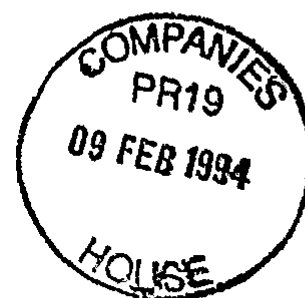




WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1993



WOOLWICH LIFE ASSURANCE COMPANY LIMITED

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WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

DIRECTORS

B C Hines ACII (Chairman)
P G Taylor FCII, FBIM (Deputy Chairman)
Sir Gordon Borrie QC
M J Gibbs BA
J G Jewell BSc, FIA
P J Robinson FCIS, FCIB, CIMgt.
M J Turner BSc, ARCS, FIA, FPMI
J J Woods BA, FIA, FPMI

SECRETARY

R Warrington LLB, FCII

APPOINTED ACTUARY

R Coatesworth MA, FIA

REGISTERED AUDITORS

Coopers & Lybrand
Chartered Accountants & Registered Auditors
Plumtree Court
London
EC4A 4HT

REGISTERED OFFICE

Corporate Headquarters
Wailing Street
Bexleyheath
Kent
DA6 7RR

Registered in England No 151731

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 30 September 1993 together with the audited financial statements.

Activities

The company transacts long-term life assurance business in the United Kingdom.

Business Review

Throughout the year the company sold a limited range of regular premium unit linked life assurance investment and protection products. In the main these products are specifically geared to Woolwich Building Society's core mortgage and investment business.

Most of the sales of these products were through the company's appointed representatives, Woolwich Building Society and Woolwich Property Services Ltd, although a small amount of guaranteed income accounts business was sold by direct advertising. The company also accepted inward reinsurance of life single premium business.

During the year new regular annualised premium business amounted to £16 million (1992 - £19 million) and single premium business to £54 million (1992 - £57 million).

The company intends to continue operating in a similar way during the forthcoming year.

Results and Dividends

The results for the year are shown in the attached financial statements.

In view of the loss carried forward, no dividend is payable.

Directors

The names of the directors who served during the year and the date of their appointment, or resignation, if during the year, are as follows:

A J B fforde	Resigned	30 September 1993
Sir Gordon Borrie	Appointed	1 April 1993
M J Gibbs		
B C Hines		
J G Jewell		
P J Robinson		
P G Taylor		
J J Woods		
M J Turner		

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

None of the directors had any interest in the shares of the company nor any subsidiary of the Woolwich Building Society at any time during the year.

Mr A J B fforde resigned as chairman with effect from 30 September 1993 and Mr B C Hines was appointed chairman as from that date. The Directors wished to formally record their appreciation for the guidance provided by Mr fforde as chairman during the first three years of the company's operations.

Board Audit Committee

A committee of non executive directors reviews all statutory financial returns, internal and external audit reports and compliance reports.

Mr B C Hines was chairman and Mr P G Taylor and Mr M J Gibbs were the other members of the committee throughout the year.

Mr B C Hines relinquished the chairmanship of the Committee on becoming Chairman of the company and Mr M J Gibbs succeeded him. Also, Mr J J Woods replaced Mr P G Taylor.

Auditors

Coopers & Lybrand have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted to the Annual General Meeting.

Statement Of Directors' Responsibilities

Company Law requires the directors to prepare financial statements for each financial year in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

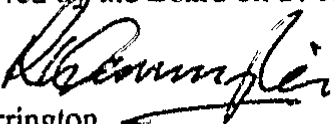
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 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.

Approved by the Board on 27 January 1994 and signed on its behalf.


R Warrington
Secretary
27 January 1994

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF WOOLWICH LIFE ASSURANCE COMPANY LIMITED

We have audited the financial statements on pages 5 to 17.

