other Overseas

Hurricane Hugo and large individual claims in the Bahamas and Singapore were the principal causes of the disappointing loss. Welcome profits were achieved on business from many other territories, especially Jamaica, Malaysia, Saudi Arabia and Zimbabwe.

In long-term business, New Zealand generated a good profit transfer. During the year we acquired the Royal Life (New Zealand) companies and the AMEV Life portfolio in that country. These purchases substantially strengthen the base of our long-term business operation there.

SUN ALLIANCE
GROUP plc

Review of Operations 1989 continued

Sun Alliance Life

UK life and pensions business and related financial services are managed by Sun Alliance Life.

Long-term insurance	1989 £m	1988 £m
Premium income	655	703
Shareholders' profits	38	31

We have been able to make a satisfactorily higher transfer of profit this year based on the growing strength of our life funds and helped by a good result for the year in group risk business.

The demise of the Maximum Commission Agreement, however, during 1989 has further de-stabilised the market and predictably has led to another rise in costs as commission competition escalated. In addition, recent moves to impose further taxation on the industry have added other burdens, not only of cost and of administration but also of uncertainty, as detailed rules have been slow to emerge.

In 1989 the strength of our broadly based distribution network was well demonstrated by the increase in our market share of mortgage related business despite the depressed house purchase sector. Personal pensions sales were also at record levels as a result of legislative changes. Overall, new premiums amounted to £319m. Excluding an exceptional group scheme premium in 1988, the underlying growth in new business was 17%. During the year we carried through the restructuring of our agency sales organisation polarising into independent and tied agency arms each dedicated to the specific needs of its sector.

In reporting net assets the Group does not include the value of the shareholders' interest in its long-term insurance business. This, known as the embedded value, represents the present value of the future profits to shareholders that are projected to flow from existing business. We commissioned early in 1989 an independent valuation of the shareholders' interest in the existing UK long-term insurance business, and this valuation was repeated as at 31st December, 1989, giving a value of over £550m. We have not attempted to provide an appraisal value which, including the value of shareholders' profits expected from future new business, would be a very much higher figure.

We continue to place special emphasis on administration and service standards. Following the changes at Head Office in 1988 we have made substantial progress towards establishing twelve regional administration centres. When completed early in 1990 these units will provide a further improvement in our customer service throughout the UK. The major investment in our new generation computer systems continued throughout the year in support of our longer term objectives.

Review of Operations 1989 *continued*

In the early part of the year we completed the review of our terms of business in the light of the spread of AIDS. By means of a reassurance treaty we have substantially reduced the mortality risk in respect of term assurance business in force at 31st December, 1987. This, in turn, has led to a significant decrease in our reserving requirements.

Investment

Despite a number of adverse influences at home and abroad, last year proved to be a rewarding one in virtually all equity markets.

In the United Kingdom the economic background gave cause for increasing concern arising from strong inflationary pressures and also the deficit on the balance of payments. As a result interest rates were pushed higher, reaching 15% in October. Nevertheless growth in corporate profits and dividends continued to be buoyant and the FT Actuaries All-Share Index rose by some 30% in the year.

In the United States both the trade and budget deficits registered some improvement and the Dow Jones Index rose by 27%. Major European Markets rose by similar amounts with the changes in Eastern Europe providing a significant new influence. For most of the year the Japanese market was a laggard but by the year end it had increased by 29%.

The foreign exchange markets experienced a volatile year with the US dollar particularly strong during the early months. Sterling's performance was disappointing against most major currencies and its trade weighted index fell steadily from 97·4 to 86·0.

Tight monetary conditions were maintained in both West Germany and Japan and as a result their bond markets performed badly. The UK gilt market also followed this pattern, particularly as it became apparent that the Government's buying-in programme might suffer in the wake of a reduced budget surplus. The US bond market, however, managed a modest increase in prices during the year.

Investment and other income totalled £342m, an underlying increase of 14·9%. The increase in equity and property values worldwide, together with the depreciation of sterling, resulted in a substantial rise in the Group solvency margin from 93% to 119%.

