

## Directors & Officials

### Directors

Chairman  
Deputy Chairman

W.Berry WS  
W.M.C.Kennedy CA  
P.A.F.Gifford  
J.Gilchrist  
J.R.Glen CA  
J.M.Haldane CA  
B.G.Hill  
Dr.T.L.Johnston DL FRSE  
J.D.F.Miller CIM  
Dr.Janet Morgan  
W.M.Morrison FFA  
G.M.Murray CBE, FFA

### Officials

General Manager (Investment)

R.M.Budge FFA

Chief Accountant and Secretary

D.C.Dunn CA

Actuary

P.Kilgour FFA

Assistant General Manager (Investment)  
Chief Investment Manager  
Investment Managers

R.C.Pugh FFA  
D.C.Hughson  
D.W.S.Binnie  
I.Mckeand

### Auditors

KPMG  
Chartered Accountants

The Scottish Life Pensions Annuity Company Limited  
Head Office 19 St. Andrew Square, Edinburgh, EH2 1YE  
Registered in Scotland No. 48729



## Report by the Directors

The Directors have pleasure in submitting their Report together with the audited Accounts of the Company for the year ended 31 December 1995.

### Principal activity

The Company is a life assurance company providing managed fund facilities for pension schemes. It is a wholly-owned subsidiary of The Scottish Life Assurance Company which is a company incorporated in the United Kingdom.

### New business

New business for the year including new entrants and increments to existing contracts was as follows:-

	1995 £000	1994 £000
New Annual Premiums	385	298
Single Premiums	46	840

### Directors

The present Directors are shown on page 1 and all held office throughout the period covered by this report, with the exception of Dr Janet Morgan who was appointed to the Board on 1 November 1995. Mr D. Birrell was a Director until he retired from the Board on 18 April 1995.

The Directors and their families had no beneficial interest in the Share Capital of the Company at 1 January and 31 December 1995 and no Director has any interest either directly or indirectly in any contract of the Company.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**D.C.Dunn**

Chief Accountant and Secretary  
12 March 1996

## Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out below, is made with a view to distinguishing for members the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

The Directors are required by Company Law to prepare financial statements for each financial year which comply with the provisions of the Companies Act 1985 applicable to insurance companies.

In preparing the financial statements the Directors are responsible for ensuring that the Company has used accounting policies which they consider to be appropriate, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any explanations and any material departures disclosed in the notes to the financial statements. The Directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Report of the Auditors

### To the members of The Scottish Life Pensions Annuity Company Limited

We have audited the financial statements on pages 4 to 11.

### Respective responsibilities of Directors and Auditors

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

### Basis of opinion

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

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

### Opinion

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

### KPMG

Chartered Accountants  
Registered Auditors  
12 March 1996

Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

**Profit and Loss Account**  
Year ended 31 December 1995

**Technical Account - Long Term Business**

		1995	1994
	Note	£000	Restated £000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2	6,202	7,866
Investment income	3	13,384	12,547
Unrealised gains on investments	3	13,245	-
Other technical income, net of reinsurance		10	18
		<u>32,841</u>	<u>20,431</u>
<b>Claims incurred, net of reinsurance</b>			
Claims paid - gross amount		(5,718)	(7,143)
<b>Change in other technical provisions, net of reinsurance</b>			
Technical provisions for linked liabilities	13	(26,885)	5,479
Net operating expenses	4	(55)	(73)
Investment expenses and charges	3	(79)	(83)
Unrealised losses on investments	3	-	(18,557)
Tax attributable to long term business	7a	(104)	(54)
		<u>(238)</u>	<u>(18,767)</u>
<b>Balance on the technical account - long term business</b>		<u>-</u>	<u>-</u>

All of the amounts above are in respect of continuing operations.

**Non technical Account**

		1995	1994
	Note	£000	Restated £000
Balance on the technical account - long term business		-	-
Investment income	3	25	22
Unrealised gains on investment	3	58	-
Unrealised losses on investment	3	-	(8)
<b>Profit on ordinary activities before taxation</b>		<u>83</u>	<u>14</u>
Tax on profit on ordinary activities	7b	(3)	(3)
<b>Profit for the financial year</b>		<u>80</u>	<u>11</u>

All of the amounts above are in respect of continuing operations.

The company has no recognised gains or losses other than the profit for the period.

