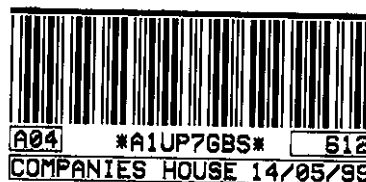


WOOLWICH LIFE ASSURANCE COMPANY LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 1998**



Registered Number : 151731

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

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WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS, OFFICERS AND REGISTERED OFFICE

DIRECTORS

Mrs J M Baddeley, MA (Chairman)
T C Baker BSc, FCIS, FCIB (Managing Director)
R Coatesworth MA, FIA
R D Johnson FCCA
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 1998.

Principal Activities

The principal activity of the Company during the year has been 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. In June 1998, the Company launched a Guaranteed Equity Bond. Most of the sales of these products were made through the company's appointed representative, Woolwich plc.

New regular annualised premium business amounted to £11 million (1997 - £12 million) and single premium business to £44 million (1997 - £39 million).

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

Results and Dividends

The results for the year to 31st December 1998 with the comparison of the period of fifteen months to 31st December 1997 are shown in the attached financial statements.

No dividends are payable.

Directors

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

Mrs J M Baddeley (Appointed 1 July 1998)	R C H Jeens (Resigned 30 June 1998)
T C Baker	R D Johnson
R Coatesworth	I W Poston
B J Hall (Appointed 4 November 1998)	T A Wild (Resigned 30 June 1998)
J C Hance (Resigned 4 November 1998)	

R D Johnson resigned from the Board on 8 January 1999.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTOR'S REPORT continued

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, or date of appointment, if later, 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	
	31.12.98	1.1.98 or date of appointment, if later
Mrs J M Baddeley	-	-
T C Baker	3,147*	3,112*
R Coatesworth	1,350*	1,350*
B J Hall	-	-
R D Johnson	1,350*	1,350*
I W Poston	1,911*	1,857*

Those holdings asterisked include 450 shares which are held by the trustees of the Woolwich plc Approved Profit Sharing Scheme (900 in the case of T C Baker whose holding includes shares held by a member of his family who also holds 450 shares in the Scheme).

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 1998 are set out below:

	At 1.1.98 (or date appt. if later)	No. of options		As at 31.12.98	Exercise price £'s	Market price at date of exercise £	Date from which exercisable	Expiry Date	
		Granted	Exercised						
Mrs J M Baddeley	-	51,562	-	51,562	3.20	-	01.09.01	01.09.08	ESOP
T C Baker	-	17,910	-	17,910	3.35	-	28.04.01	28.04.08	ESOP
	-	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
	-	6,436	-	6,436	2.68	-	01.07.03	31.12.03	SS
R D Johnson	-	10,671	-	10,671	3.35	-	28.04.01	28.04.08	ESOP
	-	2,182	-	2,182	2.68	-	01.07.01	31.12.01	SS
I W Poston	-	17,910	-	17,910	3.35	-	28.04.01	28.04.08	ESOP
	-	6,436	-	6,436	2.68	-	01.07.03	31.12.03	SS

SS refers to those options granted under Woolwich plc's Sharesave Scheme

ESOP refers to those options granted under Woolwich plc's 1998 Executive Share Option Plan

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT continued

In addition, Mrs J M Baddeley, T C Baker and I W Poston were allocated the following shares during the year under the Woolwich plc's 1998 Performance Share Plan at a value of 320p per share:

Mrs J M Baddeley	34,375
T C Baker	15,000
I W Poston	15,000

Notes:

1. No options granted to any of the above Directors lapsed during the year. The market price of shares of Woolwich plc as at 31 December 1998 was 362p and the range during 1998 was 315p to 395.75p.
2. As at 31 December 1998, the market price for options granted under the Sharesave Scheme and 1998 Executive Share Option Plan exceeded the exercise price.
3. In May 1998, Woolwich plc established a Qualifying Employee Share Ownership Trust ("QUEST") which is operated in conjunction with Woolwich plc's Sharesave Scheme. The trustee of the QUEST is Woolwich Qualifying Employee Share Ownership Trust Limited, a subsidiary of Woolwich plc. As at 31 December 1998, 2,836,479 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.
4. Share Scheme Summaries:

Sharesave Scheme

This 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 Woolwich plc ordinary 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. Options are granted at the market value of a Woolwich plc ordinary share at the time of the grant, with no discount. Options granted in 1998 will only be exercisable to the extent that the earnings per share of Woolwich plc is equal to the rate of increase in the Retail Prices Index plus 9% over three consecutive financial years. An option will normally be exercisable in whole or part at any time between three years and ten years from the date of grant. Any option not exercised will lapse on the tenth anniversary of the date of its grant.

1998 Performance Share Plan

This 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 and will also be at the discretion of the trustee. Awards will only be exercisable for a period of seven years. The performance target for the first cycle, which runs from 1 January 1998 to 31 December 2000, 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. No awards will be granted unless the TSR performance of Woolwich plc is at least at the 50th 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 50th percentile, when awards over the minimum number of shares may be made, to a TSR performance at the 75th percentile of the comparator group when awards over the maximum number available may be made.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

DIRECTORS' REPORT continued

Auditors

KMPG Audit Plc are eligible for reappointment and have expressed their willingness to continue in office as auditors of the Company. A resolution for the reappointment of KPMG Audit Plc is to be proposed at the Annual General Meeting of the Company to be held on 30th April 1999.

Policy and Practice on Payment of Creditors

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

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

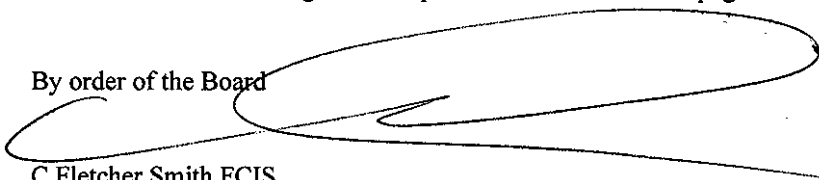
Year 2000

The Woolwich began its preparations for the Year 2000 in 1996. The Company has compiled an inventory of all Information Technology systems and other relevant items such as embedded chip components and key suppliers. A thorough analysis of the Company's components and the impact the millenium is likely to have was completed in early 1997. The required remedial work and testing is complete and the Company is confident that no significant disruption to its business will arise as a result of Year 2000 problems in its systems. Further verification and checking of systems and suppliers will continue during 1999. The cost of compliance to the end of 1998 is £15k and a further £10k is anticipated during 1999. Much of the cost has been met by re-deploying existing resources.

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities as set out on page 6.

By order of the Board



C Fletcher Smith FCIS
Secretary
29 January 1999

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

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 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 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. 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.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

AUDITOR'S REPORT

TO THE MEMBERS OF WOOLWICH LIFE ASSURANCE COMPANY LIMITED

We have audited the financial statements on pages 8 to 22.

Respective Responsibilities of Directors and Auditors

As described on page 6 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 give a true and fair view of the state of the Company's affairs as at 31st December 1998 and of its profit for the year ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Kane Andrielle

