

£630m distributed in bonuses to with-profits policyholders

4 million customers

£1.97bn premium income

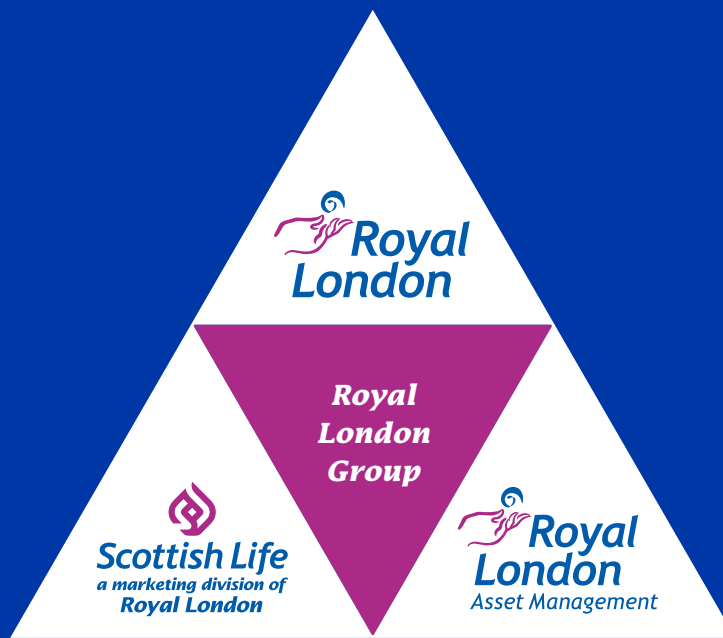
£25bn funds



A substantial force in UK financial services

2001 Annual report and accounts

Profile of the Royal London Group



Royal London Group

Royal London consists of The Royal London Mutual Insurance Society Limited and its subsidiaries. The Group has four million customers and funds under management of £25bn. The Group's businesses offer pensions, life assurance, savings and investment products and provide investment management. Products are distributed principally under the Royal London and Scottish Life brands, direct to customers and through independent financial advisers.

Royal London

Our retail operations

Royal London's retail operations serve around three and a half million customers. Currently sales are primarily made through a direct sales force, and the use of direct mail, telephone and internet is being developed.

Scottish Life

Our independent intermediary arm

Scottish Life operates through independent financial advisers, primarily selling pensions products. Scottish Life International, based on the Isle of Man, provides investment products. Subsidiary companies offer third party administration and mortgage services. A new business is being established to develop and market protection products.

Royal London Asset Management

Our investment management business

Royal London Asset Management manages the life and investment funds of companies in the Royal London Group. Together with Royal London Cash Management it manages funds for over 120 external clients.

Our aim is to enhance Royal London's position as a substantial force in UK financial services, providing a range of products and services to a broad spread of customers, while continuing to deliver good returns for our customers and members.

during 2001 we...

- ... completed the acquisition of Scottish Life, increasing our customer base to four million
- ... achieved premium income of £1.97bn
- ... distributed £630m in bonuses to with-profits policyholders
- ... increased funds under management to £25bn following the Scottish Life acquisition
- ... reduced ongoing expenses to 1.0% of funds under management

'Our key aim now is to build on the broader foundations we have established to ensure that we provide value for members.'

Looking to the future

In my report last year I highlighted the acquisition of United Assurance Group plc (UAG) in April 2000 and the proposed purchase of Scottish Life as, together, providing the platform for the transformation of the enlarged Royal London Group. The acquisition of Scottish Life was successfully completed as planned on 1 July 2001. Our key aim now is to build on the broader foundations we have established to ensure that we provide enhanced value for members. This will require continual improvements in our product offering and operating efficiencies, our plans for which are described in the Group Chief Executive's review.

The external environment

We operate in a highly regulated environment, which reflects the importance of the financial services industry to policymakers and the public.

During the year our principal regulator, the Financial Services Authority (FSA), assumed its full powers under the Financial Services and Markets Act. The Board was fully apprised of the increased responsibilities placed on it under the Act, and throughout the Group working practices and processes were reviewed and amended, where required, to ensure that we comply with its provisions.

In January 2002 the FSA published a consultative paper which proposed the abolition of the existing rules on polarisation. These rules currently require financial advisers either to be tied to a single company or to be

independent, offering advice on the whole range of products open to them. The rules have led to a market with a strong independent sector with independent financial advisers (IFAs) accounting for over 50% of life and pensions sales (by premium value). The sector's importance was a key reason underlying our acquisition of Scottish Life.

Under the FSA's proposals fee-based advisers will be able to retain the designation IFA. At the time of writing this statement, the consultation process is ongoing so it is difficult to predict with confidence what the outcome of the changes will be. It seems probable that a proportion of the sector will remain as IFAs while many will enter into multi-tied arrangements, with links to several product providers. Scottish Life's strong reputation for professionalism and pensions expertise will stand us in good stead in this market.

The same consultation paper from the FSA has mooted the idea of a two-tiered system in which advisers with a basic level of qualifications will be able to sell a limited range of products. The aim of these proposals is to increase access to financial advice for customers on lower incomes. This proposal is of particular interest. Our retail operations are seeking to build a new approach to providing financial advice to our customer base, so that our direct sales force and other sales channels are effectively, and profitably, integrated. The new proposals from the FSA may offer a further dimension to this

approach and we will be making an active contribution to the FSA's consultation on this point. In any event, we must continue to take steps to improve the profitability of our retail operations and our current plans are described in the Group Chief Executive's review.

The FSA is also currently reviewing the with-profits market, a subject which will be of interest to all our members. The FSA is principally concerned with the level of discretion employed by management over the operation of with-profits funds and whether there is sufficient information for customers. We welcome initiatives to help our customers understand how with-profits products work. However it is vital that any changes which are introduced following this, or other reviews, are made with care. With-profits products have been a safe and lucrative investment for many millions of people over several decades, undoubtedly helped by a period of high equity returns. As the economic climate changes there is a risk that the benefits of with-profits, particularly with regard to the smoothing of returns, are eliminated by well-intentioned change.

There is a further area of regulation and legislation where change is required – the pensions market. The sheer volume of legislation creates an immense barrier for consumers and financial advisers. This problem has been widely identified and there are several initiatives underway which aim to simplify pensions. However, we remain



HUBERT REID

concerned by the amount of political investment required to deliver the radical changes which are necessary for genuine simplification. Incremental legislative change is always easier to achieve, but it is only by delivering radical simplification that the government will meet its objective of encouraging many more people to gain access, with confidence, to the benefits of pension saving.

Mutuality and governance

We remain committed to our mutual status. Our recent growth, and the change of status of other leading mutuals, mean that we are now the UK's second largest mutual insurer. As a result we face increased scrutiny from carpetbaggers, seeking a windfall in the event of a demutualisation. In response to the threat of carpetbaggers and the potential business disruption that they can cause, we have introduced a new policy condition by which a policyholder taking out a policy which confers membership, will not be entitled to any windfall in the event of a demutualisation until he or she has been a member for three years. This condition does not apply if a member is reinvesting the proceeds of a maturing policy.

