

THE BRITISH LIFE OFFICE LIMITED

REPORT AND ACCOUNTS 1994



Registered Office: 249 West George Street, Glasgow. G2 4RB
Administrative Office: Reliance House, Tunbridge Wells, Kent. TN4 8BL
Registered in Scotland: No. 3234

THE BRITISH LIFE OFFICE LIMITED

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of The British Life Office Limited will be held at Reliance House, Mount Ephraim, Tunbridge Wells, Kent, TN4 8BL, on **Thursday, 18th May 1995 at 12 noon** for the following purposes:

1. To receive the Directors' Report and Accounts for the year ended 31st December 1994 and the Auditors' Report thereon.
2. To elect Directors.
3. To appoint Auditors and fix their remuneration.
4. To consider and, if thought fit, pass the following Resolutions as Special Resolutions:
 - (i) That Article 96 of the Articles of Association be deleted and the following Article substituted:

"The Seal shall only be used with the authority of the Directors or of a Committee of Directors authorised by the Directors. Every instrument to which the Seal shall be affixed shall be signed by either a Director or the Secretary and shall be counter-signed by a second Director or the Secretary or by some other person appointed by the Directors for this purpose."
 - (ii) That Article 155 of the the Articles of Association be deleted and the following Article substituted:

"Subject to the provisions of the Companies Act 1985 but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company.

The Company may purchase and maintain for any and/or all of its directors or officers, insurance against any liability for negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company."

Dated this 29th day of March 1995

By Order of the Board.


A. PRIOR
Secretary

A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him, and such person need not be a Member of the Company.

THE BRITISH LIFE OFFICE LIMITED

Established 1896

DIRECTORS

S. C. JAMES (Chairman)

J. B. BATEUP, F.I.A. (Chief Executive)

L. M. ETHERIDGE, B.Sc., F.I.A. (Actuary)

P. E. OLDHAM, M.A.

C. B. RUSSELL, F.F.A., F.T.I.I

G. A. SLATER, B.A., LL.B.

G. J. TITFORD, F.I.A.

Registered Office

249 WEST GEORGE STREET, GLASGOW. G2 4RB

Administrative Office

RELIANCE HOUSE, MOUNT EPHRAIM, TUNBRIDGE WELLS, KENT. TN4 8BL

THE BRITISH LIFE OFFICE LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their Report and Accounts for the year ended 31st December 1994.

PRINCIPAL ACTIVITIES

The principal activity of the Company continues to be the transaction of long term insurance business.

NEW BUSINESS

New long term business achieved during the year was:

	1994	1993
Pension contracts		
New policies issued	4,799	6,225
New annual premiums	£2,281,000	£2,698,000
New single premiums	£12,413,000	£22,442,000

No new life assurance business was transacted.

ACCOUNTS

Detailed accounts for the Company are set out on pages 6 to 15.

Some of the principal features are:

	1994 £000	1993 £000
Long term business revenue account:		
Premium income, including reinsurance	21,544	30,493
Benefits payable	1,907	2,305
Commission and expenses	5,154	6,422
Fund carried forward	134,214	131,847
Reserves carried forward	2,513	3,069
Total net assets	138,727	136,916

DIVIDENDS

An interim dividend of 5.75p (1993 - 6.43p) was paid in October 1993. The Directors do not recommend payment of a final dividend.

ACTUARIAL VALUATION

An investigation of the Company's liabilities at 31st December 1994 has been made by the Actuary. His Report, which has been adopted by the Board, is summarised on page 4.

THE BRITISH LIFE OFFICE LIMITED

DIRECTORS

The Directors listed on page 29 held office throughout the year.

Mr. S. C. James retires by rotation and, being eligible, offers himself for re-election.

Being over the normal retirement age, Mr. G. J. Titford retires and does not seek re-election.

No Director held shares beneficially in the Company during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law, as applicable to Insurance Companies, requires the Directors to prepare the accounts for each financial year which give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985 as applicable to Insurance Companies. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYEES

All staff are employed by the parent Company to which an assessed contribution is made towards staff costs.

FINANCIAL SERVICES ACT

The Company is a member of the Personal Investment Authority.

AUDITORS

Fraser & Russell are willing to continue in office as Auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By Order of the Board



A. PRIOR

Secretary

29th March 1995

ANNUAL VALUATION

A valuation of the Company's liabilities as at 31st December 1994 has been made by the Actuary, Mr. L. M. Etheridge, B.Sc., F.I.A. The following is a summary of his Report, which has been adopted by the Board.