The notes on pages 6 to 11 form an integral part of these financial statements.

**Balance Sheet**  
As at 31 December 1995

	Note	1995 £000	1994 Restated £000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	8	863	805
<b>Assets held to cover linked liabilities</b>	9	167,512	141,056
<b>Debtors</b>			
Debtors arising out of direct insurance operations		158	397
Other debtors	10	232	225
		<hr/> 390	<hr/> 622
<b>Other assets</b>			
Cash at bank and in hand		443	410
<b>Prepayments and accrued income</b>		<hr/> 4	<hr/> 5
<b>Total assets</b>		<hr/> 169,212	<hr/> 142,898
<b>LIABILITIES</b>			
<b>Capital and Reserves</b>			
Called up share capital	11	600	600
Revaluation reserve	12	352	294
Profit and loss account	12	358	336
		<hr/> 1,310	<hr/> 1,230
<b>Technical provisions for linked liabilities</b>	13	167,327	140,442
<b>Provisions for other risks and charges</b>			
Deferred taxation		2	2
<b>Creditors</b>			
Creditors arising out of direct insurance operations		343	511
Other creditors including taxation and social security	14	230	713
		<hr/> 573	<hr/> 1,224
<b>Total liabilities</b>		<hr/> 169,212	<hr/> 142,898

The notes on pages 6 to 11 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 12 March 1996.

**William Berry** Chairman

**W.M.C.Kennedy** Deputy Chairman

**G.Malcolm Murray** Director and Chief General Manager

# Shareholders Cash Flow Statement

Year ended 31 December 1995

	Note	1995 £000	1994 £000
<b>Operating activities</b>			
Net cash inflow from operating activities	17a	25	21
<b>Taxation</b>			
Income tax paid		(4)	(4)
Corporation tax paid		-	(3)
Corporation tax recovered		8	4
		<hr/>	<hr/>
Increase in cash and cash equivalents	17b	29	18
		<hr/>	<hr/>

The notes on pages 6 to 11 form an integral part of these financial statements.

## Notes to the Accounts

### 1. Principal accounting policies

#### Basis of presentation

Except as detailed below, the accounts have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

The accounts have also been prepared in accordance with applicable accounting standards and under historical cost accounting rules, modified to include the revaluation of investments. Compliance with Statement of Standard Accounting Practice 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the accounting policy note relating to investments.

Following the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 certain accounting policies and disclosures have been amended; comparative amounts have been restated (see Note 13).

#### Earned premiums

Premiums are included in the technical account in the period in which the relevant units are allocated.

#### Investment income

Investment income includes dividends, interest, rents and gains and losses on the realisation of investments. Dividends are recorded on the date on which the shares are quoted ex dividend and include imputed tax credits. Interest and rents are accounted for on an accruals basis.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost.

Shareholder fund investment income and expenses are dealt with through the non technical account. Policyholder fund investment income and expenses are dealt with through the technical account.

#### Claims incurred

Claims are included in the period in which the relevant units are cancelled.

## Notes to the Accounts

### Deferred taxation

Deferred taxation is provided using the liability method for all material timing differences which are likely to crystallise in the foreseeable future. No provision is made for tax which would become payable if investments were realised at the values shown.

### Investments

Listed investments are included in the balance sheet at mid-market value. Units in authorised unit trusts are valued at the managers' bid price. Unlisted investments, mortgages and loans are included at directors' valuation. Land and buildings have been valued by qualified valuers at the balance sheet date on an open market basis. Land and buildings are included in the balance sheet at the value ascribed less estimated costs of disposal. All properties are regarded as investments and in accordance with SSAP19 no depreciation has been provided. The requirement of the Companies Act 1985 is to depreciate all properties. This conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that, as these properties are held for investment, to depreciate from them would not give a true and fair view.

### Basis of conversion of foreign currencies

Assets and liabilities in foreign currencies are converted at the rates of exchange ruling at the balance sheet date unless matched by a forward currency transaction in which case the forward rate is used. Foreign income is converted at the rate ruling on the date of receipt.

### Unrealised gains and losses on investments

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price. Unrealised gains and losses on shareholders investments are taken directly to the revaluation reserve. Unrealised gains and losses on assets held to cover linked liabilities are included in the long term business technical account.

