

# 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 on Thursday 15 May 1997 for the following purposes:

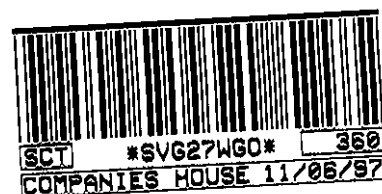
1. To receive the Directors' Report and Accounts for the year ended 31 December 1996 and the Auditors' Report thereon.
2. To elect directors.
3. To appoint auditors and to fix their remuneration.

Dated this 27th day of March 1997.  
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

## REPORT OF THE DIRECTORS

Directors:            S C James                            (Chairman)  
                         J B Bateup, FIA                    (Chief Executive)  
                         L M Etheridge, BSc, FIA        (Actuary)  
                         P E Oldham, MA  
                         C B Russell, FFA, FTII  
                         G A Slater, BA, LLB

Secretary:            A Prior, LLB, ACIS

The directors present their report and the audited accounts for the year ended 31 December 1996.

### Principal Activities

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

### Review of Business

New regular premium business written during the year rose by 19% to £2.5m compared with 1995 with single premium business increasing by 8.8% to £8.5m.

Stock market values, both in the UK and USA increased markedly during the year. The strengthening of sterling against the dollar had the effect of eroding the underlying increases in the USA. The market value of investments increased by 10% to £195m. Detailed accounts are set out on pages 6 to 20.

Profits for the year after taxation amounted to £0.187m (1995 : £1.067m) and have been dealt with as shown in the profit and loss account on pages 6 and 7. The directors do not recommend payment of a final dividend. Interim dividends totalling £167,000 were paid during the year (1995 : nil).

## **Directors**

The directors listed on page 2 served throughout the year.

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

## **Liability Insurance**

During the year liability insurance for the directors was provided by the parent company.

## **Political and Charitable Contributions.**

The company made no political or charitable contributions during the year. (1995 - nil).

## **Statement of Directors' Responsibilities**

Company law requires the directors to be responsible for the preparation of accounts for each financial year which give a true and fair view of the state of affairs of the company and of the result of the company for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and 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; and
- prepare the accounts on a going concern basis unless it is inappropriate to assume the company will continue in business.

The directors confirm that the accounts comply with these requirements.

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 enable them to ensure that the accounts comply with the Companies Act 1985. 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.

#### **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

27 March 1997

**REPORT OF THE AUDITORS**  
**to the Shareholders of**  
**THE BRITISH LIFE OFFICE LIMITED**

We have audited the accounts of the company on pages 6 to 20 which have been prepared on the basis of the accounting policies set out on pages 10 to 12.

**Respective Responsibilities of Directors and Auditors**

As described on pages 3 and 4 the company's directors are responsible for the preparation of the 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 give a true and fair view of the state of affairs of the company at 31 December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

27 March 1997

4 London Wall Buildings  
London  
EC2M 5NT

*Fraser Russell*  
**FRASER RUSSELL**  
Chartered Accountants  
and Registered Auditors

# THE BRITISH LIFE OFFICE LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1996

	Notes	1996 £000	1995 £000
<b><u>Technical Account - Long Term Business</u></b>			
TECHNICAL INCOME			
Gross premiums written	2	19,512	18,060
Outward reinsurance premiums		424	430
		<hr/>	<hr/>
Earned premiums, net of reinsurance		19,088	17,630
Investment income and realised gains	3	14,449	14,173
Unrealised gains on investments		-	9,966
		<hr/>	<hr/>
Total income		<u>33,537</u>	<u>41,769</u>
CLAIMS INCURRED			
Claims paid - gross amount		6,388	5,984
- reinsurers' share		3,381	3,269
		<hr/>	<hr/>
- net of reinsurance		3,007	2,715
		<hr/>	<hr/>
Change in provision for claims			
- gross amount		53	111
- reinsurers' share		98	2
		<hr/>	<hr/>
- net of reinsurance		(45)	109
		<hr/>	<hr/>
Claims incurred, net of reinsurance		<u>2,962</u>	<u>2,824</u>
		<hr/>	<hr/>