Respective responsibilities of directors and auditors

As described on page 3 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.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London

27 January 1994

ACTUARY'S REPORT

In my opinion the aggregate amount of the liabilities of the company in relation to its long term business in force at 30 September 1993 does not exceed the aggregate amount of the Long Term Fund shown in the Balance Sheet. In reaching this opinion I have had regard to the nature and term of the assets available to meet those liabilities as shown in the Balance Sheet and the value placed on such assets.

R. Coatesworth

R Coatesworth
Fellow of the Institute of Actuaries
Appointed Actuary
27 January 1994

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 30 September 1993

	Notes	1993 £000's	1992 £000's
Income			
Investment income		1,063	1,305
Realised profits on investments		1,231	1,446
		<hr/>	<hr/>
		2,294	2,751
Expenditure			
Management expenses		(26)	(24)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,268	2,727
Taxation	8	663	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation		1,605	2,727
Transfer to Long Term Business Revenue Account		-	(7,600)
		<hr/>	<hr/>
Profit/(loss) for the financial year		1,605	(4,873)
Balance brought forward		(13,530)	(8,657)
		<hr/>	<hr/>
Accumulated loss carried forward		(11,925)	(13,530)
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES for the year ended 30 September 1993

Profit/(loss) for the financial year	1,605	(4,873)
Unrealised loss on investments	(259)	(2,165)
	<hr/>	<hr/>
Total recognised gain/(loss) relating to the year	1,346	(7,038)
	<hr/>	<hr/>

The notes on pages 9 to 17 form part of these financial statements.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

LONG TERM BUSINESS REVENUE ACCOUNT for the year ended 30 September 1993

	Notes	1993 £000's	1992 £000's
Income			
Premiums less Reassurance		88,210 (1,235)	76,736 (882)
	2, 3	86,975	75,854
Investment Income	3	9,239	3,894
Realised and unrealised profits on investments		3,079	1,292
		99,293	81,040
Expenditure			
Payments to policyholders less Reassurance		7,542 (682)	3,407 (376)
	4	6,860	3,031
Commission		14,383	17,963
Management Expenses	5,6,7	6,739	6,517
Taxation	8	-	-
		27,982	27,511
Net increase in the Long Term Fund		71,311	53,529
Transfer from Profit and Loss Account		-	7,600
Net addition to Fund		71,311	61,129
Fund at beginning of year		76,038	14,909
Long Term Fund as at 30 September 1993		147,349	76,038

The notes on pages 9 to 17 form part of these financial statements

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

BALANCE SHEETS as at 30 September 1993

	Notes	Long Term Fund		Shareholders' Fund	
		1993 £000's	1992 £000's	1993 £000's	1992 £000's
Capital and Reserves					
Share Capital	9			30,000	30,000
Revaluation Reserve	10			-	259
Profit and Loss account	10			(11,925)	(13,530)
	11			18,075	16,729
Long Term Fund		147,349	76,038		
Represented by:-					
Investments					
Fixed interest investments		72,875	59,999	1,758	10,208
Unit Trusts		10,550	1,166	-	4,511
Deposits with ceding insurers	3	60,302	13,792		
Bank Deposit		3,281	1,905	16,812	1,325
		147,008	76,862	18,570	16,044
Fixed Assets		186	130		
Current Assets	12	4,647	3,403	114	691
		151,841	80,395	18,684	16,735
Current Liabilities	13	(4,492)	(4,357)	(609)	(6)
		147,349	76,038	18,075	16,729

Approved by the Board on 27 January 1994 and signed on its behalf by:

B C Hines
P G Taylor
M J Turner

B C Hines

P G Taylor

M J Turner

Chairman

Deputy Chairman

Managing Director

The notes on pages 9 to 17 form part of these financial statements.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