Our Articles of Association stipulate that the Annual General Meeting (AGM) should be held at the Society's registered office. During 2001 we relocated our registered office to smaller premises adjacent to the old Royal London House in Colchester; the new registered office was also renamed Royal London House. It is

not practical to hold the meeting in the new registered office, due to the numbers who might be expected to attend. In accordance with the Articles the meeting will, therefore, be formally convened at the current registered office but be immediately adjourned to the old Royal London House. This is the practice which was followed for many years when the Society was based in Finsbury Square in London. Full details of the AGM are at the end of this report.

I said last year that we wished to modernise the Articles to a form which reflects current best practice. It remains our intention to table further proposals in due course.

The Board

We have welcomed to the Board this year Christopher Phillips, Tom Ross and Brian Duffin.

Christopher's appointment was described in last year's report.

Tom was previously Chairman of Scottish Life. He has considerable knowledge of the industry, particularly from his experience with Aon Consulting. Brian has 25 years' service at Scottish Life and is Chief Executive for the Scottish Life business. Both Tom and Brian are valuable additions to the Board.

Murray Ross and Tony Percival agreed to resign from the Board to accommodate these changes. Murray continues in his executive role as Group Legal Director and Secretary. I would like to thank them most warmly for the contribution which they made during the period they served on the Board.

Conclusion

It has been another demanding year for the Royal London Group and our thanks are due to all the employees of the Group for rising to the challenges which they have faced.

The transformation which the Group has undertaken leaves us well positioned for the ongoing challenge of increasing the value of the business. We are more broadly based in terms of our income and distribution and we have strengthened our capabilities as a manufacturer of products. We will continue to pursue opportunities to develop our business and are confident that the Group will be able to deliver enhanced value for members.

Hubert Reid
Chairman



MIKE YARDLEY

Our key goal is to add value

Group strategy

The last two years have seen a transformation of the Group to become the second largest mutual insurer in the UK. Total funds under management have almost trebled from £8.8bn two years ago to £25bn at the end of 2001. We have experienced corresponding growth in customers and, today, provide financial services to around four million people: truly a substantial force in UK financial services.

The strategy we have pursued since 1999 has focused on diversifying income streams and reducing unit costs. The acquisitions of UAG and Scottish Life have helped create a Group well positioned for the future. Our increased scale provides a sound basis for achieving cost efficiencies. We have brand names which are well established in their key markets, considerable experience as a manufacturer of products and a strong track record as a distributor.

Our key goal now is to build on the broader platform we have created in order to add value to the Group for the benefit of members. We are particularly focused on the value of new business across the Group. At present, certain aspects of new business activity in both Scottish Life and Royal London are not profitable. Improving the profitability of new business

while continuing to manage our existing operations efficiently forms a key part of the business plans across the Group.

Financial highlights

	2001 pro forma £m	2001 £m	2000 pro forma £m
New Business	249	170	103
Premium Income	1,975	1,397	884
Bonus Distribution to Policyholders	630	590	838
Funds Under Management (FUM)	25,032	25,032	17,480
Total Group Assets	23,767	23,767	16,110
Expenses as a % of FUM	1.01%		1.22%

Note: Pro forma figures for 2000 and 2001 include UAG and Scottish Life respectively as from 1 January.

Business performance

New business grew by 65% in 2001 to £170m on an annual premium equivalent (APE) basis, principally due to the acquisition of Scottish Life and its subsidiaries. On a pro forma basis new business totalled £249m, of which Scottish Life and Scottish Life International contributed over 60%. This demonstrates the significance of the Scottish Life acquisition to the Group.

'The acquisition of Scottish Life was undoubtedly the highlight of another exciting year for Royal London.'

to the Group for the benefit of members

Total premium income for the year increased by 58% over 2000, again due to the acquisition. The pro forma figure for 2001 was £1,975m.

Bonuses distributed to policyholders within the Royal London Group totalled £630m in 2001. This includes bonuses distributed to policyholders of UAG and Scottish Life as if the latter had been part of the Group for the whole year. Bonuses on with-profits policies were adversely affected by the decline in investment markets during the year, with the UK equity market falling 15%. Although regular bonus rates were reduced against previous years, £270m was still added to the value of with-profits policies through regular bonuses.

For policies originally taken out with Royal London, total payouts year-on-year reduced by around 10% for 10 year policies and by around 15% for 25 year policies. Royal London continues to be among the best in the industry for the level of payouts on with-profits policies. Nonetheless, given the economic outlook and the move towards a sustained period of low interest rates and low inflation, the trend in bonus rates will continue to be downward for the present.

Further details on the Group's financial performance is given in the Group Finance Director's review on pages 14 to 21.

Scottish Life

In October 2000, Royal London announced that it had entered into an agreement to acquire Scottish Life. The transaction was subject to the approval of the members of Scottish Life and this was achieved at an Extraordinary General Meeting in Edinburgh on 31 May. The members of The Scottish Life Assurance Company voted, with 98.3% of those voting being in favour, for the Company to demutualise and transfer its business to Royal London. Following the approval by the Court of Session in Edinburgh of a scheme under the Insurance Companies Act 1982, the transfer was successfully completed on 1 July. Scottish Life now operates as a marketing division of Royal London.

Our principal goal in acquiring Scottish Life was to establish a base in the IFA market. Since July, Scottish Life has reinforced its position in the IFA market place and this has increased our confidence in the strategy we have followed. The acquisition also allowed us to enhance our product range and product development expertise and increase our funds under management. As part of the acquisition of Scottish Life, Royal London acquired Scottish Life International, Scottish Life Administration Services and Scottish Life Mortgages, providing additional growth opportunities for the Group.

Group overview continued

Retail operations

2001 represented the first full year of our retail distribution business following the integration of UAG. Inevitably, with such a major reorganisation of our affairs, there were some initial teething problems, but the business has adapted well to the demands placed on it. We have achieved the planned reductions in our cost base and actions are in hand to reduce this still further. Our restructured direct sales force has made significant productivity improvements. Our plans to strengthen our retail operations are described later in this review.

Royal London Asset Management

Royal London Asset Management (RLAM) has continued to broaden and deepen its fund management capabilities. Scottish Life's fund management activities were successfully transferred to RLAM in March 2001, ahead of the completion of the transfer of the company itself.

In May, Royal London acquired Union Fund Management (UFM) from Union plc for £6.2m, including acquisition costs. UFM is a specialist provider of cash and liquidity management with a

Several years ago, Scottish Life identified the company pension sector as offering the most attractive opportunities in the developing markets and positioned its new IFA products accordingly. This positioning enabled Scottish Life to take full advantage of the focus on the IFA channel through which around 80% of new insured company pension business is distributed.

New protection business

During 2001, the Group announced the setting-up of a new business to focus on the delivery of protection products, including term assurance and critical illness cover.

A team of senior executives with considerable knowledge and experience of the protection market has been recruited. A huge amount of preparatory work is now under way, ranging from systems development to market research and testing, from product design and pricing to employee recruitment and training. Plans remain on schedule for the launch of the initial products in the summer of 2002.

broad client base. Its funds under management at the time of the acquisition were £1.4bn.