Investment by the Group's main life fund, that of Sun Alliance and London Assurance Company, continued to be well diversified with a strong emphasis on both home and overseas equities and property at the expense of fixed interest investments.

Investment reserves in the life funds increased by £465m to £1,771m after transferring £223m to the revenue account. The underlying growth in investment income was 14·2%.

Review of Operations 1989 continued

Property

The commercial market in the UK continued on an upward trend throughout the year, though at a slower rate than in the preceding few years. More difficult conditions were experienced as the year progressed due to the effects of slowing economic growth, high interest rates, excessive bank lending to the property sector and a growing supply of new space resulting from the construction boom.

These factors combined resulted in a lower growth in values in the Central London office and UK retail sectors, although the healthy market for industrial space and for offices in the major provincial and Scottish cities continued. Another feature of the year was the strong demand from overseas investors in the London office market with some major acquisitions of prominent buildings and sites at very high prices.

The Group's programme of commercial property development continued at a high level throughout the year. A number of office projects were successfully completed and leased, notably in Wimbledon, Slough and Glasgow. Business Park projects continued in Swindon and Milton Keynes and a new project was commenced in Peterborough.

A revaluation at 31st December, 1989 showed that over the year general fund properties had appreciated by £115m and long-term fund properties by £130m.

Management Services

In the continuing drive for efficiency and quality of customer service, our UK operations make extensive use of information systems. The implementation of Expert Systems, a newly emerging technology, gained considerable momentum particularly within the International and the Life companies.

The Group has its own managed network to carry voice and computer data communications across the UK. The network, which played an essential part in the Group's response to the needs of our policyholders during the recent storms, is available seven days a week and is being increasingly used to provide service to agents and intermediaries.

Recognising the strategic significance of its investment in information systems, and the importance of contingency planning and back-up facilities, the Group is constructing in Bristol a second computer centre which will become operational in late 1991.

Directors' Report

The directors submit their report and the accounts of the Company for the period from its incorporation on 26th January, 1989 to 31st December, 1989, together with the consolidated accounts of the Group for the year 1989.

Share Capital and Scheme of Arrangement

Under a Scheme of Arrangement sanctioned by the High Court under section 425 of the Companies Act 1985 and effective on 1st July, 1989 the shareholders of Sun Alliance and London Insurance plc received, for each share then held, four new shares of 25p each fully paid in Sun Alliance Group plc. Details of shares issued by the Company on incorporation and subsequently in 1989 are shown in note 8 on pages 28 and 29.

Activities

The Company is the holding company of the Sun Alliance group of companies whose principal activity is the transaction in the United Kingdom and overseas of all major classes of insurance business, other than industrial assurance, and related financial services business.

Profit and loss account

The profit of the Group for the year and the appropriations are shown in the consolidated profit and loss account on page 21.

Dividend

The directors recommend for payment on 2nd July, 1990 a final dividend of 8p per share. This, together with the interim dividend of 4·5p per share paid on 1st December, 1989, will make a total dividend for the year of 12·5p per share. A scrip dividend offer is being made, subject to the passing of the necessary resolution at the Annual General Meeting, in respect of the final dividend.

Directors

Mr. R. A. G. Neville and Mr. W. G. Niven were appointed the first directors of the Company on 26th January, 1989. The other directors named on page 3 were appointed on 1st March, 1989 except Mr. M. L. Dew, Mr. R. Petty and Mr. S. C. Whitbread who were appointed on 5th July, 1989.

All the directors retire at the Annual General Meeting. Mr. P. H. Bartrum and Mr. Peter Quaile are not seeking re-election. The Board records its sincere gratitude for the invaluable services each has rendered to the Sun Alliance Group over many years. The remaining directors, being eligible, will be proposed for re-election.

A statement of directors' interests appears on page 37.

Employees

The average number of persons employed by the Company's subsidiaries in the United Kingdom in 1989 was 15,076 and their aggregate remuneration for the year was £204,831,000.

