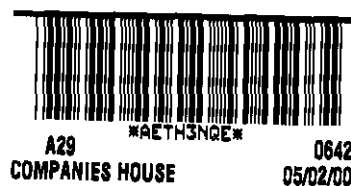


**WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR YEAR ENDED 31 DECEMBER 1999**

**Registered Number : 151731**



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**WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

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**DIRECTORS, OFFICERS AND REGISTERED OFFICE**

**DIRECTORS**

Mrs J M Baddeley, MA (Chairman)  
T C Baker BSc, FCIS, FCIB (Managing Director)  
R Coatesworth MA, FIA  
B J Hall FCII  
I W Poston FCII

**COMPANY SECRETARY**

C Fletcher Smith FCIS

**APPOINTED ACTUARY**

R Coatesworth MA, FIA

**REGISTERED AUDITOR**

KPMG Audit Plc  
Chartered Accountants & Registered Auditor  
PO Box 695  
8 Salisbury Square  
London  
EC4Y 8BB

**REGISTERED OFFICE**

Watling Street  
Bexleyheath  
Kent  
DA6 7RR

Registered in England No 151731

# WOOLWICH LIFE ASSURANCE COMPANY LIMITED

## DIRECTORS' REPORT

The Directors are pleased to present their Annual Report and audited Financial Statements for the year ended 31 December 1999.

### Principal Activities

The principal activity of Woolwich Life Assurance Company Limited (the "Company") is to transact long-term life assurance and pension business in the United Kingdom.

### Business Review

Throughout the period the company sold a range of regular premium life assurance investment products, protection products and Guaranteed Bonds. Most of the sales of these products were made through the Company's appointed representative, Woolwich plc.

New regular annualised premium business amounted to £12 million (1998 - £11 million) and single premium business to £121 million (1998 - £44 million).

During the forthcoming year the Company intends to continue to transact long term life assurance and pension business in the United Kingdom.

### Financial results and dividends

The results for the year are set out in the Profit and Loss Account on pages 8 and 9. The Directors do not recommend the payment of a final dividend (1998 - £nil).

### Directors

The Directors of the Company during the year were:

J M Baddeley  
T C Baker  
R Coatesworth  
B J Hall  
R D Johnson (retired 8 January 1999)  
I W Poston

### Directors' Share Interests

No Director had an interest in the shares of the Company at any time during the year.

The Directors of the Company at the year end and at the beginning of the year, including, where applicable their family, had the following interests in the share capital of Woolwich plc, the ultimate holding company:

	Ordinary shares of 10p each	
	31.12.99	1.1.99 or date of appointment, if later
T C Baker	2,749*	2,700*
R Coatesworth	900*	900*
B J Hall	-	-
I W Poston	1,963*	1,911*

Those holdings asterisked include 450 shares which are held by the trustees of the Woolwich plc Approved Profit Sharing Scheme.

# WOOLWICH LIFE ASSURANCE COMPANY LIMITED

## DIRECTOR'S REPORT continued

J M Baddeley is also a Director of Woolwich plc and her share interests in Woolwich plc, including details of her share options and allocations, are disclosed in the accounts of that company.

### Directors' Interests in Share Options and Allocations

Details of options to subscribe for ordinary shares and allocations of shares in Woolwich plc made to the Directors of the Company during 1999 are set out below:

	At 1.1.99 (or date appt. if later)	No. of options		As at 31.12.99	Exercise price £'s	Market price at date of exercise £	Date from which exercisable	Expiry Date	
T C Baker	17,910		-	17,910	3.35	-	28.04.01	28.04.08	ESOP
		13,079	-	13,079	3.67*	-	25.03.02	25.03.09	
	15,000		-	15,000	3.20	-	01.01.01	31.12.07	PSP
		13,445	-	13,445	3.57*	-	01.01.02	31.12.08	
	3,638			3,638	2.68	-	01.07.01	31.12.01	SS
R Coatesworth	13,040		-	13,040	3.35	-	28.04.01	28.04.08	ESOP
		11,902	-	11,902	3.67*	-	25.03.02	25.03.09	
		54,275	-	54,275	3.34	-	01.01.03	14.12.09	
	6,436		-	6,436	2.68	-	01.07.03	31.12.03	SS
I W Poston	17,910		-	17,910	3.35	-	28.04.01	28.04.08	ESOP
		18,596	-	18,596	3.67*	-	25.03.02	25.03.02	
		139,221	-	139,221	3.34	-	01.01.03	01.01.03	
	15,000		-	15,000	3.20	-	01.01.01	31.12.07	PSP
		15,294	-	15,294	3.57*	-	01.01.02	31.12.08	
	6,436		-	6,436	2.68	-	01.07.03	31.12.03	SS

ESOP = Options granted under Woolwich plc's 1998 Executive Share Option Plan

PSP = Awards initially allocated under Woolwich plc's 1998 Performance Share Plan

SS = Options granted under Woolwich plc's Sharesave Scheme

#### Notes:

- No options granted to any of the above Directors lapsed during the year. The market price of shares in Woolwich plc as at 31 December 1999 was 342p and the range during 1999 was 304p to 434.50p.
- As at 31 December 1999, the market price for options granted under the Sharesave Scheme and Executive Share Option Plan exceeded the exercise price, with the exception of those options and initial allocations under the Performance Share Plan asterisked.
- Woolwich plc has established a Qualifying Employee Share Ownership Trust ("QUEST") which is operated in conjunction with the Sharesave Scheme. The trustee of the QUEST is Woolwich Qualifying Employee Share Ownership Trustee Limited, a subsidiary of Woolwich plc. As at 31 December 1999, 2,755,151 shares were held by the QUEST. Under the terms of the trust deed establishing the QUEST, all employees and directors of companies who participate in the Sharesave Scheme are deemed to have an interest in those shares as potential discretionary beneficiaries.

**DIRECTORS' REPORT continued**

Share Scheme Summaries:

**Sharesave Scheme**

In common with other eligible employees, executive directors may participate in Woolwich plc's Inland Revenue approved sharesave scheme, introduced in 1998. This scheme enables employees to save up to £250 per month for a fixed period of up to three or five years. At the end of that fixed term, they have the opportunity of using those savings to purchase shares in Woolwich plc at a discount. Currently the discount is 20% of the market value of a share at the time the invitation to participate in the scheme is made.

**1998 Executive Share Option Plan**

This plan allows Directors to receive annual grants of share options in Woolwich plc. Options are granted at the market value at the time of the grant, with no discount and are only exercisable to the extent that Woolwich plc's earnings per share is equal to the rate of increase in the Retail Prices Index plus 9% over three consecutive financial years. An option will be exercisable in whole or part at any time between three years and ten years from the date of grant subject to the prior satisfaction of the performance target. Any option not exercised will lapse on the tenth anniversary of the date of its grant.

**1998 Performance Share Plan**

The plan provides for participants, if the performance target described below is satisfied, to be granted a right to acquire ordinary shares in the capital of Woolwich plc in the form of an award for a nominal sum of £1. The number of shares, if any, awarded will depend upon the extent to which the performance target is satisfied over a period of three years (the 'performance period') and will also be at the discretion of the trustee of the plan. Current awards will only be exercisable for a period of seven years. Each performance period commences on 1 January in the year of the initial allocation and terminates after three years on 31 December. The performance target for the current cycles will measure Woolwich plc's performance against its total shareholder return ('TSR') relative to the TSR performance of a comparator group of companies in the retail-banking sector. The comparator group consists of Abbey National, Alliance & Leicester, Bank of Scotland, Barclays, Halifax, HSBC Holdings, Lloyds TSB, National Westminster, Northern Rock and Royal Bank of Scotland. No awards will be granted unless the Company's TSR performance is at least at the 50<sup>th</sup> percentile relative to the comparator group. The number of shares over which awards may be granted rises on a straight line basis from a TSR performance at the 50<sup>th</sup> percentile, when awards over the minimum number of shares may be made, to a TSR performance at the 75<sup>th</sup> percentile of the comparator group when awards over the maximum number available may be made. The allocation price for determining such share allocations is based on the average of the middle market closing price quotations for a share in Woolwich plc on the London Stock Exchange for the five consecutive dealing days, as derived from the Daily Official List of the London Stock Exchange, immediately prior to the commencement of the performance period.