The acquisitions substantially increased funds under management, which grew from £17.5bn at the end of 2000 to £25bn at the end of 2001, positioning RLAM as one of the UK's premier asset management companies.

Pension developments

Pensions business – both individual and corporate – accounts for the majority of the Group's new business. The significant changes in pensions legislation which took place in 2001 were, therefore, of considerable importance, particularly the introduction, from 6 April, of the new stakeholder pensions.

The full impact of these changes is still to be felt in the market place. However, it is clear that employers have a significant role to play in extending pension provision – whether by means of stakeholder or other forms of pension arrangement – to the people specified by the government as the target market, namely, those who currently do not have any pension savings.

Employees

In all parts of the Group there were particular challenges to stretch the skills of our 5,500 employees. Throughout the Group these challenges were accepted and met with enthusiasm. The need to deal with heavy workloads, and to continue to deliver high standards of service, depends crucially on the abilities and positive attitude of people across the business. We have continued to help employees develop their skills through an ongoing commitment to training. This will remain very much a focus of attention in 2002, and beyond.

Our employees played a significant part in our programmes of charitable activities. We encourage employees to raise funds for their chosen charities and match the funds raised up to a maximum of £250 per person. Around £10,000 was added to employees' fundraising through this scheme.

I would like to thank all employees for their ongoing commitment and contribution.

Scottish Life

Our independent intermediary arm

Business performance

New business in the Scottish Life group of businesses grew 12% in 2001 to £155m. Of this figure, £78m was achieved in the period from 1 July. This growth was an impressive performance, particularly given the corporate changes taking place. The experience of some other companies undergoing a demutualisation process has been notably less successful, with a number having seen a substantial fall in new business levels.

Pension sales were particularly strong, although without the flood of business that many had predicted following the introduction of stakeholder pensions in April. However, our strengths in the company pensions sector ensured a good flow of business as existing corporate clients reviewed, and often enhanced, their pension arrangements. In addition, a large number of new clients were attracted by our innovative Retirement Solutions package. This offers IFAs the ability to tailor an arrangement to meet the specific requirements of an individual employer – using any combination of an occupational money purchase scheme, a group personal pension and a group stakeholder scheme, all based on a uniform administration and charges platform.

The success of Retirement Solutions was reflected in new corporate pensions business of £73m an increase of 38% over the 2000 figure. The ability to offer both defined benefit (final salary) schemes as well as defined contribution arrangements continues to play an important part in our success in this sector of the market.

Individual pension sales saw a healthy growth with new business increasing by 21% over the year to £47m. This included new single premium business of £349m (£35m APE), an increase of 22%. The success in attracting increased volumes of single premium business in this market was especially pleasing, reflecting a strategy of focusing on this segment.

Overall margins in new pension business have continued to contract, largely driven by the introduction of stakeholder pensions. This has increased the need to focus on achieving profitable new business through a combination of effective marketing and cost management.

As expected, mortgage related business continued to decline.

New business growth of 12% was an impressive performance

Effective business relationships

Keith Furniss, Area Sales Manager at Scottish Life's London City Office, discusses business opportunities with Peter Rose of Lark Life and Pensions.

A key element of Scottish Life's activities is to develop effective business relationships with IFAs. Sales consultants and managers add value by highlighting how Scottish Life can help IFAs design appropriate solutions to their clients' varied needs.



<https://ifa.scottishlife.co.uk>

ifa@plus is Scottish Life's secure extranet platform for Financial Advisers. Enhanced in 2001 to contain everything needed to facilitate the sale and installation of a group pension arrangement, it also provides the tools required to monitor and administer a client's arrangements with Scottish Life. The service currently has in excess of 2,000 registered IFA users.

Online Solutions, launched in 2001, is Scottish Life's secure extranet platform for employers and members of group pension arrangements, allowing access to the information required to meet the modern consumer's needs.



In 2001,

Against widespread negative media coverage and the reprojection exercise for policyholders which was completed during 2001, new business of £4m was a reasonable achievement. There are no signs of a significant change in this market sector at present, though we believe the Profitbuilder contract continues to meet the needs of the clients of many IFAs.

Investment products had a difficult year in 2001 against a background of generally falling equity markets. However, one of the key marketing propositions for the Scottish Life International (SLI) range of products has been 'capital protection'. In turbulent markets, this message was clearly effective and new business at £32m was almost identical to the previous year's record levels.

A particularly successful area for SLI was the sale of structured offshore bonds. These were available on a 'tranche' basis – i.e. in limited amounts and for a limited offer period. Sales amounted to £16m, an increase of 8% over the equivalent figures for 2000.

Customer service and technology

For many years, Scottish Life has attached considerable importance to providing consistently high levels of service to its customers. IFAs consider a broad range of factors when recommending a provider to their clients, and service quality

has become increasingly important. It was, therefore, particularly satisfying that, for the second consecutive year, Scottish Life won two Five Star awards at the 2001 Financial Adviser/LIA annual service awards in the Life & Pensions and Investment categories. We were one of only four winners of top awards in both categories.

Technology also plays a crucial part in the delivery of high quality service. Automatic work distribution systems were deployed more extensively across customer service departments. These systems enable faster turnaround times for customer correspondence (whether by letter, e-mail or telephone) as well as better handling of any follow-up enquiries.

Another key area of technological development in 2001 was in the area of web-enabled solutions for IFAs, employers and scheme members. These developments were at the heart of the Retirement Solutions product and received considerable market acclaim, including an industry award for the effective use of new technology.

As well as enhancing the capabilities for service delivery, these facilities also provide the essential framework to help achieve lower operating costs – an essential part of the '1% world' for pensions business.

Scottish Life International

SLI provides investment products from its base on the Isle of Man. It has built up funds of around £800m over the last five years. The worldwide market for investment products in 2001 was significantly weaker than in 2000. Over the past two years, consumers have shown an increasingly nervous attitude to continuing stock market volatility. SLI's products offer defined levels of capital protection and they have, consequently, performed very well in these turbulent markets. In 2001, while all the world's major stock market indices fell, in some cases by a substantial margin, every SLI fund outperformed its index and, not surprisingly, all funds with 100% protection increased in value.

Indeed, since launch (with the earliest funds having been set up in June 1997) 90% of the SLI range of 44 capital protected funds have outperformed the relevant stock market index or indices – an impressive performance by any standards.

During the autumn of 2001, SLI launched the International Protected Investment Management Service (IPIMS). This is similar

As well as securing a number of prestigious new occupational scheme clients, such as Cornhill and Granada, SLAS has become the recognised market leader in providing administration services to the DC businesses of UK fund management houses. In 2001, SLAS was selected as their sole administration partner by Threadneedle Pensions. Allied to existing partnerships with Phillips & Drew Life, INVESCO Perpetual Life and JP Morgan Fleming, this has provided the framework to secure the administration of a significantly increased number of pension schemes along with the potential to grow substantially more in 2002.