The Group remains committed to employee involvement and equality of opportunity. Financial and other information on matters concerning employees is provided by in-house publications and in various other ways, centrally and through operating companies. Regular negotiations, consultations and discussions on a wide range of subjects are held between general management and recognised staff representative bodies under agreed procedures at joint meetings at national and local levels.

Directors' Report continued

The continuing policy of the Group is to make available to the disabled, on recruitment or subsequently, the fullest opportunities for employment, training, career development and promotion.

A savings related share option scheme was first introduced in 1984 and an executive share option scheme in 1988. On the Scheme of Arrangement being sanctioned by the High Court on 26th June, 1989 holders of employee share options were able under the rules of the schemes either to convert their options over shares in Sun Alliance and London Insurance plc into options over shares in Sun Alliance Group plc or to exercise their options within limited periods, failing which their options would lapse. All the option holders in the Executive Share Option Scheme and approximately 99% of holders in the Savings Related Share Option Scheme accepted the conversion offer.

Under the Sun Alliance Group 1989 Savings Related Share Option Scheme, options to subscribe for 4,606,589 shares at 253p each in the Company were granted to 3,618 employees. Prior to the Scheme of Arrangement becoming effective options to subscribe for 503,530 shares at 1,130p each in Sun Alliance and London Insurance plc were granted to 215 employees under the Sun Alliance Executive Share Option Scheme.

Substantial shareholdings

As declared in accordance with Part VI of the Companies Act 1985, on 23rd March, 1990 The Chubb Corporation of New Jersey, U.S.A. and one of its subsidiaries were interested in 64,594,656 shares of 25p each, representing 8% of the Company's issued share capital.

Close company provisions

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

Charitable and political contributions

During the year the Company and its subsidiaries gave a total of £274,000 in the United Kingdom for charitable purposes. In addition, contributions totalling £46,400 were made to the following organisations:—

Conservative Party	£40,000
The Economic League	£6,400

Auditors

The Company's auditors Deloitte Haskins & Sells are merging their practice with Coopers & Lybrand and, having adopted Coopers & Lybrand Deloitte as their business name, have signed their audit report in that name. In accordance with section 384 of the Companies Act 1985 a resolution proposing the re-appointment of Coopers & Lybrand Deloitte as auditors of the Company will be put to the Annual General Meeting.

By order of the directors
H. SILVER
Secretary

4th April, 1990

SUNALLIANCE
GROUP plc

Accounting Policies

The Company was incorporated on 26th January, 1989. On 1st July, 1989 it acquired the whole of the issued share capital of Sun Alliance and London Insurance plc in exchange for shares in the Company and accordingly the consolidated accounts have been drawn up under merger accounting principles.

The principal accounting policies of the Group as set out below comply with UK statements of standard accounting practice to the extent that they are appropriate to insurance companies.

(a) Group accounts

The consolidated accounts of the Group include the audited accounts of subsidiaries drawn up to 31st December, with the exception of an overseas subsidiary whose audited accounts are drawn up six months earlier to avoid undue delay.

The results of associated companies attributable to the Group's shareholdings are not of sufficient significance to be included in the consolidated accounts except to the extent of dividends received.

Goodwill arising on the acquisition of subsidiary companies and other interests is written off against retained profits in the year of purchase.

(b) Exchange rates

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates ruling at the year-end. The resulting exchange adjustments, including the differences arising from the translation of the insurance funds at the beginning of the year at year-end rates, and gains and losses on the conversion of remittances are taken, in the case of general insurance business, to revaluation reserve.

(c) General insurance business

(i) Underwriting results

Except for those classes of business referred to below, the underwriting results of general insurance business are determined on an annual basis. Premiums written are accounted for in the year in which the risks are assumed. The unearned proportions of the premiums and the commission and other acquisition costs incurred in writing the business relating to periods of risk extending beyond the end of the financial year are deferred to subsequent accounting periods. Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring in the year and adjustments to prior years' claims provisions.

The results of London market marine and aviation business are determined at the end of the second year following the year of account, after providing for the estimated cost of all outstanding claims, whether notified or not.

(ii) Insurance funds

Unearned premiums are calculated on a time apportionment basis using principally the daily pro-rata method.