# **WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

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## **DIRECTORS' REPORT continued**

### **Policy and practice on payment of creditors**

Unless otherwise agreed, the Company's policy on payment of creditors is for all invoices to be paid within 28 days of receipt of an invoice, provided that all trading terms and conditions have been complied with.

Commission, administration fees and payments to reassurers are settled on average within 10 days.

### **Year 2000**

Details of the expenditure and programme relating to Year 2000 compliance for the Woolwich group is contained in the accounts for Woolwich plc, the Company's ultimate holding company.

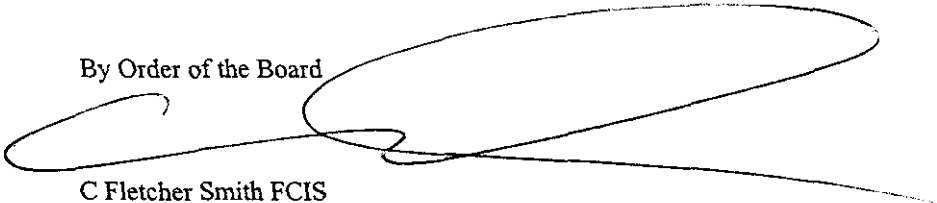
### **Euro**

The impact of the changeover to the Euro on the Company is not considered significant.

### **Auditors**

Pursuant to a shareholders resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By Order of the Board



C Fletcher Smith FCIS  
Secretary

Watling Street  
Bexleyheath  
Kent DA6 7RR

28 January 2000

**Statement of Directors' Responsibilities**

The following statement which should be read in conjunction with the Auditors' Report on page 7, in relation to the financial statements, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors from those of the Auditors.

Company Law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the Company's state of affairs at the end of the year and of the profit or loss for that period. 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 assume 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. They 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.



**AUDITOR'S REPORT**

**TO THE MEMBERS OF WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

We have audited the financial statements on pages 8 to 21.

**Respective Responsibilities of Directors and Auditors**

The directors are responsible for preparing the directors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

**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 give a true and fair view of the state of the Company's affairs as at 31st December 1999 and of its profit for the year ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants and Registered Auditor  
London

28 January 2000

**WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 1999

	<i>Notes</i>	<i>1999 £000</i>	<i>1998 £000</i>
<b>Technical Account - Long Term Business</b>			
<b>Earned Premiums, Net of Reinsurance</b>			
Gross premiums written		202,688	118,749
Outward reinsurance premiums		(4,834)	(4,156)
	2	<u>197,854</u>	<u>114,593</u>
Investment income	3	31,928	27,573
Unrealised gains on investments	3	48,459	20,923
		<u>80,387</u>	<u>48,496</u>
<b>Total Income</b>		<u>278,241</u>	<u>163,089</u>
 <i>Claims paid</i>			
gross amount		52,848	48,321
reinsurers' share		(2,974)	(3,008)
net of reinsurance		<u>49,874</u>	<u>45,313</u>
<i>Change in the provision for claims:</i>			
gross amount		593	(116)
reinsurers' share		(429)	57
net of reinsurance		<u>164</u>	<u>(59)</u>
<b>Claims Incurred, Net of Reinsurance</b>		<u>50,038</u>	<u>45,254</u>
 <b>Change In Other Technical Provisions, Net of Reinsurance</b>			
<i>Long term business provision, net of reinsurance</i>			
gross amount		(34,495)	31,331
reinsurers' share		-	-
net of reinsurance		<u>(34,495)</u>	<u>31,331</u>
Technical provisions for linked business, net of reinsurance		234,609	60,284
<b>Net Change in Technical Provisions</b>		<u>200,114</u>	<u>91,615</u>
Net operating expenses	4	19,923	15,452
Investment expenses and charges	3	932	603
Tax attributable to long term business	7	958	1,372
<b>Other Charges</b>		<u>21,813</u>	<u>17,427</u>
<b>Total Expenditure</b>		<u>271,965</u>	<u>154,296</u>
<b>Balance on the Long Term Business Technical Account</b>		<u>6,276</u>	<u>8,793</u>