# THE BRITISH LIFE OFFICE LIMITED

## PROFIT AND LOSS ACCOUNT (continued) for the year ended 31 December 1996

	Notes	1996 £000	1995 £000
CHANGE IN OTHER TECHNICAL PROVISIONS			
Long term business provision	12		
- gross amount		2,406	1,749
- reinsurer's share		(122)	(117)
		<hr/>	<hr/>
- net of reinsurance		2,528	1,866
Provision for unit linked liabilities, net of reinsurance		17,034	30,738
		<hr/>	<hr/>
		19,562	32,604
		<hr/>	<hr/>
TECHNICAL CHARGES			
Net operating expenses	4	5,127	5,169
Investment expenses and charges	5	449	341
Unrealised losses on investments		5,535	-
Tax attributable to the long term business	9	22	-
		<hr/>	<hr/>
		11,133	5,510
		<hr/>	<hr/>
BALANCE on the technical account		(120)	831
		<hr/>	<hr/>
<b><u>Non-Technical Account</u></b>			
Balance on the technical account		(120)	831
Investment income and gains	3	287	2,272
Unrealised profits (losses) on investments		15	(1,706)
Other charges	6	-	(10)
		<hr/>	<hr/>
Profit (loss) on ordinary activities before tax		182	1,387
Tax on profit on ordinary activities	9	(5)	320
		<hr/>	<hr/>
Profit (loss) for the financial year		187	1,067
Dividends paid		167	-
		<hr/>	<hr/>
Retained profit (loss) for the year	15	20	1,067
		<hr/>	<hr/>

# THE BRITISH LIFE OFFICE LIMITED

## BALANCE SHEET at 31 December 1996

	Notes	1996 £000	1995 £000
<u>Assets</u>			
INVESTMENTS			
Other financial investments	11	20,548	18,513
		<hr/>	<hr/>
ASSETS HELD TO COVER LINKED LIABILITIES		175,447	158,413
		<hr/>	<hr/>
REASSURERS' SHARE OF TECHNICAL PROVISIONS			
Long term business provision	12	1,978	2,100
Provision for linked liabilities		40,172	40,206
Claims outstanding		100	2
		<hr/>	<hr/>
		42,250	42,308
		<hr/>	<hr/>
DEBTORS			
Debtors arising out of direct insurance operations		272	280
Other debtors		545	423
		<hr/>	<hr/>
		817	703
		<hr/>	<hr/>
OTHER ASSETS			
Cash at Bank and in hand		177	-
		<hr/>	<hr/>
PREPAYMENTS AND ACCRUED INCOME			
Accrued investment income		266	241
Deferred acquisition costs	13	1,882	1,703
		<hr/>	<hr/>
		2,148	1,944
		<hr/>	<hr/>
TOTAL ASSETS		241,387	221,881
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# THE BRITISH LIFE OFFICE LIMITED

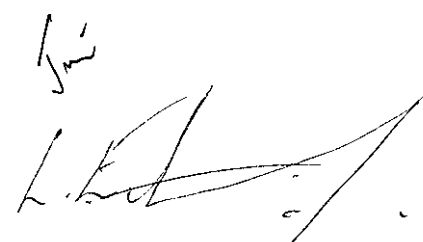
## BALANCE SHEET (continued) at 31 December 1996

	Notes	1996 £000	1995 £000
<b><u>Liabilities</u></b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	5,000	5,000
Profit and loss account	15	5,690	5,670
		<hr/>	<hr/>
Shareholders' funds - equity interests	18	10,690	10,670
		<hr/>	<hr/>
<b>TECHNICAL PROVISIONS</b>			
Long term business provision	12	12,823	10,417
Claims outstanding		483	430
		<hr/>	<hr/>
		13,306	10,847
		<hr/>	<hr/>
<b>TECHNICAL PROVISION FOR LINKED LIABILITIES</b>		215,619	198,619
		<hr/>	<hr/>
<b>CREDITORS</b>			
Creditors arising out of direct insurance operations		345	349
Creditors arising out of reinsurance operations		2	6
Bank overdraft		-	124
Other creditors including taxation and social security	17	1,425	1,266
		<hr/>	<hr/>
		1,772	1,745
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		241,387	221,881
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board of Directors on 27 March 1997

J B Bateup Director

L M Etheridge Director



# THE BRITISH LIFE OFFICE LIMITED

## NOTES TO THE ACCOUNTS at 31 December 1996

### 1. ACCOUNTING POLICIES

#### **Basis of presentation**

The accounts are prepared on the basis of the accounting policies set out below. The accounts have been prepared in compliance with the provisions relating to insurance companies of section 255A of, and Schedule 9A to, the Companies Act 1985. Schedule 9A was introduced by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. In implementing the requirements the company has adopted a modified statutory solvency basis for determining technical provisions.