KPMG Audit Plc
Chartered Accountants and Registered Auditor
London

29 January 1999

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1998

		<i>Fifteen months to 31 December</i>	
	<i>Notes</i>	1998 £000	1997 £000
Technical Account - Long Term Business			
Earned Premiums, Net of Reinsurance			
Gross premiums written		118,749	125,821
Outward reinsurance premiums		(4,156)	(4,407)
	2	<u>114,593</u>	<u>121,414</u>
Investment income	3	27,573	45,798
Unrealised gains on investments	3	20,923	1,234
		<u>48,496</u>	<u>47,032</u>
Total Income		<u>163,089</u>	<u>168,446</u>
Claims paid			
gross amount		48,321	82,649
reinsurers' share		(3,008)	(3,011)
net of reinsurance		<u>45,313</u>	<u>79,638</u>
Change in provision for claims			
gross amount		(116)	356
reinsurers' share		57	(71)
net of reinsurance		<u>(59)</u>	<u>285</u>
Claims Incurred, Net of Reinsurance		<u>45,254</u>	<u>79,923</u>
Change In Other Technical Provisions, Net of Reinsurance			
Long term business provision, net of reinsurance			
gross amount		31,331	(6,353)
reinsurers' share		-	-
net of reinsurance		<u>31,331</u>	<u>(6,353)</u>
Technical provisions for linked business, net of reinsurance		60,284	68,986
Net Change in Technical Provisions		<u>91,615</u>	<u>62,633</u>
Net operating expenses	4	15,452	19,785
Investment expenses and charges	3	603	493
Tax attributable to long term business	7	1,372	700
Other Charges		<u>17,427</u>	<u>20,978</u>
Total Expenditure		<u>154,296</u>	<u>163,534</u>
Sub-Total (Balance on the Technical Account - Long Term Business)		<u>8,793</u>	<u>4,912</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1998

		<i>Fifteen months to 31 December</i>	
		<i>1998</i>	<i>1997</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Non-Technical Account			
Balance On The Long Term Business Technical Account		8,793	4,912
Tax attributable to the balance on the long term business technical account	7	1,372	700
Pre tax profit arising on long term business		10,165	5,612
Investment income	3	1,738	1,756
Unrealised gain on investments	3	-	-
Investment expenses and charges	3	(34)	(33)
Profit On Ordinary Activities Before Taxation		11,869	7,335
Tax on profit on ordinary activities	7	1,900	700
Profit For The Financial Year		9,969	6,635
Dividends		-	-
Retained Profit For The Financial Year		9,969	6,635

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 1998

		<i>31 December 1998</i>	<i>31 December 1997</i>
	<i>Note</i>	<i>£000</i>	<i>£000</i>
Assets			
Investments			
Investments in group undertakings and participating interests	8	5,219	-
Other financial investments	8	215,563	166,897
Deposits with ceding undertakings		16,611	36,049
		<u>237,393</u>	<u>202,946</u>
Assets Held To Cover Linked Liabilities	9	253,213	188,153
Reinsurers' Share of Technical Provisions			
Claims outstanding		<u>720</u>	<u>777</u>
		<u>720</u>	<u>777</u>
Debtors			
Debtors arising out of direct insurance operations	10	-	24
Other debtors	11	4,186	2,857
		<u>4,186</u>	<u>2,881</u>
Other Assets			
Tangible assets	12	80	90
Cash at bank and in hand		<u>751</u>	<u>1,554</u>
		<u>831</u>	<u>1,644</u>
Prepayments And Accrued Income			
Accrued interest and rent		5,388	4,588
Deferred acquisition costs		13,686	10,591
Other prepayments and accrued income		<u>75</u>	<u>51</u>
		<u>19,149</u>	<u>15,230</u>
Total Assets		<u><u>515,492</u></u>	<u><u>411,631</u></u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

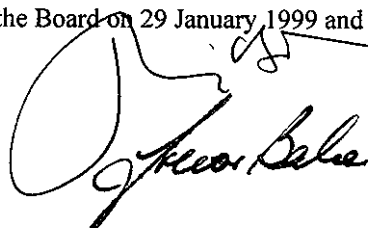
BALANCE SHEET

as at 31 December 1998

		31 December 1998	31 December 1997
	Note	£000	£000
Liabilities			
Capital And Reserves			
Called up share capital	13	30,000	30,000
Profit and loss account	14	24,045	14,076
Shareholders' funds attributable to equity interests		54,045	44,076
Technical Provisions			
Long term business provision	15	206,329	174,998
Claims outstanding		1,810	1,926
		208,139	176,924
Technical Provisions For Linked Liabilities	15	245,338	185,049
Provision For Other Risks And Charges		-	-
Creditors			
Creditors arising out of direct insurance operations	16	2,948	3,747
Other creditors including taxation and social security	17	5,022	1,835
		7,970	5,582
Accruals And Deferred Income		-	-
Total Liabilities		515,492	411,631

Included in Capital and Reserves are £54,045,000 (1997 - £44,076,000) which are not distributable.