# WOOLWICH LIFE ASSURANCE COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

	<i>Notes</i>	<i>1999 £000</i>	<i>1998 £000</i>
<b>Non-Technical Account</b>			
<b>Balance On The Long Term Business Technical Account</b>		6,276	8,793
Tax attributable to the balance on the long term business technical account	7	958	1,372
Pre tax profit arising on long term business		<u>7,234</u>	<u>10,165</u>
Investment income	3	1,362	1,738
Investment expenses and charges	3	(27)	(34)
		<u>          </u>	<u>          </u>
<b>Profit On Ordinary Activities Before Taxation</b>		8,569	11,869
Tax on profit on ordinary activities	7	1,358	1,900
		<u>          </u>	<u>          </u>
<b>Profit For The Financial Year</b>		7,211	9,969
Dividends		-	-
		<u>          </u>	<u>          </u>
<b>Retained Profit For The Financial Year</b>		<u>7,211</u>	<u>9,969</u>

All recognised gains and losses in both the current and preceding periods are included in the Profit and Loss account.

The inclusion of unrealised gains and losses in the profit and loss account is not deemed to be a departure from the unmodified historical cost basis of accounting and therefore a separate note of historical cost, profit and losses has not been included.

# WOOLWICH LIFE ASSURANCE COMPANY LIMITED

## BALANCE SHEET

as at 31 December 1999

		<i>31 December 1999</i>	<i>31 December 1998 Restated (see note 8)</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>Assets</b>			
<b>Investments</b>			
Investments in group undertakings and participating interests	8	4,949	5,219
Other financial investments	8	177,194	193,673
Deposits with ceding undertakings		15,770	16,611
		<u>197,913</u>	<u>215,503</u>
<b>Assets Held To Cover Linked Liabilities</b>	9	<u>493,902</u>	<u>275,103</u>
<b>Reinsurers' Share of Technical Provisions</b>			
Claims outstanding		1,149	720
		<u>1,149</u>	<u>720</u>
<b>Debtors</b>			
Other debtors	10	3,443	4,186
		<u>3,443</u>	<u>4,186</u>
<b>Other Assets</b>			
Tangible assets	11	138	80
Cash at bank and in hand		4,329	751
		<u>4,467</u>	<u>831</u>
<b>Prepayments And Accrued Income</b>			
Accrued interest and rent		6,167	5,388
Deferred acquisition costs		15,770	13,686
Other prepayments and accrued income		68	75
		<u>22,005</u>	<u>19,149</u>
<b>Total Assets</b>		<u><u>722,879</u></u>	<u><u>515,492</u></u>

**WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

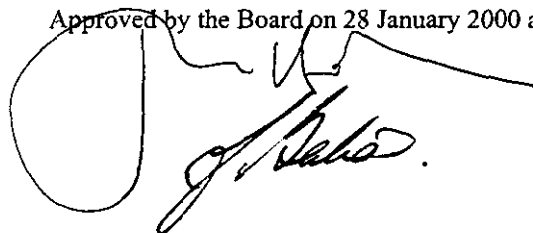
**BALANCE SHEET**

as at 31 December 1999

		<i>31 December 1999 £000</i>	<i>31 December 1998 £000</i>
	<i>Notes</i>		
<b>Liabilities</b>			
<b>Capital And Reserves</b>			
Called up share capital	12	30,000	30,000
Profit and loss account	13	31,256	24,045
Shareholders' funds attributable to equity interests		<u>61,256</u>	<u>54,045</u>
<b>Technical Provisions</b>			
Long term business provision	14	171,834	206,329
Claims outstanding		2,403	1,810
		<u>174,237</u>	<u>208,139</u>
<b>Technical Provisions For Linked Liabilities</b>	14	<u>479,947</u>	<u>245,338</u>
<b>Creditors</b>			
Creditors arising out of direct insurance operations	15	2,566	2,948
Other creditors including taxation and social security	16	4,873	5,022
		<u>7,439</u>	<u>7,970</u>
<b>Accruals And Deferred Income</b>			-
<b>Total Liabilities</b>		<u><u>722,879</u></u>	<u><u>515,492</u></u>

Included in Capital and Reserves are £53,990,000 (1998 - £54,045,000) which are not distributable.

Approved by the Board on 28 January 2000 and signed on its behalf by:



Mrs J M Baddeley

Chairman

T C Baker

Managing Director

Notes forming part of the financial statements

1. Accounting Policies

The accounts are prepared on the basis of the accounting policies set out below:

a. *Basis of preparation*

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The financial statements have also been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurance on 23 December 1998. The comparatives stated in the financial statements cover the previous financial year.

The company is exempt from providing a cashflow statement on the grounds that 90% of voting rights are controlled within the Woolwich Group and consolidated accounts including the company are publicly available.

As the Company's financial statements are consolidated in the financial statements of Woolwich plc, the company has taken advantage of the exemption clauses in Financial Reporting Standard Number 8 in respect of transaction with group companies, which are also related parties. The Company's financial statements present information about the Company as an individual undertaking and not about its group.

b. *Premiums*

Premiums for unit linked business are accounted for when the policy liability is established. Other premiums are accounted for when due for payment.

c. *Investment income, expenses and charges.*

Investment income, expenses and charges are included in the long term business technical account to the extent that they relate to long term business. Other investment income and expenses are included in the non-technical account.

Dividend income is accounted for when the shares are quoted ex-dividend and unit trust income is accounted for on a receivable basis.

Interest, expenses and charges are accounted for on an accruals basis.

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

Dividend income on Life business has been included gross. Dividend income on Pensions business has been stated net of tax credits.

d. *Unrealised Gains and Losses on Investments*

Unrealised gains and losses recorded in the profit and loss account represent the changes in value during the year of investments held at the balance sheet date and the reversal of changes in prior years on investments disposed of in the year. Unrealised gains and losses are included in the long term business technical account to the extent that they relate to long term business. Other unrealised gains and losses are included in the non technical account.

## WOOLWICH LIFE ASSURANCE COMPANY LIMITED

### Notes forming part of the financial statements continued

#### 1. Accounting Policies

##### e. *Claims*

Death claims, critical illness claims and surrenders are accounted for when notified and maturities are recognised when due for payment. Claims payable include the claims handling costs relating to settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

##### f. *Long Term Business Provision*

The long term business provision is determined by the Appointed Actuary, following his annual investigation of the long term business, and is calculated initially to comply with the reporting requirements under the Insurance Companies Act 1982. A net premium valuation method is used for all business with the exception of unit linked contracts where the provisions are based on the market value of the related assets. The statutory solvency basis of valuation is then adjusted by eliminating the undistributed surplus determined by that valuation, general contingency reserves, certain reserves required under the insurance companies regulations and deferred acquisition costs allowed for in the valuation.

##### g. *Acquisition costs and deferred acquisition costs.*

Acquisition costs comprise direct and indirect costs relating to the obtaining and processing of new business.

Deferred acquisition costs relate to those costs incurred in acquiring insurance policies during a financial year but which relate to a subsequent financial year. These costs are deferred as an explicit asset which is amortised over the period in which they are recoverable out of future margins from the relevant policies.

##### h. *Finance Leases*

Assets acquired under finance leases are included within tangible assets and the corresponding commitments for future payments are included within creditors, net of future finance charges. Finance charges are accounted for on a systematic basis over the life of each lease.