STATEMENT OF SHAREHOLDERS' CASH FLOW for the Year Ended 30 September 1993

	Notes	1993 £000's	1993 £000's	1992 £000's	1992 £000's
Operating Activities					
Cash paid to Long Term Fund		(166)		(7,434)	
Interest received		898		721	
Dividends received		-		269	
Sundry income received		-		-	
Investment expense paid		(23)		(99)	
		<hr/>		<hr/>	
Net cash inflow/(outflow) from operating activities	14 (a)		709		(6,543)
Taxation					
Tax recovered		95		85	
		<hr/>		<hr/>	
Net cash inflow from taxation			95		85
Investing activities					
Purchase of liquid investments		(1,990)		(57,594)	
Sale of liquid investments		15,948		60,210	
Other investing activities		725		(351)	
		<hr/>		<hr/>	
Net cash inflow from investing activities			14,683		2,265
			<hr/>		<hr/>
Net cash inflow/(outflow) before and after financing			15,487		(4,193)
			<hr/>		<hr/>
Increase/(decrease) in cash and cash equivalents	14 (b)		15,487		(4,193)
			<hr/>		<hr/>

The notes on pages 9 to 17 form part of these financial statements

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments and in accordance with S258 of, and schedule 9 to, the Companies Act 1985 and with Statements of Standard Accounting Practice and Financial Reporting Standards insofar as they apply to insurance companies. The financial statements and notes comply in all material respects with the requirements of the Statement of Recommended Practice for Insurance Business issued by the Association of British Insurers.

b) Valuation of Investments

Fixed interest securities - at middle market prices.

Unit Trusts - at bid price.

c) Premiums

Premiums for unit linked, and single premium policies, and inward reinsurance contracts, are accounted for in the period in which the policy liability is established. Premiums for all other business are accounted for in the period in which they are due.

d) Investment Income

Credit is taken for income on the basis of amounts due and receivable including accrued income on fixed interest securities and deposits.

e) Profits and Losses on Investments

Realised profits and losses on shareholders' investments are shown in the Profit and Loss Account and unrealised profits and losses are shown in the Revaluation Reserve.

Realised and unrealised profits and losses on policyholders' investments are shown in the Long Term Business Revenue Account.

f) Pension costs

The costs of providing retirement pensions and related benefits are charged to the Long Term Business Revenue Account over the periods benefiting from the employees' services. Any difference between the charge to the Long Term Business Revenue Account and the contributions paid to the scheme is shown as an asset or liability at the balance sheet date.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements continued

g) Claims

All claims notified during the accounting period are recorded in the financial statements.

h) Commission

Indemnity commission is accounted for in the period when the initial policy liability is established. Renewal commission is accounted for in the period in which premiums are paid.

i) Fixed Asset Depreciation

Fixed assets are depreciated on a straight line basis over their estimated useful lives which have been taken as:

Office equipment	10 years
Computer equipment and software	4 years
Motor vehicles	4 years

j) Deferred Taxation

Provision is made using the liability method for all material timing differences where it is probable that a tax payment or recovery will occur in the foreseeable future.

2. PREMIUMS

Premium income, net of reinsurance payments, is analysed as follows:-

	1993 £000's	1992 £000's
Life annual premiums- unit linked	32,653	18,479
- other	58	71
Life single premiums - inward reinsurance - unit linked	44,683	-
- inward reinsurance - other	9,440	23,792
- other	141	33,512
	<hr/> 86,975	<hr/> 75,854

All premium income is derived from within the United Kingdom.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements continued

3. PREMIUMS, INTEREST AND DEPOSITS WITH CEDING INSURERS

The company has entered into a number of retrocession contracts through which it accepts a proportionate share of the ongoing death risk arising from the underlying policies.

A number of these contracts require the life single premiums to be deposited back with the ceding insurers on an interest bearing basis. In these circumstances the deposit will be valued in accordance with contract terms and be based on amounts calculated by the ceding company. Interest accrues in accordance with the contract terms and may relate to the performance of the stock market indices as well as more traditional interest measures. The amount of interest receivable in respect of those contracts where interest relates to the performance of the stock market indices can differ widely on a year to year basis. In certain circumstances it would be possible for the company in a particular year to be in a negative interest receivable position although not cumulatively at the end of the contract.