Approved by the Board on 29 January 1999 and signed on its behalf by:



Mrs J M Baddeley

Chairman

T C Baker

Managing Director

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

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 period from 1 October 1996 to 31 December 1997.

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.

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 received prior to 2 July 1997 has been stated gross of tax credits. 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. Operating Leases

The cost of operating leases are charged to the technical account as they accrue.

j. 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

k. 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

l. 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.

m. 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

	<i>1998</i>			<i>1997</i>		
	<i>£000</i>			<i>£000</i>		
	<i>Gross</i>	<i>Reins</i>	<i>Net</i>	<i>Gross</i>	<i>Reins</i>	<i>Net</i>
Life Insurance Business						
Non participating contracts						
Single premiums	43,710	-	43,710	38,887	-	38,887
Unit linked Contracts						
- periodic premiums	64,962	3,651	61,311	81,977	4,161	77,816
Other Contracts						
- periodic premiums	9,257	503	8,754	4,857	246	4,611
Pension Business						
Unit linked contracts						
- periodic premiums	513	2	511	23	-	23
- single premiums	307	-	307	77	-	77
Total Premiums Written	118,749	4,156	114,593	125,821	4,407	121,414

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

2 Premiums continued

b. Annualised New Business Premiums	1998	1997
	£000	£000
Life periodic premiums		
- Unit linked	6,330	7,251
- Other	3,751	4,289
Life single premiums	43,710	38,887
Pensions		
-periodic premiums	916	143
-single premiums	307	77
Total Annualised New Business Premiums	55,014	50,647

The company does not write recurring single premium contracts. Where periodic premiums are received other than annually, such premiums are included on an annualised basis.

3 Investment Activity Account

	Technical Account		Non Technical	
	1998	1997	1998	1997
	£000	£000	£000	£000
Investment Income				
Income from other investments	22,561	30,466	1,738	1,756
Gains on the realisation of investments	5,012	15,332	-	-
	<u>27,573</u>	<u>45,798</u>	<u>1,738</u>	<u>1,756</u>
Investment Expenses and Charges				
Investment management expenses	603	493	34	33
Losses on the realisation of investments	-	-	-	-
	<u>603</u>	<u>493</u>	<u>34</u>	<u>33</u>
Unrealised gains on investments	20,923	1,234	-	-
Net Investment Return	<u>47,893</u>	<u>46,539</u>	<u>1,704</u>	<u>1,723</u>

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

4 Net Operating Expenses

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Acquisition costs	13,290	16,184
Change in deferred acquisition costs	(3,095)	(3,712)
Administration expenses	5,654	7,760
Reinsurance commissions and profit	(397)	(447)
	<u>15,452</u>	<u>19,785</u>

Administrative expenses include:

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration:		
- Audit	47	42
- Other services	39	39
Depreciation on tangible assets	30	43
Profit on disposal of tangible fixed assets	11	6
Payments under Finance Leases	17	6

Total commission payable was £10,421,000 (1997:£12,012,000)

5 Staff Costs

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	657	758
Social security costs	57	63
Other pension costs	77	55
	<u>791</u>	<u>876</u>

The average numbers of staff employed by the Company in the period was 19 (1997 - 17)

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.

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 plc or Royal & Sun Alliance plc in respect of their duties as directors.

The aggregate amount of directors' emoluments were as follows:

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Emoluments	327	363
Pension Scheme Contributions	26	54
Compensation for loss of office	-	134
Sums paid to third parties for Directors Services	5	32
	<u>358</u>	<u>583</u>

Retirement benefits are accruing to 5 directors under defined benefit schemes at 31st December 1998 and 5 directors at 31st December 1997.

Highest Paid Director

Aggregate emoluments	143	136
Pensions Scheme Contributions to a defined Benefit Scheme	<u>11</u>	<u>44</u>
Total	<u>154</u>	<u>180</u>

The annual pension accrued to the highest paid director at 31 December 1998 is £55,130. (1997: £25,566 per annum on retirement).