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date, whether reported or not, and the balances of the open years' accounts for marine and aviation business. In the case of an excess of loss reinsurance agreement made with Chubb Corporation in 1985 the claims provision has been discounted at

Accounting Policies continued

the average interest rate applicable to the investment funds specifically held to meet the liability. Insurance funds include provisions, as necessary, for any estimated future losses relating to unexpired risks at the balance sheet date and for underwriting losses expected to arise on open years' accounts.

(d) Long-term insurance business

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

(e) Expenses

Expenditure on motor cars and computer and office equipment is capitalised and depreciated by equal annual instalments over the estimated useful lives of the assets.
The cost of providing pensions for the Group's employees is accounted for over the employees' working lives on a systematic and rational basis as advised by qualified actuaries.

(f) Investment income

Interest and dividends on investments other than ordinary shares are included on an accruals basis. Investment income is grossed up to include related tax credits on dividend income and is shown after deduction of interest payable and investment management expenses.

(g) Taxation

The taxation charge in the consolidated profit and loss account is based on the profits and income of the year and includes deferred taxation on timing differences other than those considered likely to continue in the foreseeable future.
The taxation charge in the consolidated long-term insurance revenue account is based on the income of the year, less reliefs.
Provision for deferred taxation on unrealised appreciation of investments is made only where realisations giving rise to a taxation liability are anticipated in the foreseeable future.

(h) Investments

Investments are stated in the balance sheets at market values comprising stock exchange values for listed securities, open market valuations by the Group's qualified surveyors for properties, values determined in accordance with the policy terms for investments in unit-linked funds, or directors' valuations for other investments.
The excess of market values over book values of general fund investments, other than the amount attributable to minority interests, is taken to revaluation reserve. Profits and losses on the realisation of general fund investments, less taxation and the amount attributable to minority interests, are taken to retained profits.
In the long-term insurance accounts unrealised appreciation and profits and losses on the realisation of investments are taken to investment reserves except in the case of linked business where they are dealt with directly in the revenue account.

Consolidated Revenue Accounts

for the year ended 31st December, 1989

	Notes	1989 £m	1988 £m
GENERAL INSURANCE			
Premiums written less reinsurance	2(a)	2,475·3	2,252·2
Premiums earned	2(b)	2,383·8	2,138·8
less:			
Claims incurred	2(c)	1,648·6	1,411·4
Commission		376·9	343·3
Expenses		422·0	325·4
		2,447·5	2,080·1
Underwriting result		(63·7)	58·7
LONG-TERM INSURANCE			
Premiums less reassurance	3(a)	810·6	859·6
Investment income	5	471·9	403·5
Realised and unrealised appreciation on unit-linked investments		189·0	36·8
Transfers from investment reserves		223·4	71·1
		1,694·9	1,371·0
less:			
Claims and surrenders	3(b)	463·8	425·1
Annuities		75·7	60·6
Commission		73·3	67·5
Expenses		173·6	152·4
Taxation	6	45·4	37·9
Transfer to profit and loss account		29·6	24·5
		861·4	768·0
		833·5	603·0
Exchange adjustments on opening insurance funds		153·1	(29·7)
Fund movements arising from acquisitions (disposals)		26·7	(119·3)
Increase in funds		1,013·3	454·0

Notes on the Accounts continued

13. Capital commitments

Capital commitments in respect of office premises and equipment not provided for in these accounts were:—

	1989 £m	1988 £m
Contracted for at 31st December	63·8	13·2
Authorised but not contracted for at 31st December	9·6	36·7

14. Directors and employees

The aggregate emoluments of the directors of the Company, including amounts received from subsidiaries, were:—

	1989 £	1988 £
For services as directors	243,811	240,304
Other emoluments (including pension fund contributions)	1,227,993	1,070,429
	1,471,804	1,310,733

Pension payments totalling £14,439 (1988 £13,689) were made by subsidiaries to two directors, of which £975 (1988 £975) was for services as a director.

Eight executive directors waived fees amounting to £55,623 (1988 seven directors — £64,863).