##### i. *Tangible Assets*

Tangible assets are depreciated on a straight line basis over their estimated useful lives having taken into consideration their residual values over the following periods:

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

##### j. *Retirement Benefits*

The costs of providing retirement pensions and other post retirement benefits are charged to the long term business technical account over the periods benefiting from the employees' services. Any difference between the charge to the long term business technical 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

### 1. Accounting Policies

#### k. Investments

All investments are stated at their current value as detailed below:

Debt securities, other fixed income securities and structured instruments are at middle market prices.

Listed investments are valued at the mid market value on the balance sheet date or on the last Stock Exchange trading day before the balance sheet date.

Unit Trusts are stated at the bid price.

#### l. 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. Provision is made for deferred taxation in respect of timing differences between the treatment of certain items for taxation and accounting purposes.

Any transfer from the long term business technical account to the non technical account is grossed up at the effective rate of tax applicable to the period.

### 2. Premiums

All premium income is derived within the UK in respect of continuing operations and relates exclusively to individual policyholders.

#### a. Premiums Written

	1999 £000			1998 £000		
	Gross	Reins	Net	Gross	Reins	Net
<b>Life Insurance Business</b>						
Non participating contracts						
Single premiums	120,764	-	120,764	43,710	-	43,710
Unit linked Contracts						
- periodic premiums	67,931	2,781	65,150	64,962	3,651	61,311
Other Contracts						
- periodic premiums	12,153	2,047	10,106	9,257	503	8,754
<b>Pension Business</b>						
Unit linked contracts						
- periodic premiums	1,402	6	1,396	513	2	511
- single premiums	438	-	438	307	-	307
<b>Total Premiums Written</b>	<b>202,688</b>	<b>4,834</b>	<b>197,854</b>	<b>118,749</b>	<b>4,156</b>	<b>114,593</b>



**WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

**Notes forming part of the financial statements continued**

**2 Premiums continued**

<b>b. Annualised New Business Premiums</b>	<b>1999</b>	<b>1998</b>
	<b>£000</b>	<b>£000</b>
Life periodic premiums		
- Unit linked	5,479	6,330
- Other	5,100	3,751
Life single premiums	120,764	43,710
Pensions		
-periodic premiums	1,223	916
-single premiums	438	307
<b>Total Annualised New Business Premiums</b>	<b>133,004</b>	<b>55,014</b>

**3 Investment Activity Account**

	<b>Technical Account</b>		<b>Non Technical Account</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Investment Income</b>				
Income from other investments	22,034	22,561	1,362	1,738
Gains on the realisation of investments	9,894	5,012	-	-
	<u>31,928</u>	<u>27,573</u>	<u>1,362</u>	<u>1,738</u>
<b>Investment Expenses and Charges</b>				
Investment management expenses	(932)	(603)	(27)	(34)
Unrealised gains on investments	48,459	20,923	-	-
<b>Net Investment Return</b>	<u>79,455</u>	<u>47,893</u>	<u>1,335</u>	<u>1,704</u>

# WOOLWICH LIFE ASSURANCE COMPANY LIMITED

## Notes forming part of the financial statements continued

### 4 Net Operating Expenses

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Acquisition costs	16,977	13,290
Change in deferred acquisition costs	(2,084)	(3,095)
Administration expenses	5,655	5,654
Reinsurance commissions and profit participation	(625)	(397)
	<u>19,923</u>	<u>15,452</u>

Administrative expenses include:

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration:		
- Audit	50	47
- Other services	33	39
Depreciation on tangible assets	35	30
Profit on disposal of tangible fixed assets	-	11
Payments under finance leases	19	17

Total commission payable was £13,952,000 (1998: £10,421,000).

### 5 Staff Costs

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	794	657
Social security costs	71	57
Other pension costs	92	77
	<u>957</u>	<u>791</u>

The average numbers of staff employed by the Company in the period was 21 (1998 - 19).