There were no amounts taken as a lump sum at 31 December 1998 (1997: £49,000).

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

7 Taxation

	<i>Technical Account</i>		<i>Non Technical Account</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
UK Corporation tax @ 31%	1,372	195	528	-
Tax credits on franked investment income	-	205	-	-
Adjustments relating to earlier years	-	300	-	-
Tax attributable to shareholders' profit	-	-	1,372	700
Deferred taxation	-	-	-	-
	<u>1,372</u>	<u>700</u>	<u>1,900</u>	<u>700</u>

8 Investments

	<i>Current Value</i>		<i>Historical Cost</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Investments in Group undertakings and Participating Interests				
Debt securities issued by and loans	5,219	-	5,000	-
Other Financial Investments				
Debt securities and other fixed income securities	190,030	149,496	185,239	148,740
Deposits with credit institutions	25,533	17,401	25,533	17,401
	<u>215,563</u>	<u>166,897</u>	<u>210,772</u>	<u>166,141</u>

9 Assets Held To Cover Linked Liabilities

	<i>Current Value</i>		<i>Historical Cost</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Assets held to cover property linked liabilities	253,213	188,153	223,847	171,795

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

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

10	Debtors arising out of direct insurance operations	1998	1997			
		£000	£000			
	Policyholders					
	Due to Reassurers	-	24			
11	Other Debtors					
	Tax recoverable	4,186	2,857			
12	Tangible Assets					
		<i>Held Under Finance Leases</i>	<i>Motor Vehicles</i>	<i>Office Equipment</i>	<i>Computer Equipment and Software</i>	<i>Total</i>
		£000	£000	£000	£000	£000
	Cost					
	At 1 January 1998	50	42	62	202	356
	Additions	-	32	-	2	34
	Disposals	(9)	(43)	-	(152)	(204)
	At 31 December 1998	41	31	62	52	186
	Depreciation					
	At 1 January 1998	4	35	41	186	266
	Charge for period	9	5	6	10	30
	On disposals	-	(38)	-	(152)	(190)
	At 31 December 1998	13	2	47	44	106
	Net book value					
	At 31 December 1998	28	29	15	8	80
	At 1 January 1998	46	7	21	16	90

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

13 Share Capital

	<i>1998</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
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>

14 Reconciliation in Movement of Shareholders' Fund

	<i>Share Capital</i>	<i>Profit & Loss Account</i>	<i>Total Shareholders' Fund</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at 1 January 1998	30,000	14,076	44,076
Profit for the period after taxation	-	9,969	9,969
Balance at 31 December 1998	<u>30,000</u>	<u>24,045</u>	<u>54,045</u>

15 Long Term Business Assumptions

	<i>Guaranteed Income Bonds</i>	<i>Term Assurances</i>	<i>Unit Linked Policies</i>
Mortality	N/A	85% A67/70 AIDS 50% Basis R	85% A67/70 AIDS 50% Basis R
Interest	4.81% gross	3.0% net	4.0% gross
Fund Growth	N/A	N/A	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%

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

16 Creditors Arising Out of Direct Insurance Operations

	1998	1997
	£000	£000
Premiums received in advance	17	52
Commission payable to Group undertaking	1,480	1,293
Administration fee payable to third party administration	707	607
Amounts due to reinsurers	744	1,795
	<u>2,948</u>	<u>3,747</u>

17 Other Creditors Including Taxation and Social Security

	1998	1997
	£000	£000
Due within one year		
Corporation tax payable	2,821	-
Other creditors	2,173	1,789
Obligations under finance leases	13	10
	<u>5,007</u>	<u>1,799</u>
Due after one year		
Obligations under finance leases	15	36
between two and five years		
	<u>5,022</u>	<u>1,835</u>

Total Other Creditors

18 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 £77,150 (1997:£57,875).

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 1998.

WOOLWICH LIFE ASSURANCE COMPANY LIMITED

Notes forming part of the financial statements continued

19 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 £16,611,000.

20 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%.