The accounts comply with applicable accounting standards. In addition, the company has had regard to the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers and the revised guidance issued in December 1995 and January 1997.

#### **Cash Flow Statement**

Financial Reporting Standard 1 - revised 1996, does not require a company to prepare a cash flow statement if consolidated financial statements including the company are publicly available. The company is included within the consolidated accounts of Reliance Mutual Insurance Society Limited and accordingly a cash flow statement has not been produced.

#### **Premiums**

Premiums are accounted for when they become due for payment. Reinsurance premiums are charged when they become payable. For linked business the due date for payment is taken as the date when the associated units are created.

#### **Claims**

Death claims are recognised on the basis of notifications received. Maturities and annuity payments are recognised when due for payment. Surrenders are accounted for at the earlier of the date when paid or when the policy ceases to be included within the long term business provision and/or the technical provision for linked liabilities. Reinsurance recoveries are credited to match the relevant gross amounts. Claims incurred include the direct and indirect cost of settlement.

## **Investment income and expenses**

Investment income and expenses includes dividends, interest, gains and losses on the realisation of investments and related expenses. Dividends are included as investment income on the date that shares become quoted ex-dividend and are grossed up for applicable tax credits. Interest and expenses are included on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost. Unrealised gains and losses on investments backing policyholders' liabilities are reported in the technical account. Other unrealised gains and losses are reported in the non-technical account.

## **Investments**

Investments consist of listed investments, units in authorised unit trusts and deposits.

Listed investments held to cover linked liabilities 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. This is consistent with the method of valuation of the liabilities.

Other listed investments are valued at mid market price excluding accrued income on fixed interest holdings. Unit trust holdings are valued at bid price and deposits are stated at par.

## **Long term business provision**

The mathematical reserves are determined by the Actuary following the annual investigation of the long term business.

The long term business provision is determined by the Actuary and involves making modifications to the mathematical reserves calculated for solvency purposes as follows:

- any resilience, close-down and other contingency reserves required under the Insurance Companies Regulations have been deducted from the mathematical reserves;
- in cases where the valuation method makes use of a zillmer adjustment to allow for deferral of acquisition costs, the effect of this is removed and deferred acquisition costs shown as an asset in the balance sheet.

### **Deferred acquisition costs**

Deferred acquisition costs are assessed by the actuary taking account of the costs incurred in the sale of existing contracts and the potential for recovery of these costs out of margins available over the remaining life of the policies concerned. No acquisition costs are deferred in respect of single premium contracts.

### **Deferred taxation**

No provision is made for deferred taxation as the directors do not consider that any liability will arise in the foreseeable future. Over 90% of the liabilities relate to pension business which is exempt from tax on investment income and gains.

No allowance is made in the long term business provision or the technical provision for linked liabilities for deferred taxation.

### **Foreign currencies**

Assets and liabilities held in foreign currencies are translated to sterling at rates of exchange ruling at the end of the year. Income and expenditure denominated in foreign currencies are translated at the appropriate rates prevailing during the year.

## **2 GROSS PREMIUMS WRITTEN**

All business is written in the UK in respect of continuing operations and relates solely to individual assurance contracts.