The employees were involved in the management and central administration of the company. The policy administration is carried out by Royal & Sun Alliance plc and investment administration and management is carried out by Mercury Asset Management plc.

Notes forming part of the financial statements continued

6 Directors' Remuneration

None of the directors personally receive fees from the company. Fees are paid to either the Woolwich plc or Royal & Sun Alliance plc in respect of their duties as directors.

The aggregate amount of directors' remuneration were as follows:

	1999 £000	1998 £000
Emoluments	285	327
Pension Scheme Contributions	23	26
Compensation for loss of office	73	-
Sums paid to third parties for Directors Services	5	5
	<u>386</u>	<u>358</u>

Retirement benefits are accruing to 5 directors under defined benefit schemes at 31st December 1999 and 5 directors at 31st December 1998.

Highest Paid Director

Aggregate emoluments	153	143
Pensions Scheme Contributions to a defined Benefit Scheme	13	11
Total	<u>166</u>	<u>154</u>

The annual pension accrued to the highest paid director at 31 December 1999 is £57,217 (1998: £55,130) per annum on retirement.

There were no amounts taken as a lump sum at 31 December 1999 (1998: Nil).

Information relating to directors' options is provided in the directors report on pages 2 to 5.

7 Taxation

	Technical Account		Non Technical Account	
	1999 £000	1998 £000	1999 £000	1998 £000
UK Corporation tax @ 30% (1998:31%).	958	1,372	400	528
Adjustments relating to earlier years	-	-	-	-
Tax attributable to shareholders' profit	-	-	958	1,372
Deferred taxation	-	-	-	-
	<u>958</u>	<u>1,372</u>	<u>1,358</u>	<u>1,900</u>

Notes forming part of the financial statements continued

8 Investments

	<i>Current Value</i>		<i>Historical Cost</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>Restated £000</i>	<i>£000</i>	<i>Restated £000</i>
<b>Investments in Group Undertakings and Participating Interests</b>				
Debt securities issued by group undertakings	4,949	5,219	5,000	5,000
<b>Other Financial Investments</b>				
Debt securities and other fixed income securities	143,626	168,140	144,983	163,349
Deposits with credit institutions	33,568	25,533	33,568	25,533
	<u>177,194</u>	<u>193,673</u>	<u>178,551</u>	<u>188,882</u>

In 1998 the amount payable under the margining arrangement was included as a debt security within note 9 below. The value at 31 December 1998 was £21,890,000. This balance is now included within Other Financial Investments as management feels that it is a more appropriate representation. The change represents a reclassification only and has no impact on the profit and loss account.

9 Assets Held To Cover Linked Liabilities

	<i>Current Value</i>		<i>Historical Cost</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>Restated £000</i>	<i>£000</i>	<i>Restated £000</i>
Investments held to cover linked liabilities	493,902	275,103	405,996	245,737

Assets held to cover unit linked liabilities comprise investments, cash at bank and accrued income.

**WOOLWICH LIFE ASSURANCE COMPANY LIMITED**

**Notes forming part of the financial statements continued**

				<b>1999</b>	<b>1998</b>
				<b>£000</b>	<b>£000</b>
<b>10 Other Debtors</b>					
Tax recoverable				3,443	4,186
<b>11 Tangible Assets</b>					
	<i>Held Under Finance Leases £000</i>	<i>Motor Vehicles £000</i>	<i>Office Equipment £000</i>	<i>Computer Equipment and Software £000</i>	<i>Total £000</i>
Cost					
At 1 January 1999	41	31	62	52	186
Additions	68	12	-	30	110
Disposals	(19)	(12)	-	(2)	(33)
At 31 December 1999	<u>90</u>	<u>31</u>	<u>62</u>	<u>80</u>	<u>263</u>
Depreciation					
At 1 January 1999	13	2	47	44	106
Charge for period	13	6	6	10	35
On disposals	(12)	(2)	-	(2)	(16)
At 31 December 1999	<u>14</u>	<u>6</u>	<u>53</u>	<u>52</u>	<u>125</u>
<b>Net book value</b>					
At 31 December 1999	76	25	9	28	138
At 1 January 1999	<u>28</u>	<u>29</u>	<u>15</u>	<u>8</u>	<u>80</u>
<b>12 Share Capital</b>				<b>1999</b>	<b>1998</b>
				<b>£000</b>	<b>£000</b>
Authorised:					
Ordinary shares of £1 each				40,000	40,000
				<u>40,000</u>	<u>40,000</u>
Allotted, called up and fully paid				30,000	30,000
				<u>30,000</u>	<u>30,000</u>