Scottish Life Mortgages

Scottish Life Mortgages (SLM) packages a wide selection of mortgages, from a number of leading lenders, for the exclusive use of IFAs. New mortgage completions reached 2,300 by the year end confirming that the operation has established a good base for its future development.

every SLI fund outperformed its index

to the equivalent UK product (PIMS) in offering a tax-efficient insurance wrapper through which to hold an extensive range of collective investments including unit trusts, OEICS, offshore funds and SLI funds. It also offers a unique portfolio insurance, enabling investors to protect the value of their portfolio.

SLI's Income and Growth Bonus Bond Series was recognised by the award of 'Most Innovative Product of the Year' by *Investment International* magazine. SLI has also received considerable acclaim for its website, SLI central, which is used extensively by intermediaries across the world.

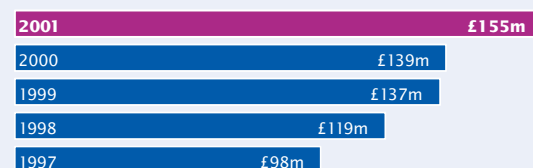
Third party administration

Scottish Life Administration Services (SLAS) provides administration services for defined contribution (DC) pension schemes. Evidence of the growing scale of the potential market was highlighted in 2001 with several FTSE 100 companies closing their final salary schemes to new entrants and offering DC arrangements in their place.

The 'DC Solutions' specialist brand is used to promote SLAS's services to occupational schemes. The service features the effective application of web-enabled technology for both communication and administration.

The demand from IFAs for mortgage support services is expected to grow, assisted by the need to meet higher standards of future regulation. SLM expects to benefit from this growth and plans to expand the range of services and products packaged for IFAs to accelerate the revenue earned.

Scottish Life new business 1997-2001



Note: Figures for a full year on an APE basis

Royal London

Our retail operations

Business performance

The acquisition of UAG in 2000 created a retail business serving around three and a half million customers. The cost reductions achieved are providing a profitable income for our retail operations from the ongoing maintenance of existing business.

New business for the year totalled £71m. This was an excellent performance given the fact that the sales force was substantially re-organised at the end of 2000. ISA sales accounted for 45% of new business, reflecting their attractive tax-efficient status.

Sales

The direct sales force currently has approximately 700 financial consultants operating from a network of 40 Area Offices, providing financial advice to our customer base. The advice process is detailed and provides reassurance for customers; it is supported by a thorough checking and monitoring system.

rapid development of these areas of business, and to ensure that they are fully integrated with the direct sales force.

Premium operations

The premium operations teams manage the collection of premiums on policies which allow payment by cash. During the year we introduced a scheme to offer customers the option of paying by direct debit on these policies. The take-up has been encouraging, with so far around 13% of customers deciding to pay in this way.

Cash collection was already reducing as these types of products are no longer being sold and moves to direct debit payments have hastened the decline in the number of households from which we collect. However, we are still collecting over £12m every month from some 900,000 households, making the operation one of the largest of its type in the UK.

At present our cash collections are managed by 1,100 customer service representatives. This number is being reduced during 2002 to reflect the decline in households requiring cash collection.

Building a business which is both

Following the integration of UAG's sales force, our new sales team made a very positive start to 2001 and continued to produce good sales volumes throughout the year.

Alongside the direct sales force we have continued to develop new ways of providing services to our customers. Initiatives were developed in four areas: worksite marketing, contact centre, internet and direct mail.

Worksite marketing is where a product provider, such as Royal London, works alongside an employer to market services to its employees. It is particularly effective in the provision of stakeholder pensions because of the need for all employers to designate a stakeholder provider.

Our contact centre acts as the point of contact for enquiries on stakeholder pensions from individuals as well as providing telephone support for other campaigns. These have included our first direct offer campaigns, offering our existing customers a with-profits bond and a regular savings plan via direct mail and via Royal London's website.

All of these activities are at present relatively new and the volume of business generated so far has been small. One of the key objectives for our retail operations is to achieve a more

Regulatory

Effective compliance with the regulatory requirements is vital for all of our business activities, but particularly in the provision of advice to our retail customer base. Our customers need to know that they are receiving a high standard of advice on which they can rely. To meet this aim a major programme was commenced in 1999, which has overhauled our sales process to make it more thorough and instituted additional monitoring.

The changes were made in close consultation with the Personal Investment Authority (PIA), our prime regulator at that time. In 1999 the PIA had conducted a review of business transacted between 1996 and early 1999 and identified a number of failings. Following that review, Royal London was fined £400,000 in July 2001. In addition, a substantial business review is being undertaken and compensation is being paid to certain categories of customers.

Customer service and technology

Resources have been focused on customer service during the year to ensure that customers' enquiries are dealt with promptly and efficiently. Our customer services teams in Wilmslow now manage around seven million policies, as well

as the processing of new business and claims, handling over 1.8 million telephone calls and 1.7 million pieces of correspondence last year. The integration of the two businesses produced some initial difficulties, but our dedicated staff proved equal to these challenges. Our retail business manages a large number of different computer systems which place additional costs on the business and at times impede the delivery of high standards of service. Additional investment will be made over the next two years to improve the service we offer to our customers.

Future plans

There remains a clear demand for face-to-face advice, but this has to be undertaken profitably. The acquisition of new business remains costly, particularly due to the high costs of operating a direct sales force, when compared with other methods of direct sales. Sales performance has been encouraging, but the lengthy sales process and post-sales monitoring which is required to ensure that regulatory requirements are met make it very difficult to achieve sufficient levels of productivity.

The proposed changes to the FSA's regime for advice, referred to in the Chairman's statement, may provide an opportunity for the retail business. We propose to pilot a separate sales team focused on less-regulated products to help us assess the likely benefits of the FSA's proposed changes. Such changes are likely to be some time away and irrespective of any regulatory changes, we need to continue to explore ways to improve the productivity of all of our sales operations.

We have reviewed our approach to direct sales and have developed proposals to strengthen our retail business. We will be reducing the number of financial consultants in the direct sales force and focusing their work on our most productive customer segments. The direct sales force will be integrated with our other distribution channels. At the same time we will invest in our employees and systems as we build a business which is both customer-focused and profitable.

customer-focused and profitable



Advice on which our customers can rely

Providing face-to-face advice remains a core part of our service. By integrating the customer contact of the direct sales force with telephone and direct sales we will be able to serve our customers and also ensure that we are increasing value for members.

Royal London Asset Management

Our investment management business

Investment markets

The year was one of the worst in recent history for total investment returns; following on from the previous poor year we have now seen a classic bear market in world stock markets.

The dramatic slowdown in the world's economy, led by the US, caused a major fall in equity market valuations as corporate earnings contracted. The derating of telecom and technology stocks continued while economically sensitive sectors such as media also performed badly.

There was substantial volatility in the equity markets. Aggressive interest rate cuts fuelled optimism about recovery, but this was knocked off course by the terrorist attacks in the US on September 11 and the subsequent collapse in consumer confidence. However, further interest rate cuts appear to have calmed sentiment and the end of the year saw a rise in equity markets as they anticipated economic recovery in 2002.