The deposits and interest accrued are subject to netting off against any claims arising from the ceding insurers under the terms of the relevant contract.

	1993 £000's	1992 £000's
4. PAYMENTS TO POLICYHOLDERS		
Payments to policyholders, net of reinsurance recoveries, are analysed as follows:		
Death claims	1,500	617
Income payments	4,890	2,287
Surrenders	470	127
	<hr/>	<hr/>
	6,860	3,031
	<hr/>	<hr/>

	1993 £000's	1992 £000's
5. MANAGEMENT EXPENSES		
Management expenses include the following charges:		
Auditors' remuneration, expenses and VAT	38	38
Fees paid to auditors for non statutory accounting audit services, inclusive of VAT	12	9
Depreciation on fixed assets	71	38

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements continued

6. DIRECTORS' EMOLUMENTS

None of the directors personally receive fees from the company. Fees are paid to either the Woolwich Building Society or Sun Alliance and London Insurance plc in respect of their duties as directors.

M J Turner, Managing Director, is employed by the company and receives a salary but no directors' fees.

The aggregate amount of directors' emoluments were as follows:

	1993 £000's	1992 £000's
Fees	45	43
Other emoluments, including pension contributions	112	107
	<hr/> 157	<hr/> 150

The emoluments below exclude pension contributions

The emoluments in respect of the Chairman were	10	10
The emoluments in respect of the highest paid director	91	88

Number of directors
whose emoluments were in the ranges:-

£0 - £5,000	6	6
£5,001 - £10,000	2	2
£10,001 - £15,000	-	1
£15,001 - £20,000	1	-

7. PENSION SCHEME

Employees are eligible to participate in the scheme operated by Woolwich Building Society, the contributions to which are based on pension costs across the Woolwich Group as a whole.

The scheme is a contributory defined benefit scheme based on final pensionable earnings, with the assets of the scheme being held in a separate trustee administered fund.

The company's pension cost for the period, calculated in accordance with Statement of Standard Accounting Practice Number 24, "Accounting for Pension Costs", amounted to £50,430 (1992 - £40,167).

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements continued

The pension cost is assessed in accordance with the advice of a qualified actuary using the projected unit method and the latest full actuarial valuation of the scheme was as at 31 March 1992. Scheme information is contained in the accounts of Woolwich Building Society for the period ended 31 December 1992.

8. TAXATION

Shareholders	1993 £000's	1992 £000's
Tax on profit on ordinary activities		
United Kingdom Corporation tax at 33 % (1992 : 33%)		
Current	625	-
Deferred	38	-
	<hr/>	<hr/>
	663	-
	<hr/>	<hr/>

In 1992 there was no tax charge as chargeable profits were exceeded by losses available.

Long Term Business

No provision has been made for tax in the Long Term Business Revenue Account as there are no taxable profits for the period and excess tax reliefs available for carry forward are sufficient to eliminate any potential current or deferred tax arising.

9. SHARE CAPITAL

	1993 £000's	1992 £000's
Authorised:		
Ordinary shares of £1 each		
"A" shares	20,400	20,400
"B" shares	19,600	19,600
	<hr/>	<hr/>
	40,000	40,000
	<hr/>	<hr/>
Issued and fully paid:		
Ordinary shares of £1 each		
"A" shares	15,300	15,300
"B" shares	14,700	14,700
	<hr/>	<hr/>
	30,000	30,000
	<hr/>	<hr/>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements continued

10. MOVEMENT IN RESERVES - SHAREHOLDERS'

	Revaluation Reserve £000's	Profit & Loss Account £000's	Total £000's
Balance at 1 October 1992	259	(13,530)	(13,271)
Profit in year		1,605	1,605
Unrealised losses in the period	(310)		(310)
Net deficit charged to Profit & Loss Account	51		51
	<hr/>	<hr/>	<hr/>
Balance at 30 September 1993	-	(11,925)	(11,925)
	<hr/>	<hr/>	<hr/>

The "realised profits on investments" figure of £1,231,000 recorded in the Profit and Loss Account reflects the deficit of £51,000 resulting from the revaluation of investments held as at the 30 September 1993.