Gross premiums written comprise:	1996 £000	1995 £000
Direct Insurance	19,511	18,059
Reassurance inward	1	1
	<hr/>	<hr/>
	19,512	18,060
	<hr/>	<hr/>

Gross premiums written by way of direct insurance can be analysed as follows:

	1996 £000	1995 £000
Periodic premiums	10,990	10,211
Single premiums	8,521	7,848
	<hr/>	<hr/>
	19,511	18,059
	<hr/>	<hr/>
Ordinary branch life assurance	338	367
Pensions	19,173	17,692
	<hr/>	<hr/>
	19,511	18,059
	<hr/>	<hr/>
Investment linked contracts	19,173	17,763
Non linked contracts	338	296
	<hr/>	<hr/>
	19,511	18,059
	<hr/>	<hr/>

Inwards reinsurance consists of pensions business reassured from the parent company.

#### **New Business Premiums**

All business derives from contracts concluded in the United Kingdom and relates to pensions business. No material amounts of business were reassured other than on a risk premium basis. No new inwards reinsurance was accepted.

	1996 £000	1995 £000
Periodic premiums:		
Investment linked contracts	2,394	2,029
Non linked contracts	104	71
	<hr/>	<hr/>
	2,498	2,100
	<hr/>	<hr/>
Single premiums:		
Investment linked contracts	8,463	7,758
Non linked contracts	26	47
	<hr/>	<hr/>
	8,489	7,805
	<hr/>	<hr/>

### 3 INVESTMENT INCOME AND GAINS

	1996 £000	1995 £000
a) <u>Technical account</u>		
Investment income		
Income from listed investments	6,019	6,722
Income from other investments	1,073	694
	<hr/>	<hr/>
	7,092	7,416
Net gains on realisation of investments	7,357	6,757
	<hr/>	<hr/>
	14,449	14,173
	<hr/>	<hr/>
b) <u>Non Technical account</u>		
Investment income		
Income from listed investments	37	123
Income from other investments	21	53
	<hr/>	<hr/>
	58	176
Net gains on realisation of investments	229	2,096
	<hr/>	<hr/>
	287	2,272
	<hr/>	<hr/>

### 4 NET OPERATING EXPENSES

	1996 £000	1995 £000
Acquisition costs	4,825	4,367
Change in deferred acquisition costs	(179)	299
Administrative expenses	518	540
Reassurance commissions and profit participation	(37)	(37)
	<hr/>	<hr/>
	5,127	5,169
	<hr/>	<hr/>

5 INVESTMENT EXPENSES AND CHARGES

	1996 £000	1995 £000
Investment expenses	190	180
Value re-adjustments on investments	214	109
Overseas tax irrecoverable	45	52
	<hr/>	<hr/>
	449	341
	<hr/>	<hr/>

6. OTHER CHARGES

Other charges comprise management expenses not charged to the technical account and include:

	1996 £	1995 £
Audit fees	-	7,500
Directors emoluments	-	2,511

Directors' and audit fees are paid by the parent undertaking and are reflected in the overall contribution for management expenses.

7. DIRECTORS' EMOLUMENTS

Directors received emoluments as follows:

Emoluments	Number of Directors	
	1996	1995
Nil	6	3
£1 - £5,000	-	4

With effect from 1 April 1995, directors' remuneration ceased to be paid by the Company. From that date the parent undertaking assumed responsibility for directors' remuneration for the group.

8. EMPLOYEES

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

9. TAXATION

	1996 £000	1995 £000
The charge to taxation comprises		
(a) <u>Technical Account</u>		
UK corporation tax at 21.6%	13	-
Tax credits irrecoverable	9	-
	<hr/>	<hr/>
	22	-
	<hr/>	<hr/>
(b) <u>Non Technical Account</u>		
UK corporation tax at 25%	-	277
Tax credits irrecoverable	-	16
Prior year adjustment	(5)	27
	<hr/>	<hr/>
	(5)	320
	<hr/>	<hr/>

Overseas tax relating to pensions business assets is irrecoverable and is shown as an investment charge in note 5. All tax suffered by deduction at source in excess of the tax charge is recoverable.

10. HISTORICAL COST ACCOUNTING BASIS

There are no recognised gains or losses for 1996 or 1995 other than the balance on the profit and loss account. The inclusion of unrealised gains and losses in the profit and loss account to reflect the valuation of investments in accordance with the accounting policies stated in Note 1 in the balance sheet is not considered to be a departure from the historical cost basis of accounting and a separate note of historical cost profits and losses is therefore unnecessary.