Over the year the FTSE All-World US Index was down by 14.0%, the FTSE All-Share by 15.4% and the S&P 500 Composite by 13.0%. All major equity markets saw a negative return on the year.

Bonds benefited from the aggressive reduction of interest rates and the continuing fall in inflation; all major bond markets produced positive returns. UK Gilts benefited from their 'safe haven' status with the FTA All Stocks Index up 3.1%. Corporate bonds also performed well despite the slowdown in global economic activity; high levels of issuance were offset by growing demand from institutional investors for non-gilt UK bonds.

UK property produced positive absolute returns with capital values underpinned, and relatively high yields made this asset class more attractive as equity markets and bond yields fell.

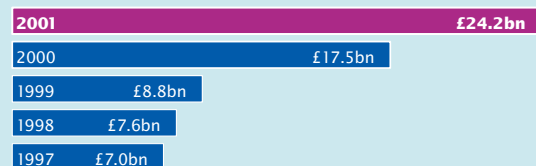
Fund performance

Investment performance was mixed with strong performance in fixed interest and some international equity portfolios, but lower relative returns from property and the remaining equity portfolios. Funds were generally overweight in equities and underweight in fixed income during a period when the latter outperformed, so the effect of asset allocation was also negative. Within fixed income all product areas performed well with corporate bond portfolios particularly strong. International equities saw good performance from the Far East and Japan but poor performance from the US.

Funds under management of



RLAM funds under management



Note: Group funds under management figure of £25bn includes around £900m managed externally.

Our fund management team

Our experienced team of fund managers has remained focused on the fundamentals needed for investment success, during a period when acquisitions have increased funds under management, while equity markets have fallen.

The investment performance of the Royal London life fund was minus 11%, reflecting the market conditions in 2001. RLAM has a distinct growth stance within its equity portfolios and, consequently, fund performance suffered during a year when stocks with longer term value characteristics strongly outperformed more growth-oriented stocks.

During the year we have added considerable resources to the investment team, established a quantitative team and introduced further risk monitoring techniques. We are confident that we have all the tools in place to continue our longer term outperformance against investment benchmarks.

Expansion of funds under management

The year has seen a significant expansion of our funds under management following the transfer of Scottish Life's investment management activities and the acquisition of Union Fund Management (UFM).

UFM has now been rebranded as Royal London Cash Management and gives RLAM a strong position in the cash market, as well as providing new opportunities to offer combined cash and bond services.

Conclusion

We are operating in an extremely competitive and changing environment. The whole of the financial services industry is faced with the need to create long-term stability while protecting the investment freedom which underpins good returns to customers. The Royal London Group's response has been seen in our acquisition strategy and the plans which we are implementing for the ongoing development of our business.

£25bn

Private equity

RLAM is very positive about the opportunities offered by private equity and we have established a new joint venture company, Royal London Private Equity (RLPE). It has been formed to raise funds for investment in private equity opportunities in the UK and mainland Europe.

RLPE will operate out of offices in London and Glasgow. Following regulatory approval, it will establish a new private equity limited partnership as well as managing Royal London's portfolio of private equity funds and direct investments, with a total value of approximately £60m.

Investment trusts

In spite of the difficult stock market conditions, RLAM successfully launched its second investment trust, the Royal London UK Equity and Income Trust. Total funds managed in this specialised sector now amount to £364m and underline our commitment to developing this area of activity.

The future

The objectives for RLAM in 2002 are to consolidate upon the strong foundations that have been built and develop the full potential of the asset management business. Although the financial markets remain beset with uncertainty, RLAM faces the future with well-founded optimism.

We are now a more broadly-based Group, but if we are to prosper we must remain alive to other challenges. To compete successfully we will need to build on the strengths we have, while retaining flexibility and speed in our actions and decision-making, so that we can continue to adapt when necessary.

Our achievements during 2001 have contributed significantly towards the Group's ongoing success. We will continue to remain focused on our goal of adding value for the benefit of members.

Mike Yardley

Group Chief Executive

Group Finance Director's review



STEPHEN SHONE

In line with the strategic plan embarked on in 1999, the acquisition of Scottish Life during 2001 significantly advanced the transformation of Royal London into a substantial force in UK financial services.

Investment markets

In common with many life assurance companies the value of our assets was adversely affected by the impact on world stock markets of the horrific events in the US on September 11. Friday 21 September 2001 saw the FTSE All-Share Index fall to 2,128 – a reduction of 28.7% compared with the previous year-end.

To put the fall into context, Royal London's with-profits fund (including Scottish Life as if then part of the Group) amounted to a total of £19bn at the start of the year. It reduced to approximately £15bn on 21 September and recovered to £17bn by 31 December 2001 – an overall reduction of £2bn.

As a business we are sufficiently strong to comfortably ride short and medium term market fluctuations and, through swift and careful action, were able to reposition our funds.

Balancing

FTSE All-Share Index two-year performance to December 2001



Source: Datamonitor

During the years 2000 and 2001 the FTSE All-Share Index fell by 22%, with a fall of 15% in the Index being recorded during 2001. This contrasts sharply with the previous 20 years up to the end of the millennium, during which growth in the FTSE All-Share Index averaged 14% per year.

Royal London is renowned for its strong financial reserves and excellent record in relation to payouts on maturing policies. This year, however, we have been faced with some unusually difficult decisions and we have been even more mindful of the future prospects for bonus declarations and policy benefits. With-profits policies are designed to smooth out returns earned on investments but in deciding on the bonus declaration this year, the Board had to take into account the very poor stock market performance in 2001.

Bonus declaration

The bonus declaration this year has had to strike a hard but necessary balance which reflected not only short-term market fluctuations, but also the general reductions in investment returns and the future outlook for stock markets.

Conscious of the predicted reductions in investment returns, I stated last year that 'there will be a need to reduce regular bonus rates in future years' and we continue to expect that this will be the case. However, for this year it has been necessary to reduce the bonuses over and above the amount anticipated last year.

As a result we have announced reductions in our regular and final bonuses that reflect

these factors and will ensure that our investment proposition continues to be attractive to new and existing policyholders over the long term. The average reduction in payouts on maturing policies is 12%. Royal London has consistently demonstrated excellent payout performances and the table below demonstrates that, despite the reductions in bonuses, the return on policies, net of tax, remains impressive. We expect to remain among the top performers within our industry in 2002.

The total surplus distributed to with-profits policyholders is detailed in the table opposite.

In addition for 2000 we declared special bonuses of £118m for with-profits policies originating in Royal London, in respect of future cost savings arising through the acquisition of United Assurance Group plc. We also announced a further special bonus of £33m in respect of with-profits policies originating from the Refuge Assurance Industrial Branch Fund.

It is expected that final bonuses paid during 2002 will be £290m compared with £360m in 2001. Details of the bonus declaration for 2001 for all Group companies are set out on pages 58 to 60.