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1993 £000's	1992 £000's
Profit/(loss) for the financial year	1,605	(4,873)
Other recognised gains and losses	(259)	(2,165)
	<hr/>	<hr/>
Net movement	1,346	(7,038)
Fund at beginning of year	16,729	23,767
	<hr/>	<hr/>
Fund at 30 September 1993	18,075	16,729
	<hr/>	<hr/>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES forming part of the financial statements continued

12. CURRENT ASSETS

	Long Term Fund		Shareholders' Fund	
	1993	1992	1993	1992
	£000's	£000's	£000's	£000's
Current Assets				
Accrued income	3,614	3,297	114	13
Accrued income on purchase of certificates of deposit			-	413
Outstanding premiums	74	69		
Tax recoverable	365	-	-	119
Due from reassurers	570	37		
Sundry debtors	24	-	-	146
	<u>4,647</u>	<u>3,403</u>	<u>114</u>	<u>691</u>

13. CURRENT LIABILITIES

	Long Term Fund		Shareholders' Fund	
	1993	1992	1993	1992
	£000's	£000's	£000's	£000's
Amounts falling due within one year				
Premium received in advance	8	5		
Commission due to group companies	2,187	2,926		
Insurance administration fees due to associated company	450	352		
Tax payable			601	-
Due to reassurers	359	-		
Claims	600	338		
Securities purchased for subsequent settlement	449	-		
Sundry creditors	439	736	8	6
	<u>4,492</u>	<u>4,357</u>	<u>609</u>	<u>6</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES to the financial statements continued

14. NOTES TO THE SHAREHOLDERS' CASH FLOW STATEMENT

a. Reconciliation of profit/(loss) for year to net cash inflow/(outflow) from operating activities

	1993 £000's	1992 £000's
Profit/(Loss) for year before tax	2,268	(4,873)
Realised profit on investments	(1,231)	(1,446)
Tax on investment income	(29)	(47)
Movement in accrued income	(101)	(268)
Reinvested unit trust income	(34)	-
Movement in management expenses	2	(75)
Payment due to Long Term Fund	(166)	166
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	709	(6,543)
	<hr/>	<hr/>

b. Analysis of changes in cash and cash equivalents and other liquid investments during the year

	Cash and Cash Equivalents £000's	Other Liquid Investments £000's	Total £000's
Balance at 1 October 1992	1,325	4,719	16,044
Net cash inflow	15,487		15,487
Purchase of investments		1,990	1,990
Reinvested unit trust income		25	25
Sale of investments		(15,948)	(15,948)
Change in market value		972	972
	<hr/>	<hr/>	<hr/>
Balance at 30 September 1993	16,812	1,758	18,570
	<hr/>	<hr/>	<hr/>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

NOTES to the financial statements continued

- c. Analysis of the balances of cash and cash equivalents and other liquid investments as shown in the balance sheet.

	1993	1992	Change in Year
	£000's	£000's	£000's
Bank deposits	16,812	1,325	15,487
Total cash and cash equivalents	16,812	1,325	15,487
Other liquid investments	1,758	14,719	(12,961)
	18,570	16,044	2,526

15. ULTIMATE HOLDING BODY

The company is a joint venture between Woolwich Building Society and Sun Alliance and London Insurance plc. 51% of the issued share capital is owned by Woolwich Building Society and 49% by Sun Alliance and London Insurance plc.

Woolwich Building Society is the ultimate holding body. It is incorporated under the Building Societies Act 1963 in the United Kingdom and has an obligation under Section 22 of that Act to discharge any liabilities insofar as the company is unable to discharge them out of its own assets.