<b>2. Segmental analysis</b>		<b>1995</b>	<b>1994</b>
		<b>£000</b>	<b>£000</b>
(a)	Earned Premiums, net of reinsurance		
	Premiums under group contracts which are all unit linked	6,202	7,866
		<hr/>	<hr/>
	Regular premiums	6,156	7,026
	Single premiums	46	840
		<hr/>	<hr/>
		6,202	7,866
		<hr/>	<hr/>
(b)	New Business Premiums, net of reinsurance		
	Premiums under group contracts which are all unit linked	431	1,138
		<hr/>	<hr/>
	Regular premiums	385	298
	Single premiums	46	840
		<hr/>	<hr/>
		431	1,138
		<hr/>	<hr/>

All earned and new business premiums represent direct business and are written in the United Kingdom. In classifying new business premiums the basis of recognition adopted is as follows:-

- DSS rebates are classified as new single premiums.
- Increments under existing group pension schemes are classified as new business premiums.

## Notes to the Accounts

### 3. Investment return summary

	Technical Account		Non technical Account	
	1995 £000	1994 £000	1995 £000	1994 £000
<b>Investment income</b>				
Income from land and buildings	1,086	1,195	-	-
Income from other investments	5,405	4,477	25	22
Gains on the realisation of investments	6,893	6,875	-	-
	<u>13,384</u>	<u>12,547</u>	<u>25</u>	<u>22</u>
Unrealised gains on investments	13,245	-	58	-
<b>Investment expenses and charges</b>				
Investment management expenses, including interest	(79)	(83)	-	-
Unrealised losses on investments	-	(18,557)	-	(8)
	<u>26,550</u>	<u>(6,093)</u>	<u>83</u>	<u>14</u>

### 4. Net operating expenses

	1995 £000	1994 £000
Acquisition costs	25	30
Administrative expenses	30	43
	<u>55</u>	<u>73</u>

Acquisition costs represent commission payments in respect of direct insurance.

### 5. Auditor's remuneration

The Auditor's remuneration for the statutory audit amounted to £9,500 (1994 £9,200). Their remuneration in respect of other work amounted to £1,750 (1994 £1,700). These costs are met by the Parent Company.

### 6. Directors' emoluments

The directors receive neither fees nor other emoluments from the company.

### 7. Taxation

#### (a) Technical Account

The charge to tax represents non recoverable foreign tax.

	1995 £000	1994 £000
(b) Non technical Account		
UK Corporation tax at 33% (1994 33%)	8	7
Adjustments in respect of prior years	(5)	(4)
	<u>3</u>	<u>3</u>



## Notes to the Accounts

### 8. Other financial investments

	Current Value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Debts and other fixed income securities	863	805	511	511

The above represent investments listed in UK.

### 9. Assets held to cover linked liabilities

	Current Value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Assets held to cover linked liabilities	167,512	141,056	135,897	122,755

### 10. Other debtors

	1995 £000	1994 £000
Due from group companies	222	220
Tax recoverable	10	5
	<u>232</u>	<u>225</u>

### 11. Called up share capital

	1995 £000	1994 £000
Authorised and issued 600,000 ordinary shares of £1 each, fully paid	<u>600</u>	<u>600</u>

### 12. Reserves

	Revaluation Reserve £000	Profit and Loss Account £000	Total £000
Balance at 1 January 1995 as previously stated	-	630	630
Prior year adjustment	294	(294)	-
At 1 January 1995 as restated	<u>294</u>	<u>336</u>	<u>630</u>
Retained profit for year	-	22	22
Change in value of investments	<u>58</u>	<u>-</u>	<u>58</u>
Balance at 31 December 1995	<u>352</u>	<u>358</u>	<u>710</u>

#### Prior year adjustment

Realised and unrealised gains on shareholder investments are credited to the revaluation reserve instead of the profit and loss account as in prior years. This results from an accounting policy change brought about by the implementation of the new Schedule 9A.

## Notes to the Accounts

### 13. Technical provision

	Long term business fund £000	Technical provision for linked liabilities £000
Balance at 1 January 1995 as previously stated	139,906	-
Prior year adjustments		
Reallocation of long term business fund	(139,906)	139,906
Dividends	-	536
At 1 January 1995 as restated	-	140,442
Movement in technical provisions for the year	-	26,885
Balance at 31 December 1995	-	167,327

#### Prior year adjustments

The prior year adjustments resulting from accounting policy changes brought about by the implementation of the new Schedule 9A are as follows:-

- (i) Reserves previously held within the long term business fund for solvency purposes under the Insurance Companies Act 1982 have been reallocated to the technical provision for linked liabilities.
- (ii) Dividends are credited to the long term business technical account on the date on which the shares are quoted ex dividend. Previously dividends were recognised on the date they became due and receivable.