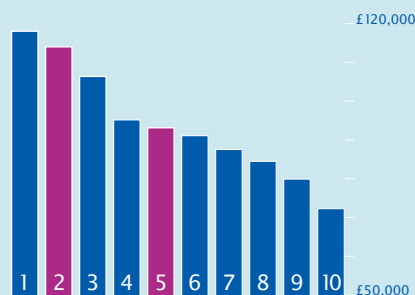
	2001 £m	2000 £m
Royal London		
Regular bonuses added to policies	83	250
Final bonuses paid in the year	171	146
	254	396
United Assurance		
Regular bonuses added to policies	65	138
Final bonuses paid in the year	113	96
	178	234
Scottish Life		
Regular bonuses added to policies	122	143
Final bonuses paid in the year	76	65
	198	208
Total		
Regular bonuses added to policies	270	531
Final bonuses paid in the year	360	307
	630	838

Note: The table above includes full year figures for United Assurance and Scottish Life

growth and returns for our members

Top performing endowments Proposed 2002 maturity payout on 25 year regular premium with-profit endowment

1 Liverpool Victoria	£113,434	6 Tunbridge Wells Equitable	£92,638
2 Royal London	£107,714	7 Britannic Assurance	£91,459
3 Standard Life	£99,747	8 General Accident	£89,787
4 Ecclesiastical	£97,595	9 NFU Mutual	£89,344
5 Scottish Life	£94,738	10 Commercial Union	£86,994



Notes: Contributions £50 per month by male aged 30 next birthday. Past performance is not necessarily a guide to future performance. The value of a policy is dependent on how profit is distributed.

Source: Daily Mail - March 2002.

Group Finance Director's review

continued

At the time of the transfer of Scottish Life to Royal London it was anticipated that an additional regular bonus would be declared on Scottish Life with-profits policies as at 31 December 2001. It was, however, always made clear that the declaration of any additional bonus would depend upon a review of the financial conditions prevailing at the year-end. Following this review the Supervisory Committee set up in relation to the Scottish Life Fund, the majority of whose members are independent of the Royal London Group, recommended that it would not be in the long-term best interests of the policyholders within the fund to declare such a bonus and this recommendation was accepted by the Board. To have declared an additional bonus could have resulted in restrictions to the investment flexibility of the fund and, hence, in potentially poorer returns to its policyholders. The Scottish Life Fund will continue to be run for the sole benefit of the qualifying with-profits policyholders transferred from Scottish Life and all assets in the Fund will ultimately be distributed to policyholders as regular or final bonuses.

Scottish Life

The transfer of the Scottish Life business to Royal London was completed on 1 July 2001 with the approval of the Court of Session in Edinburgh. This was the second substantial investment by Royal London in two years and, following the acquisition of United Assurance in April 2000, the Group has significantly increased in size.

Scottish Life with-profits business (including deposit administration business) and a small amount of non-profit business has been transferred into a separate fund within Royal London. Principles of Financial Management have been agreed as part of the transaction which are monitored by the Supervisory Committee.

All other Scottish Life business, predominantly unit-linked and non-profit, together with ownership of the brand, infrastructure assets, Scottish Life International and Scottish Life Asset Management have been transferred to the Royal London main fund.

The assets acquired were as follows (per note 23 to the accounts):

	£m
Value of acquired in force business	425.1*
Value of pension scheme asset	48.1
Fixed assets and net worth of Scottish Life subsidiaries	33.5
Goodwill	349.7
Total consideration	856.4

*Net of regulatory allowance for deferral of acquisition expenses, £54.4m

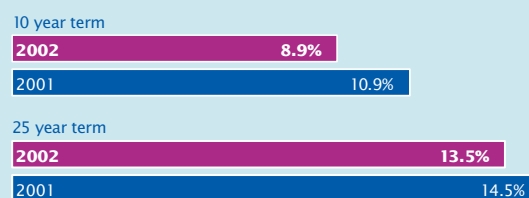
Cash of £114m was paid to Scottish Life members as compensation for their loss of membership rights, professional fees of £8m were incurred and the balance of £734m was transferred from the Royal London main fund to the Scottish Life Fund within Royal London. Transfers between Royal London and Scottish Life funds will be finalised in 2002 and may be subject to minor adjustments.

The Scottish Life acquisition was financed out of the assets in the Royal London main fund, 35% of this financing being borne by the Refuge Assurance Ordinary Branch With-Profits sub-fund within Royal London. The assets purchased, the value of business in force and the investment in goodwill have

Endowment returns at maturity



Endowment yields at maturity



Notes: Policies maturing on 1 January for a male aged 30 next birthday paying £50 per month. Past performance is not necessarily a guide to future performance. The value of a policy is dependent on how profit is distributed.

been allocated accordingly, with £123m of the goodwill allocated to the Refuge sub-fund. The remaining £227m was allocated to the Royal London main fund, equivalent to 3% of that fund.

The goodwill arising in the Scottish Life transaction effectively represents a reinvestment of the remaining element of the £350m value generated out of the United Assurance acquisition, after declaring a special bonus of £118m in 2000. These two transactions must be considered together as two inseparable parts of the strategic plan devised during 1999, as a result of which we have increased our funds under management by £16.4bn, reduced maintenance costs to 0.53% per annum of funds and acquired a new IFA distribution business. This strategy has placed us in a far better position to address the challenging investment and business markets that lie ahead, by expanding Royal London to the critical mass needed to continue to operate to best effect.

The investment in goodwill of £350m includes the present value of future premium increments in relation to the existing business, estimated to be £56m.

The balance of the goodwill reflects the potential of the Scottish Life distribution arm to sell new business through IFAs. It is anticipated this investment will be recovered from the profit on this new business in the future and from cost and revenue synergies between Royal London and Scottish Life.

Financial strength

Following a year of exceptionally adverse trading conditions in the equity markets and questions raised over long-term stability of life companies, it is important to analyse closely the financial strength of Royal London.

Financial strength in the life assurance sector depends upon a company's 'free assets', which are the excess of its assets over liabilities. A number of commentators publish surveys showing 'free asset ratios' for the industry. These surveys usually make use of the statutory returns made by life companies to the regulators rather than the report and accounts. The statutory reporting to regulators is on a very cautious basis, consistent with their objective of ensuring, as far as possible, that companies can meet their liabilities as they fall due. For example, if an asset does not have a

published market value or is not readily realisable then, in general, it may not be brought into account for the purpose of demonstrating solvency to the regulators. This can lead to undervaluing free assets, especially when a company has made acquisitions, making it difficult for external commentators to understand a company's true financial position.

It is against this background that Royal London's financial strength should be considered. A total of £2.1bn surplus was within the United Assurance and Scottish Life companies at the time they were acquired. The cash paid for these acquisitions was £1.7bn, with an additional £0.7bn transferred into the Scottish Life Fund still counting for statutory solvency purposes as part of Royal London. In addition, consolidation of the Group's long-term funds has released £0.6bn of previously inadmissible assets. As a result of the acquisitions, Royal London now owns the rights to the future profits on business written by these two companies, amounting to £0.8bn. We have agreed with the regulator an implicit addition of £0.8bn to our assets as an allowance for these future profits.

Pension policy yields at vesting

10 year term



25 year term



Notes: Policies vesting on 1 January at age 65 paying £200 per month. Past performance is not necessarily a guide to future performance. The value of a policy is dependent on how profit is distributed.