11. OTHER FINANCIAL INVESTMENTS

	1996		1995	
	Market Value	Cost	Market Value	Cost
	£000	£000	£000	£000
Shares and other variable yield securities and units in unit trusts	4,203	3,657	4,613	4,033
Debt securities and other fixed income securities	8,295	7,791	7,505	7,031
Deposits with credit institutions	8,050	8,050	6,395	6,395
	<hr/>	<hr/>	<hr/>	<hr/>
	20,548	19,498	18,513	17,459
	<hr/>	<hr/>	<hr/>	<hr/>

All the above investments other than deposits are listed investments. The debt and fixed income securities are listed on recognised investment exchanges. Shares and other variable yield securities and units in unit trusts are listed as follows:

	1996	1995
	£000	£000
On recognised investment exchanges	2,385	2,311
Other	1,818	2,302

12 LONG TERM BUSINESS PROVISION

This provision represents the mathematical reserves determined by the Actuary. The mathematical reserves contained no zillmer adjustments or other contingency reserves and therefore no adjustments are necessary.

	1996	1995
	£000	£000
Gross amount	12,823	10,417
Reassurance amount	1,978	2,100
	<hr/>	<hr/>
Long term business provision	10,845	8,317
	<hr/>	<hr/>

The mathematical reserves were calculated on the net premium method using the following assumptions for 1995.

	Mortality (ultimate tables)	Interest
With profit assurances	AM/AF80	2.75%
Without profit assurances	AM/AF80	4.25%
Life annuities in payment	IM/IF80 (C = 2010)	6.00%
Pension annuities in payment	PMA/PFA80 (C = 2010)	6.00%

For 1996 the same basis was used with a deduction of two years from age for the annuitant mortality tables to reflect increasing longevity of annuitants.

### 13 DEFERRED ACQUISITION COSTS

Life assurance contracts have not been written by the company since 1982. Deferred acquisition costs relate entirely to pensions business and, therefore, no provision for deferred taxation on the deferred acquisition cost asset is necessary.

Deferred acquisition costs comprise:

	1996 £000	1995 £000
Gross amount	1,954	1,747
Reassurance amount	72	44
	<hr/>	<hr/>
Net amount	1,882	1,703
	<hr/>	<hr/>

### 14 SHARE CAPITAL

	1996 £000	1995 £000
Authorised	10,000	10,000
Issued, called up and fully paid	5,000	5,000

15 PROFIT AND LOSS ACCOUNT

	1996 £000	1995 £000
Opening balance	5,670	4,603
Retained profit for the year	20	1,067
	<hr/>	<hr/>
Closing balance	5,690	5,670
	<hr/>	<hr/>

16 REALISED AND UNREALISED RESERVES

	1996 £000	1995 £000
Realised reserves	5,387	5,382
Unrealised reserves	303	288
	<hr/>	<hr/>
	5,690	5,670
	<hr/>	<hr/>

17 OTHER CREDITORS

	1996 £000	1995 £000
Due to parent undertaking	1,239	1,237
Taxation and social security	7	5
Other creditors	179	24
	<hr/>	<hr/>
	1,425	1,266
	<hr/>	<hr/>

18 MOVEMENT IN SHAREHOLDERS' FUNDS

	1996 £000	1995 £000
Opening shareholders' funds	10,670	6,603
Retained profit (loss) for year	20	1,067
Share capital issued during year	-	3,000
	<hr/>	<hr/>
Closing shareholders' funds	10,690	10,670
	<hr/>	<hr/>

19 PROVISION FOR PENSION TRANSFERS AND OPT-OUTS

A provision is held within the parent undertaking in respect of possible costs of redress, and the costs of carrying out a review, relating to personal pensions business transfers and opt-outs.

20 TRANSACTIONS WITH RELATED PARTIES

The company entered into no material transactions with related parties other than the parent undertaking. Advantage has been taken of the exemption given by Financial Reporting Standard 8 whereby disclosure of transactions with group undertakings has not been made as the company is included within the consolidated accounts of Reliance Mutual Insurance Society Limited.

21 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Reliance Mutual Insurance Society Limited, incorporated in England, who beneficially holds all the shares in the company.