At the date of the valuation there were 33,293 policies in force and not wholly reassured which, after the deduction of reassurances, assured annuities of £1,084,000 per annum and assured sums of £173 million, the total premiums being £10,034,000 per annum.

The net liability was £134,127,000 which, compared with the Fund of £134,214,000, shows a surplus of £87,000

The Board has resolved that this surplus shall be carried forward unappropriated.

THE BRITISH LIFE OFFICE LIMITED

AUDITORS' REPORT to the Members of THE BRITISH LIFE OFFICE LIMITED

We have audited the accounts of the Company on pages 6 to 15 which have been prepared under the accounting policies set out on pages 10 and 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and 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 consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts for the year ended 31st December 1994 have been properly prepared in accordance with the Companies Act 1985 as applicable to Insurance Companies.

4 London Wall Buildings
Blomfield Street
London EC2M 5NT

Fraser & Russell
FRASER & RUSSELL
Chartered Accountants
and Registered Auditors

29th March 1995

THE BRITISH LIFE OFFICE LIMITED

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

	Note	1994 £000	1993 £000
INCOME			
Annual premiums	2	9,131	8,051
Single premiums	2	12,413	22,442
Investment income		<u>5,176</u>	<u>4,218</u>
		<u>26,720</u>	<u>34,711</u>
OUTGO			
Claims by death	3	253	185
Claims by maturity	3	394	588
Annuities paid	3	526	467
Surrenders	3	734	1,065
Commission and management expenses	4	<u>5,154</u>	<u>6,422</u>
		<u>7,061</u>	<u>8,727</u>
NET INCOME		19,659	25,984
Change in value of linked investments		<u>(16,307)</u>	<u>21,894</u>
NET MOVEMENT IN FUND FOR THE YEAR		3,352	47,878
Fund brought forward		131,847	83,599
Transfer from profit and loss account		300	-
Transfer from (to) investment reserves	9	<u>(1,285)</u>	<u>370</u>
FUND CARRIED FORWARD		<u>134,214</u>	<u>131,847</u>

THE BRITISH LIFE OFFICE LIMITED

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

	Note	1994 £000	1993 £000
Investment income		182	196
Profit on sale of investments	9	<u>41</u>	<u>4</u>
		223	200
Transfer to long term business fund		300	-
Expenses	4	<u>17</u>	<u>17</u>
(LOSS) PROFIT BEFORE TAXATION		(94)	183
Taxation	6	<u>-</u>	<u>42</u>
(LOSS) PROFIT AFTER TAXATION		(94)	141
Interim dividend paid		<u>115</u>	<u>129</u>
RETAINED (LOSSES) PROFITS FOR THE YEAR		(209)	12
Retained profits brought forward		<u>454</u>	<u>442</u>
RETAINED PROFITS CARRIED FORWARD		<u>245</u>	<u>454</u>

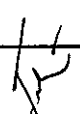
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 31st December 1994

	Note	1994 £000	1993 £000
Retained (losses) profits for the year		(209)	12
Other recognised gains and losses relating to the year (net)	9	<u>(477)</u>	<u>762</u>
NET ADDITION TO SHAREHOLDERS' FUNDS		(686)	774
Shareholders funds brought forward		<u>4,459</u>	<u>3,685</u>
SHAREHOLDERS' FUNDS CARRIED FORWARD		<u>3,773</u>	<u>4,459</u>

THE BRITISH LIFE OFFICE LIMITED

BALANCE SHEET 31st December 1994

	Note	1994 £000	1993 £000
INVESTED ASSETS			
Securities	7	130,868	128,759
Deposits	8	4,270	5,588
		<u>135,138</u>	<u>134,347</u>
CURRENT ASSETS			
Parent undertaking	12	897	610
Investment income receivable		877	719
Sundry debtors		1,071	2,125
Tax recoverable		451	365
Deposits and cash		1,218	797
		<u>4,514</u>	<u>4,616</u>
TOTAL ASSETS		<u>139,652</u>	<u>138,963</u>
CURRENT LIABILITIES			
Claims outstanding		320	192
Sundry creditors		576	1,807
Bank overdraft		29	48
		<u>925</u>	<u>2,047</u>
NET ASSETS		<u>138,727</u>	<u>136,916</u>
REPRESENTED BY SHAREHOLDERS' FUNDS			
Profit and loss account		245	454
Investment Reserve	9	1,528	2,005
Share capital	10	2,000	2,000
		<u>3,773</u>	<u>4,459</u>
POLICYHOLDERS' FUNDS			
Investment Reserve	9	740	610
Long Term Business Fund		134,214	131,847
		<u>134,954</u>	<u>132,457</u>
		<u>138,727</u>	<u>136,916</u>