The emoluments of the Chairman were £45,000 (1988 £45,000). The emoluments, excluding pension fund contributions, of the highest paid director were £230,842 (1988 £166,718).

The following table shows the number of directors of the Company and employees of the Group in the United Kingdom whose emoluments were within the ranges stated.

Emoluments (excluding pension fund contributions) £	Directors 1989	Directors 1988	Employees earning over £30,000 1989	Employees earning over £30,000 1988
0 — 5,000	4	1		
5,001 — 10,000	5	4		
10,001 — 15,000	5	8		
15,001 — 20,000	2	1		
25,001 — 30,000	1	1		
30,001 — 35,000	—	—	296	202
35,001 — 40,000	—	—	167	89
40,001 — 45,000	1	1	91	64
45,001 — 50,000	—	—	51	37
50,001 — 55,000	—	—	45	31
55,001 — 60,000	—	—	27	7
60,001 — 65,000	2	—	22	9
65,001 — 70,000	—	—	11	6
70,001 — 75,000	—	—	8	6
75,001 — 80,000	—	—	7	5
80,001 — 85,000	—	—	4	4
85,001 — 90,000	—	—	5	2
90,001 — 95,000	—	1	4	—
95,001 — 100,000	—	—	2	2
100,001 — 105,000	—	—	4	—
105,001 — 110,000	—	2	3	—
120,001 — 125,000	1	—	—	1
135,001 — 140,000	—	1	—	—
150,001 — 155,000	3	—	—	—
160,001 — 165,000	1	2	—	—
165,001 — 170,000	—	1	—	—
230,001 — 235,000	1	—	—	—

Notes on the Accounts continued

14. Directors and employees continued
Particulars of transactions and arrangements:—

Directors

Loan under staff house purchase scheme repayable out of the proceeds of collaterally charged life assurance policies: Mr. P. Quaile £15,000, on which interest is charged at 4¼% p.a., throughout 1989.

Guarantees to a building society in respect of mortgage advances under a staff house purchase scheme: Mr. G. E. Browne £14,990, Mr. M. L. Dew £15,052 and Mr. R. A. G. Neville £8,500 throughout 1989.

Officers

At 31st December, 1989 there were aggregate amounts outstanding of £45,642 in respect of two officers of the Company (other than directors) for loans and by way of guarantee to a building society.

15. Auditors' remuneration
The remuneration of the auditors of the Company and its subsidiaries amounted to £1,872,000 (1988 £1,589,000) of which £1,074,000 (1988 £945,000) related to overseas.

Subsidiaries

Name and country of incorporation and of principal operations	*Percentage of ordinary shares held* By Parent Company	*By subsidiaries*
United Kingdom		
Sun Alliance and London Insurance plc	100·0	
Sun Alliance and London Assurance Co. Ltd.		100·0
Sun Alliance Group Properties Ltd.	100·0	
Sun Alliance Insurance International Ltd.		100·0
Sun Alliance Insurance Overseas Ltd.		100·0
Sun Alliance Insurance UK Ltd.		100·0
Sun Alliance Investment Management Ltd.	100·0	
Sun Alliance Management Services Ltd.		100·0
Alliance Assurance Co. Ltd.		100·0
Bradford Insurance Co. Ltd.		100·0
The Century Insurance Co. Ltd. *(registered in Scotland)*		100·0
Guildhall Insurance Co. Ltd.		100·0
Hogg Robinson Property Services Ltd.	100·0	
Legal Protection Group Ltd.		100·0
The London Assurance		100·0
London Guarantee & Reinsurance Co. Ltd.		100·0
National Vulcan Engineering Insurance Group Ltd.		100·0
The Pennine Insurance Co. Ltd.		100·0
Phoenix Assurance plc		100·0
Property Growth Assurance Co. Ltd.		100·0
The Sea Insurance Co. Ltd.		100·0
Sun Alliance Fund Management Ltd.	100·0	
Sun Alliance Linked Life Insurance Ltd.		100·0
Sun Alliance Pensions Life & Investment Services Ltd.		100·0
Sun Alliance Pensions Ltd.		100·0
Sun Alliance Trust Co. Ltd.	100·0	
Sun Alliance Unit Trust Management Ltd.	100·0	
Sun Insurance Office Ltd.		100·0
Antigua		
Caribbean Alliance Insurance Co. Ltd.		75·0
Australia		
Sun Alliance Holdings Ltd.		100·0
Sun Alliance Australia Ltd.		100·0
Sun Alliance Life Assurance Ltd.		100·0