# WOOLWICH LIFE ASSURANCE COMPANY LIMITED

## Notes forming part of the financial statements continued

### 13 Reconciliation in Movement of Shareholders' Fund

	Share Capital	Profit & Loss Account	Total Shareholders' Fund
	£000	£000	£000
Balance at 1 January 1999	30,000	24,045	54,045
Profit for the period after taxation	-	7,211	7,211
<b>Balance at 31 December 1999</b>	<b>30,000</b>	<b>31,256</b>	<b>61,256</b>

### 14 Long Term Business Assumptions

	<i>Guaranteed Income Bonds</i>	<i>Term Assurances</i>	<i>Unit Linked Policies</i>
		85% A67/70 AIDS 50% Basis R	85% A67.70 AIDS 50% Basis R
Mortality	N/A		
Interest	5.88% gross	3.0% net	4.0% gross
Fund Growth	N/A	N/	6.0% gross
Renewal Expenses	£13.28 p.a.	£19.44 p.a.	£30.97 p.a.
Tax Relief on Expenses	N/A	20%	20%
Inflation Rate	5%	5%	5%

### 15 Creditors Arising Out of Direct Insurance Operations

	1999 £000	1998 £000
Premiums received in advance	155	17
Commission payable to Group undertaking	1,207	1,480
Administration fee payable to third party administration	695	707
Amounts due to reinsurers	509	744
	<b>2,566</b>	<b>2,948</b>

### 16 Other Creditors Including Taxation and Social Security

	1999 £000	1998 £000
<b>Due within one year</b>		
Corporation tax payable	2,929	2,821
Other creditors	1,867	2,173
Obligations under finance leases	26	13
All are payable within one year	<b>4,822</b>	<b>5,007</b>
<b>Due after one year</b>		
Obligations under finance leases between two and five years	51	15
<b>Total Other Creditors</b>	<b>4,873</b>	<b>5,022</b>

**Notes forming part of the financial statements continued**

**Other Creditors Including Taxation and Social Security continued**

The maturity of obligations under finance leases is as follows:

	<i>1999</i>	<i>1998</i>
	<i>£000</i>	<i>£000</i>
Within one year	15	10
In the second to fifth years	62	18
Over five years	-	-
	<u>77</u>	<u>28</u>
Less: future finance charges	(29)	(8)
	<u>48</u>	<u>20</u>

**17 Pension Scheme**

Employees are eligible to participate in the scheme operated by Woolwich plc, 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 £91,816 (1998: £77,150).

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 1998. Scheme information is contained in the accounts of Woolwich plc for the period ended 31 December 1999.

**18 Inwards Reassurance Contracts**

The Company has a reinsurance contract whereby the premium received has been held as a deposit with the ceding insurer. The interest received on this deposit is used to cover the claims arising under this contract.

At the year end the total value of the deposit was £15,770,000 (1998: £16,611,000).

**19 Ultimate Parent Company**

The Company's immediate and ultimate holding company is Woolwich plc which is registered in England. The only group in which the results of the Company are consolidated is headed by Woolwich plc. The consolidated accounts of Woolwich plc are available to the public and may be obtained from Woolwich plc, Watling Street, Bexleyheath, Kent, DA6 7RR. Woolwich plc holds 90% of the issued share capital and Royal & Sun Alliance plc holds the remaining 10%.