J. B. BATEUP
Director

Approved 29th March 1995


L. M. ETHERIDGE
Director

THE BRITISH LIFE OFFICE LIMITED

CASH FLOW STATEMENT for the year ended 31st December 1994

	1994 £000	1993 £000
OPERATING ACTIVITIES		
Cash paid to long term fund	(300)	-
Other operating expenses	<u>(17)</u>	<u>(17)</u>
	(317)	(17)
RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
Interest received	20	38
Dividends received	124	128
Dividends paid	<u>(115)</u>	<u>(129)</u>
	29	37
TAXATION		
Tax and tax credits repaid by Revenue	3	3
Group payments for losses surrendered	<u>-</u>	<u>11</u>
	3	14
INVESTING ACTIVITIES		
Purchases of liquid investments	(34)	(140)
Sales of liquid investments	<u>187</u>	<u>30</u>
	153	(110)
INCREASE IN CASH AND CASH EQUIVALENTS	<u>(132)</u>	<u>(76)</u>
ANALYSIS OF BALANCES OF CASH EQUIVALENTS		
Short term deposits at 31 December	206	337
Short term deposits at 1 January	<u>337</u>	<u>413</u>
	<u>(132)</u>	<u>(76)</u>

THE BRITISH LIFE OFFICE LIMITED

GROUP ACCOUNTING POLICIES

DISCLOSURE REQUIREMENTS

The Company avails itself of certain exemptions from the disclosure requirements of company legislation that are applicable to insurance companies. These accounts are prepared in accordance with appropriate Accounting Standards and Sections 255(3) and 255A(3) and Schedule 9 of the Companies Act 1985.

VALUATION OF ASSETS

Stock exchange securities linked to internal funds are valued at offer price plus buying expenses on the last pricing date of the financial year. Accrued income on fixed interest securities is excluded.

Other stock exchange securities are valued at mid-market price on the balance sheet date excluding accrued income on fixed interest securities. Unit trust holdings are valued at bid price.

Deposits are stated at par.

INVESTMENT INCOME

Income from fixed interest securities is accrued on a daily basis with dividends and unit trust distributions being taken into account on the ex-dividend date. All other investment income is accounted for on an accrued basis.

All income is stated gross of taxation but after deducting the expenses of managing the Group's investment portfolio.

INVESTMENT RESERVES

Changes in value of all non-linked investments are taken to reserves as are realised profits and losses, except profits and losses on investments representing shareholders' funds.

Changes in the value of investments held in respect of unit-linked policies, including profits or losses on disposal, are reflected in the revenue accounts.

Transfers are made from investment reserves to the long term business funds at the discretion of the Directors.

THE BRITISH LIFE OFFICE LIMITED

CAPITAL EXPENDITURE AND DEPRECIATION

The costs of office furniture and equipment and of motor vehicles are charged to management expenses in the year of acquisition.

LEASING

Rentals payable under finance leases are treated as expenses of the period in which payment is due.

PREMIUMS

Premiums on non unit-linked business are accounted for when due for payment. On linked business premiums are accounted for when paid or when the liability is created.

CLAIMS

Full provision is made for the estimated cost of claims notified but not settled at the balance sheet date.

In the revenue accounts claims and surrenders are stated net of deductions in respect of Capital Gains Tax where applicable.

REASSURANCE

Premiums and claims are shown net of reinsurance outward to other Group companies.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling on the balance sheet date.

DEFERRED TAXATION

Provision is made for deferred taxation on all net timing differences where it is considered that any liability is likely to arise in the foreseeable future.

THE BRITISH LIFE OFFICE LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounting policies adopted by the Company in preparing these accounts are set out on pages 10 and 11.

2. PREMIUM INCOME

Annual premiums comprised:

	1994 £000	1993 £000
Pension business	9,202	8,138
Less reinsurance outward	<u>71</u>	<u>87</u>
	<u>9,131</u>	<u>8,051</u>

In addition £407,000 (1993 - £449,000) life assurance premiums were received and reassured to Reliance Mutual Insurance Society Limited.