The effect of the change in dividend policy on the current years result is similar to the quantified effect in the prior year.

### 14. Other creditors including taxation and social security

	1995 £000	1994 £000
Due to group companies	29	23
Investments purchased for subsequent settlement	176	499
Bank overdraft	-	155
Other creditors	25	36
	<u>230</u>	<u>713</u>

The amounts owed to group companies are repayable within one year.

### 15. Contingent liabilities and commitments

	1995 £000	1994 £000
Capital commitments at the end of the financial year for which no provision has been made	-	2
	<u>-</u>	<u>2</u>

## Notes to the Accounts

### 16. Reconciliation of movement in shareholders' funds

	1995 £000	1994 £000
Net profit for year	80	11
Opening shareholders' funds	630	619
Closing shareholders' funds	710	630

### 17. Notes to cash flow statement

#### (a) Reconciliation of profit before tax to net cash inflow from operating activities

	1995 £000	1994 £000
Operating income in the non technical account	25	22
Decrease in debtors and prepayments and accrued income	-	(1)
Net cash inflow from operating activities	25	21

#### (b) Analysis of cash and cash equivalents shown in the balance sheet

	1995 £000	1994 £000	Change in year £000
Cash at bank and in hand	240	211	29

	1994 £000	1993 £000	Change in year £000
Cash at bank and in hand	211	193	18

#### (c) Reconciliation of balances of cash and cash equivalents to amount shown in the balance sheet

	Shareholders 1995 £000	Long term business fund 1995 £000	Total 1995 £000
Cash at bank and in hand	240	203	443

	Shareholders 1994 £000	Long term business fund 1994 £000	Total 1994 £000
Cash at bank and in hand	211	199	410

### 18. Parent Company

The Company is a wholly owned subsidiary of The Scottish Life Assurance Company which is registered in Scotland. Copies of the group accounts are available from 19 St. Andrew Square, Edinburgh, EH2 1YE.

## **Pensions Branches**

### **Birmingham**

Scottish Life House,  
155 Gt Charles Street, B3 3HW.  
Telephone: 0121 - 252 1212  
Development Manager - J.A.Watson, MLIA (Dip)

### **Bristol**

1 Redcliff Street, BS1 6NP.  
Telephone: 0117 - 948 1414  
Area Sales Manager - D.Black

### **Croydon**

Prudential House,  
Wellesley Road, CR0 9XY.  
Telephone: 0181 - 700 4343  
Area Sales Manager - M.G.Forsyth

### **Edinburgh**

15 South Charlotte Street, EH2 4AS.  
Telephone: 0131 - 456 7979  
Area Sales Manager - S.S.Downie  
Development Manager - P.D.Spriddle

### **Glasgow**

48 St Vincent Street, G2 5TS.  
Telephone: 0141 - 531 1000  
Area Sales Manager - R.Ross, FPMI

### **Leeds**

St Andrew House,  
119-121 The Headrow, LS1 5TF.  
Telephone: 0113 - 296 1313  
Area Sales Manager - A.T.Preston

### **London**

Scottish Life House,  
36 Poultry, EC2R 8EQ.  
Telephone: 0171 - 200 4848  
Branch Manager - T.J.O'Malley  
Development Manager - N.J.Mooney

### **Manchester**

Manchester House,  
Bridge Street, M3 3BX.  
Telephone: 0161 - 911 1717  
Area Sales Manager - M.Coulthard, FCII

### **Nottingham**

Chapel Bar House,  
1-5 Maid Marian Way, NG1 6LQ.  
Telephone: 0115 - 980 2323  
Development Manager - P.Armitage

### **Reading**

Hanover House,  
202 Kings Road, RG1 4JJ.  
Telephone: 0173 - 480 4747  
Area Sales Manager - T.M.Broadbent  
Development Manager - D.V.Griffiths

### **Sheffield**

The Fountain Precinct,  
Leopold Street, S1 2HW.  
Telephone: 0114 - 260 1616  
Branch Manager - J.R.James