Subsidiaries continued

Name and country of incorporation and of principal operations	*Percentage of ordinary shares held* *By Parent Company*	*By subsidiaries*
Belgium		
Sun Alliance Phoenix SA		100·0
Brazil		
London Seguradora SA		100·0
Canada		
Sun Alliance Insurance Company		100·0
Sun Alliance and London Assurance Co. (Canada)		100·0
Yonge Wellington Property Ltd.		100·0
Channel Islands (Guernsey)		
Sun Alliance International Life Assurance Co. Ltd.		100·0
Denmark		
A/S Forsikringsselskabet Codan		67·2
A/S Forsikringsselskabet Codan Liv		67·2
Fjerde Søforsikringsselskab A/S		100·0
France		
Groupe Barthélémy SA		100·0
Sun Alliance Immobilier SA *(formerly Comptoir Commercial du Caoutchouc (France) SA)*		100·0
Germany		
Securitas Bremer Allgemeine Versicherungs AG		98·8
Securitas-Gilde Lebensversicherung AG		99·4
Greece		
Sun Alliance Insurance (Hellas) SA		100·0
Holland		
Hollandsche Verzekering Societeit van 1808 NV		100·0

Subsidiaries continued

Name and country of incorporation and of principal operations	*Percentage of ordinary shares held* *By Parent Company*	*By subsidiaries*
Kenya		
Phoenix of East Africa Assurance Co. Ltd.		61·4
Malaysia		
Sun Alliance Insurance (Malaysia) Sdn. Bhd		60·0
New Zealand		
Sun Alliance Insurance Ltd.		100·0
Sun Alliance Life Ltd.		100·0
Puerto Rico		
Sun Alliance Insurance Co. of Puerto Rico Inc.		97·1
Republic of South Africa		
Protea Assurance Co. Ltd.		79·7
Singapore		
Sun Alliance Insurance (Singapore) Ltd.		100·0
Spain		
Sun Alliance SA		94·6
United States of America		
Wm. H. McGee & Co. Inc.		100·0
London Guarantee & Accident Co. of New York		100·0
Phoenix Assurance Co. of New York		100·0
Sun Insurance Co. of New York		100·0
Zimbabwe		
Phoenix Prudential Assurance of Zimbabwe Ltd.		53·2

Some subsidiary companies have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the profits or assets of the Group.

SUNALLIANCE
GROUP plc

Interests in Associated and other Companies

Companies in which the Group's interest in the equity capital amounts to 20 per cent or more

Name and country of incorporation and of principal operations unless otherwise indicated	*Class of shares*	*Issued capital*	*Total reserves*	*Group interest (held by subsidiaries)*
Associated Companies		£m	£m	%
United Kingdom				
British Aviation Insurance Co. Ltd.	Ordinary	2·0	17·1	29·6
Mynshul Group PLC	Ordinary	8·7	(0·1)	30·0
Swinton (Holdings) Ltd.	Ordinary	2·2	(1·2)	30·0
Germany				
Victoria Krankenversicherung AG	Ordinary	2·6	7·8	24·8
Saudi Arabia				
Al-Alamiya Insurance Co. Ltd. *(incorporated in United Kingdom)*	Ordinary	1·3	1·9	42·0

The above details are based on the latest available accounts.

Other companies in which the Group's interest in the equity capital exceeds 10 per cent

Name and country of incorporation	*Class of shares*	*Group interest (held by subsidiaries)*
United Kingdom		%
Commercial Union Assurance Company plc	Ordinary	14·6
	Preference	7·0
The Fleming Universal Investment Trust P.L.C.	Ordinary	10·4
	Preference	15·5
Peru		
Compania de Seguros La Fenix Peruana	Ordinary	19·2

Some interests in associated and other companies have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the profits or assets of the Group.