Single premiums comprised:

	1994 £000	1993 £000
Pension business	12,465	22,504
Less reinsurance outward	<u>52</u>	<u>62</u>
	<u>12,413</u>	<u>22,442</u>

All business was transacted in the United Kingdom and relates to continuing activities.

3. CLAIMS

	1994 £000	1993 £000
Claims by death	253	185
Less reinsurance recoveries	<u>-</u>	<u>-</u>
	<u>253</u>	<u>185</u>
Claims by maturity	394	588
Less reinsurance recoveries	<u>-</u>	<u>-</u>
	<u>394</u>	<u>588</u>
Annuities paid	531	484
Less reinsurance recoveries	<u>5</u>	<u>17</u>
	<u>526</u>	<u>467</u>
Surrenders	734	1,065
Less reinsurance recoveries	<u>-</u>	<u>-</u>
	<u>734</u>	<u>1,065</u>

THE BRITISH LIFE OFFICE LIMITED

4. EXPENSES

Expenses for the year included:

	1994 £	1993 £
Directors' emoluments (Note 5)	10,043	9,896
Auditors' remuneration and expenses	18,573	18,250

5. EMOLUMENTS OF DIRECTORS

The aggregate amount of Directors' emoluments for the Company, including pension scheme contributions, was as follows:

	1994 £	1993 £
For services as Directors	10,043	9,896

Directors received emoluments as follows:

	Number of Directors	
	1994	1993
In the range		
Nil	3	3
£1 to £5,000	4	4

The Chairman received no emoluments but the firm of which he is a Partner was paid £3,243 (1993 - £3,196) (including VAT) for his services during the year. The highest paid Director received emoluments totalling £1,700 (1993 - £1,675).

6. TAXATION

There is no charge for the year for United Kingdom Corporation Tax in the long term business revenue account or in the profit and loss account. United Kingdom Income Tax suffered on investment income will be recovered as will tax credits on all franked income.

Management expenses unrelieved for tax purposes are estimated to be £644,000 (1993 - £710,500).

The tax charge in the profit and loss account is made up as follows:-	1994 £000	1993 £000
Prior year adjustment	-	7
Tax credits irrecoverable	-	35
	<u>-</u>	<u>42</u>

Credit will only be taken for the value of losses surrendered to other Group companies in the year in which the surrender is agreed.

THE BRITISH LIFE OFFICE LIMITED

7. SECURITIES

	1994 £000	1993 £000
Securities, which were all quoted, comprised:		
British government securities	6,360	6,015
Foreign government securities	22	26
Other fixed interest securities	16,575	14,038
Ordinary stocks	82,174	81,068
Authorised unit trusts	25,737	27,612
	<u>130,868</u>	<u>128,759</u>

8. DEPOSITS

Deposits held as investments all mature within one year of the balance sheet date.

9. INVESTMENT RESERVES

The movements during the year were:	1994 £000	1993 £000
a) Shareholders' Investment Reserve		
Reserve brought forward	2,005	1,243
Movements in investment values		
- realised	41	4
- unrealised	(477)	762
	<u>1,569</u>	<u>2,009</u>
Realised profits taken to profit and loss account	(41)	(4)
	<u>1,528</u>	<u>2,005</u>
b) Policyholders' Investment Reserve		
Reserve brought forward	610	331
Movements in investment values		
- realised	323	(13)
- unrealised	(1,478)	662
	<u>(545)</u>	<u>980</u>
Transfers from (to) long term business funds	1,285	(370)
	<u>740</u>	<u>610</u>

10. SHARE CAPITAL

	1994 and 1993	
Share capital comprised:	Authorised	Issued and fully paid
Ordinary shares of £1 each	10,000,000	2,000,000

THE BRITISH LIFE OFFICE LIMITED

11. DEFERRED TAXATION

No provision has been made for deferred taxation on any timing differences as the Directors do not consider that any material liability is likely to arise in the foreseeable future.

If assets were realised at their balance sheet values the full potential liability to taxation on the gains is estimated to be:

	1994 £000	1993 £000
Shareholders' funds	427	580
Long Term Business Fund	nil	182

This liability is covered by excess management expenses (see note 6).

12. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Reliance Mutual Insurance Society Limited which is incorporated in England.