Group Finance Director's review

continued

Movement in Statutory Surplus during 2000 and 2001

	Surplus £bn	Admissible assets excluding unit-linked business £bn	Non-linked free asset ratio %	Total admissible assets £bn	Free asset ratio %
As at 31 December 1999	2.8	7.2	38.9	7.4	37.8
Cash paid for United Assurance and Scottish Life	(1.7)				
Surplus within acquired companies	2.1				
Inadmissible assets released	0.6				
Implicit assets	0.8				
Surplus distributed to with-profits policyholders	(1.2)				
Movement in investment markets	(1.3)				
Other	(0.3)				
As at 31 December 2001	1.8	17.1	10.5	21.1	8.5

Components of the Fund for future appropriations at 31 December 2001

	Surplus £bn	Total assets excluding unit-linked business £bn	Non-linked free asset ratio %	Total assets £bn	Free asset ratio %
Statutory Surplus at 31 December 2001	1.8				
Reserve for market fluctuations	1.0				
Goodwill, deferred acquisition costs and pension scheme assets	0.8				
Other	0.2				
Fund for future appropriations at 31 December 2001	3.8	18.7	20.3	22.7	16.7

Note: Free asset ratios are before deducting the required minimum margin of solvency required for regulatory purposes. The required minimum margin of solvency required for regulatory purposes was £0.7bn as at 31 December 2001, which compares with the statutory surplus of £1.8bn.

The considerable movement in investment markets over the last two years has resulted in a reduction of £1.3bn, although this still leaves the Group with £1.8bn of surplus.

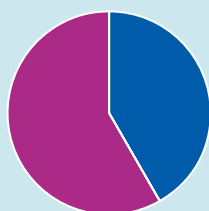
Royal London's estimated free asset ratio was 8.5% at the end of 2001. The long-term funds now include significantly more unit-linked liability business for which less financial strength is appropriate because of the closer matching of assets and liabilities. In relation to our non-linked business, the free asset ratio was 10.5%.

Our statutory free assets do not tell the full story. A realistic measure of our financial strength would recognise more of the value of our acquisitions than is permitted under statutory solvency reporting to the regulator. Although not recognised in statutory reporting, the analysis of our Fund for future appropriations shown in the table demonstrates the potential extra value available totalling £2.0bn to support our business and strategy. This will permit us to grow our business for the benefit of our with-profits policyholders, while absorbing unpredictable investment market shockwaves and preserving the long-term interests of our members.

Premiums and claims in 2001

Premiums

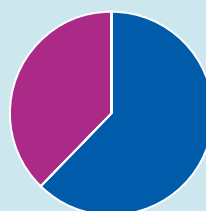
Royal London	£820m	■
Scottish Life	£1,147m	■



Premiums total £1,967m

Claims

Royal London	£1,226m	■
Scottish Life	£743m	■



Claims total £1,969m

Notes: The figures for premiums and claims include Scottish Life as if part of the Group from 1 January 2001.

Funds under management

Total life company assets managed by RLAM have grown significantly from £6.4bn in 1997 to £20.5bn in 2001, predominantly because of the acquisitions of United Assurance and Scottish Life.

The financial strength of Royal London gives the flexibility to invest a large proportion of its assets in equities and properties. These assets have the most potential to achieve capital growth over the long term. However, as we have recently experienced, they may from time to time suffer sharp declines in value. Without a healthy free asset ratio, Royal London would have to invest more cautiously, matching liabilities with suitably dated fixed interest securities and cash deposits whose capital values are more stable but which tend to yield lower returns over the long term.

Partly because of the increasing element of non-profit liabilities and partly as a consequence of the significant falls in the stock market during 2001, the Royal London fund has reduced its asset allocation to equities and property to 72% compared with 87% at the end of the previous year. The Scottish Life sub-fund had 65% invested in equities and property at the end of 2001.

General insurance

General insurance commission (including profit share) receivable in 2001 was £14m (2000 £10m). All new general insurance business is introduced to external insurance companies and the run-off of Royal London General contributed a profit of £5.4m (2000 £8.8m) during the year.

Pensions review and guaranteed annuity rates

Progress with the pensions review continues to be in line with industry and FSA guidelines to meet the deadline of June 2002.

By 28 February 2002, Royal London (including United Assurance cases) had made offers to 78% of phase 2 cases and a further 17% of cases had been found to involve no loss. Scottish Life has an insignificant liability to the pensions review, which has been completed.

The outstanding provision for the pensions review was £143m at 31 December 2001. Royal London took into account any costs associated with the United Assurance review before the acquisition and factored this into the price paid.

The exposure to guaranteed annuity rates (GAR) mainly relates to the acquired businesses of United Assurance and Scottish Life, being £27m and £540m respectively, which had been fully provided at the dates of the acquisitions. The Scottish Life liability remains entirely within the Scottish Life sub-fund and may impact on bonus rates declared on policies within this fund.

As with other companies that have guaranteed annuity rate pension liabilities, the Board has considered whether the impact of GARs has unreasonably adversely affected the benefits under with-profits policies sold to non-GAR policyholders. It is the Board's view that there has been no significant impact on non-GAR policyholders.

Expenses

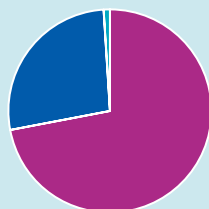
The integration of Royal London and United Assurance was completed during 2001 and annualised savings of £97m were realised.

Excluding Scottish Life, Royal London expenses as a percentage of funds under management, despite the significant reduction in the latter, continue to show a positive trend at 1% in 2001.

Asset distribution at 31 December 2001

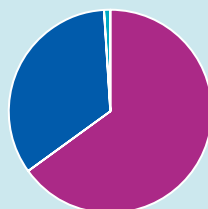
Royal London main fund

Equities and property	72%
Fixed interest	27%
Other	1%



Scottish Life sub-fund

Equities and property	65%
Fixed interest	30%
Other	5%



Group Finance Director's review

continued

Expenses incurred by Scottish Life and its subsidiaries during the year, excluding commission, represented 1.1% of its funds under management.

Overall pro forma expenses as a percentage of average funds under management including Scottish Life were 1.0% in 2001. Cost management is a key financial objective within Royal London and we plan to maintain the positive trend in our expense ratios.

FRS 17

Financial Reporting Standard 17 – Retirement Benefits (FRS 17) became effective in June 2001 replacing SSAP 24. The primary purpose of the standard is to require a company to recognise on its balance sheet the pension surplus or deficit arising from its pension provision for employees. Previously, pension accounting under SSAP 24 focused on measuring the annual cost of providing pension benefits by allowing surpluses or deficits to be smoothed over the service lives of the employees giving a stable charge to the profit and loss account. In recent years this approach to pension cost accounting was felt to be confusing as the balance sheet disclosure was difficult to understand and the smoothing approach to surpluses or deficits was greatly influenced by actuarial assumptions.

This standard needs to be fully implemented by June 2003, but it provides companies with the opportunity either to undertake a phased implementation of its requirements or to adopt the full standard earlier than this. Given the changes made in 2001 to the structure of the funds used by the Royal London Group for providing retirement benefits to its employees we chose to adopt this standard in full for our accounts to 31 December 2001.