Auditors' Report

Report of the auditors to the members of Sun Alliance Group plc

We have audited the accounts on pages 18 to 36 in accordance with Auditing Standards.

In our opinion the balance sheet of the Company gives a true and fair view of the state of affairs of the Company at 31st December, 1989 and has been properly prepared in accordance with the Companies Act 1985 and the consolidated accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

London
11th April, 1990

COOPERS & LYBRAND DELOITTE
Chartered Accountants

Directors' Interests

The interests of directors, as declared in accordance with section 324 of the Companies Act 1985, in shares in group companies are as follows:—

	At 1st January, 1989 or on incorporation or on appointment		At 31st December, 1989	
	Shares*	Options to subscribe for shares*	Shares†	Options to subscribe for shares†
A. R. C. Arbuthnot	4,439	—	17,756	—
P. H. Bartrum	1,644	—	6,576	—
Sir Christopher Benson	400	—	1,622	—
R. K. Bishop	1,250	—	5,000	—
Geoffrey Bowler	6,000	—	24,000	—
G. E. Browne	500	40,997	2,234	200,373
The Earl of Crawford and Balcarres	800	—	3,200	—
M. L. Dew	—	165,804†	—	168,649
Sir Derrick Holden-Brown	4,000	—	16,000	—
J. N. C. James	532	—	2,157	—
Henry Keswick	5,200	—	20,800	—
The Lord Kindersley	400	—	1,600	—
H. U. A. Lambert	532	—	2,128	—
D. B. Money-Coutts	1,000	—	4,000	—
	210 (T)	—	840 (T)	—
R. A. G. Neville	400	71,347	2,519	367,245
	200 (T)	—	800 (T)	—
W. G. Niven	532	1,992	12,000	—
R. Petty	—	171,992†	400	173,414
Peter Quaile	800	1,992	9,418	—
Leopold de Rothschild	6,000	—	24,337	—
R. J. Taylor	500	45,678	8,994	236,784
S. C. Whitbread	—	—	2,000	—
B. A. Wright	500	48,186	2,886	243,161

(T) indicates trustee holding.

Figures in the columns marked * relate to shares of 25p each in Sun Alliance and London Insurance plc for those directors of Sun Alliance Group plc who were directors of Sun Alliance and London Insurance plc on 1st January, 1989. Those marked † relate to shares of 25p each in Sun Alliance Group plc. Mr. R. A. G. Neville and Mr. W. G. Niven each also held one share in Sun Alliance Group plc on incorporation of the Company. Following the Scheme of Arrangement effective 1st July, 1989 shareholdings and options relating to Sun Alliance and London Insurance plc were replaced by shareholdings and options for four times the number of shares in Sun Alliance Group plc.

Between 31st December, 1989 and 23rd March, 1990: Mr. M. L. Dew acquired 4,388 shares in Sun Alliance Group plc on the exercise of part of his options; Mr. R. A. G. Neville became interested in a further 1,461 shares in Sun Alliance Group plc.

Copies of directors' service contracts required to be available for inspection may be seen at the Company's registered office during usual business hours from 23rd April, 1990 to 16th May, 1990 inclusive.

No director has a material interest in any contract of significance entered into by the Company or its subsidiaries subsisting during or at the end of the year.