The impact of FRS 17 on the accounts to 31 December 2001 before deferred tax can be summarised as follows:

- The net pension asset in the Group balance sheet at 31 December 2001 was £335m (2000 £266m). This is based on the pension scheme surpluses at the year-end and restricted as necessary to take account of the ability of the Group to recover surpluses out of reduced future contributions.
- The transfer of employees' future service benefit accrual to Royal London Group Pension Scheme on 1 December 2001 increased the net pension asset by £112m, which is included in the balance sheet total of £335m.

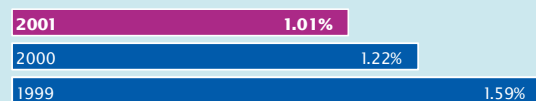
- The Royal London Staff Pension Fund is shown to be in deficit by £26m on an FRS 17 basis, less than 7% of the fund's liabilities at the end of 2001. At its last full valuation at 31 March 1999, the fund was shown to have a surplus of £137.5m on the minimum funding requirement basis laid down by the Pension Act 1995. A full valuation of the fund as at 31 December 2001 is currently being undertaken to provide an update of the funding position.

Exchangeable deferred shares

Under the terms of the offer to acquire United Assurance, holders of convertible deferred shares (CDS) were offered exchangeable deferred shares (EDS) by RLM Finance as consideration for their holding.

As stated last year, we have received an opinion letter from Bacon & Woodrow, a firm of consulting actuaries, stating that in their opinion the Court approval of the AXA Scheme represents a clarification of, or change in, industry practice regarding the potential attribution of the inherited estate of a proprietary life insurance company.

Expenses as % of funds under management



Royal London is in discussions with the FSA regarding a possible re-attribution of the estate within the Refuge Assurance Ordinary Branch With-Profits sub-fund. As anticipated, the resolution of this matter will take some time.

Conclusion

The year 2001 presented many challenges and opportunities for Royal London. The acquisition of Scottish Life was finalised, the integration of United Assurance was successfully completed, and, as measured by the FTSE All-Share index the UK equity market fell by 15%, after falling 8% in 2000. Although with-profits business smooths out peaks and troughs in returns, falls of this magnitude cannot be ignored and the Board has had to reduce payouts this year by an average of 12%.

As a Group, we are now concentrating on increasing profitability at Scottish Life and its international arm, launching our new protection business and improving the effectiveness of our traditional direct sales force in selling to our retail customers.

At the same time, we will seek to ensure that our asset management company generates good returns on our investments and attracts significant new business in its own right.

This year has seen tough decisions made and the securing of a framework and solid platform on which we can continue to develop the business in order to provide members with excellent returns on their policies. Royal London's financial resources are being invested effectively for the benefit of members.

Stephen Shone

Group Finance Director



Hubert Reid



Mike Yardley



Stephen Shone



Andrew Longhurst



Christopher Phillips



Brian Duffin



Barry Fitzgerald



Tom Ross



Tim Melville-Ross

Hubert Reid

Chairman

Hubert Reid (61) was appointed to the Board as a Non-Executive Director in April 1996 and became Deputy Chairman in January 1997 and Chairman in July 1999. He was managing director and then chairman of the Boddington Group plc (1984-1995), and was also chairman of Istock PLC and Bryant Group plc. He is chairman of Enterprise Inns plc, deputy chairman of Majedie Investments PLC and a non-executive director of the Taverners Trust PLC.

Andrew Longhurst BSc, FCIB, FBCS

Deputy Chairman

Andrew Longhurst (62) was appointed to the Board as a Non-Executive Director and Deputy Chairman in April 2000, following the acquisition of the United Assurance Group plc. He was with Cheltenham & Gloucester Building Society (subsequently plc) from 1967 to 1998, latterly as chief executive and then chairman. Between 1995 and 1998 he was a director of Lloyds Bank Plc, and then group director, customer finance of Lloyds TSB Group Plc. He joined the board of UAG as a non-executive director and became chairman in 1998. He is a non-executive director of Hermes Focus Asset Management Limited.

Barry Fitzgerald

Sales Director

Barry Fitzgerald (57) was appointed to the Board in January 1997. He joined Royal London in 1972 and held various senior appointments in the sales force and at Colchester before being appointed General Manager, sales and marketing in 1995, Sales and Marketing Director in June 1996, and Sales Director in April 2000.

Membership of Board Committees on page 28

Mike Yardley FIA

Group Chief Executive

Mike Yardley (45) was appointed to the Board in November 1989. He joined Royal London in 1978 as a member of the investment team, was appointed Investment Manager in 1987, Chief Investment Manager in 1993, Investment and Finance Director in June 1996, Deputy Chief Executive in January 1997 and Chief Executive with effect from April 1998.

Christopher Phillips BA (Hons), Oxon

Chief Executive, RLAM

Christopher Phillips (45) was appointed to the Board on 1 April 2001. He joined Royal London Asset Management Limited as Chief Executive in April 2000. He was with Morgan Grenfell and Co from 1983 and held various positions including director of strategy (business development) with Deutsche Asset Management, formerly Morgan Grenfell Asset Management. He is a Director of Royal London Growth and Income Trust plc.

Tom Ross OBE, FFA

Non-Executive Director

Tom Ross (57) was appointed to the Board as a Non-Executive Director on 1 July 2001 following the acquisition of Scottish Life. He was a partner with Clay & Partners from 1976 to 1993 and since then has been principal and actuary with Aon Consulting Limited (formerly Alexander Clay). He was appointed to the board of Scottish Life as a non-executive director in 1996, became deputy chairman in 1998 and chairman in 1999. He is chairman of Penta Capital Partners (Holdings) Limited and the Pensions Policy Institute and a director of the Edinburgh UK Tracker Trust plc.

Stephen Shone BSc (Econ), FCA

Group Finance Director

Stephen Shone (45) was appointed to the Board in January 1999 when he joined Royal London as Group Finance Director. He trained as a chartered accountant with KPMG and on leaving in 1987 became finance director of Prolific Group. From 1990 to 1998 he was with Irish Life plc based in Dublin and St Albans, where he held a number of posts including group chief financial officer from 1996 to 1998.

Brian Duffin MA, FFA

Chief Executive, Scottish Life

Brian Duffin (47) was appointed to the Board on 1 July 2001 following the acquisition of Scottish Life. He joined Scottish Life in 1976 and was appointed to the board in 1996 and became group chief executive on 1 January 1999. He is a director of Heart of Midlothian plc and Pensions Advisers Support System Limited.

Tim Melville-Ross

Non-Executive Director

Tim Melville-Ross (57) was appointed to the Board in June 1999. He was chief executive of the Nationwide Building Society from 1985 to 1994 and director-general of the Institute of Directors from 1994 to 1999. He is chairman of Investors in People UK, DTZ Holdings plc, and Bank Insinger de Beaufort NV and a non-executive director of a number of other organisations including Bovis Homes Group plc and Manganese Bronze Holdings plc.