SUNALLIANCE
GROUP plc

Ten Years' Financial Summary

	1989 £m	1988 £m	1987 £m	1986 £m
Premium income				
General insurance	2,475·3	2,252·2	1,990·2	1,994·4
Long-term insurance	810·6	859·6	764·7	704·5
	3,285·9	3,111·8	2,754·9	2,698·9
Profit and loss account				
General insurance underwriting result	(63·7)	58·7	(107·7)	(78·3)
Long-term insurance profits	40·5	34·0	30·0	27·3
Investment and other income	341·8	279·7	249·2	231·4
Profit before taxation	**318·6**	**372·4**	**171·5**	**180·4**
Taxation	90·9	110·3	40·9	43·3
Minority interests and other adjustments	12·3	10·4	9·7	10·5
Profit attributable to shareholders	**215·4**	**251·7**	**120·9**	**126·6**
Dividend	**99·0**	**80·9**	**61·2**	**46·4**
Retained profits transfer	116·4	170·8	59·7	80·2
	p	p	p	p
Earnings per share	**27·3**	**31·9**	**15·3**	**16·0**
Dividend per share	**12·5**	**10·3**	**7·8**	**5·9**
	£m	£m	£m	£m
Shareholders' funds				
Share capital and retained profits	959·9 *(c)*	756·8	590·2	506·8
Revaluation reserve *(d)*	1,976·6	1,346·3	1,102·6	1,183·8
	2,936·5	2,103·1	1,692·8	1,690·6
Long-term insurance funds (with investments at market value) *(d)*	7,886·1	6,408·1	5,712·7	5,275·0
Effects of inflation				
Amounts restated at December 1989 £'s *(e)* —	£m	£m	£m	£m
Profit before taxation	318·6	401·1	197·1	215·2
Shareholders' funds	2,936·5	2,265·2	1,946·6	2,016·4
	p	p	p	p
Earnings per share	27·3	34·4	17·6	19·1
Dividend per share	12·5	11·0	8·9	7·0

Notes

(a) Includes the figures of the Phoenix for the whole year with an adjustment to exclude the loss of £4·0m incurred prior to acquisition of the company in August 1984.
(b) Excludes the premium of £119·0m on medical malpractice reinsurance from Chubb Corporation.
(c) Includes capitalisation of revaluation reserve £109·2m.
(d) Includes property values at full professional valuation; prior to 1982 at three-yearly intervals as indicated.
(e) Based on the change in the retail prices index since 1980.

1985	1984	1983	1982	1981	1980
£m	£m (a)	£m	£m	£m	£m
1,659·5(b)	1,606·7	884·8	789·9	703·6	599·2
576·6	505·1	294·3	208·0	173·3	143·3
2,236·1	2,111·8	1,179·1	997·9	876·9	742·5
(183·4)	(198·7)	(67·4)	(70·9)	(36·8)	(18·4)
20·9	18·4	8·5	7·0	6·1	5·4
200·2	227·9	132·3	120·7	101·6	82·3
37·7	47·6	73·4	56·8	70·9	69·3
2·8	4·1	26·3	20·3	28·7	27·8
7·2	2·5(a)	1·1	0·5	0·4	0·3
27·7	41·0	46·0	36·0	41·8	41·2
34·5	30·6	27·6	23·7	21·2	16·3
(6·8)	10·4	18·4	12·3	20·6	24·9
p	p	p	p	p	p
3·5	5·2	5·8	4·6	5·3	5·2
4·4	3·9	3·5	3·0	2·7	2·1
£m	£m	£m	£m	£m	£m
407·4	417·6	368·8	312·4	274·6	247·8
909·0	852·1	740·7	570·9	371·3	317·4(d)
1,316·4	1,269·7	1,109·5	883·3	645·9	565·2
4,278·6	3,720·8	1,956·9	1,582·4	1,221·8(d)	982·9
£m	£m	£m	£m	£m	£m
46·7	62·2	100·4	81·8	107·5	117·7
1,628·9	1,659·3	1,516·7	1,271·9	979·8	960·6
p	p	p	p	p	p
4·3	6·8	8·0	6·6	8·0	8·9
5·4	5·1	4·8	4·3	4·0	3·5

SUNALLIANCE
GROUP plc

Financial calendar 1990

Results for year announced	4th April
Annual report and accounts issued	23rd April
Annual General Meeting	16th May
Final 1989 dividend payment	2nd July
Half-year results to be announced	5th September
Interim 1990 dividend payment	1st December

Capital gains tax

For capital gains tax purposes the equivalent market value as at 31st March, 1982 of each share in the Company, after allowing for the sub-division of the shares in Sun Alliance and London Insurance plc in 1984 and the effect of the Scheme of Arrangement in 1989, is 52·656p.

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