

423930

**LEGAL & GENERAL INSURANCE LIMITED**

**REPORT AND ACCOUNTS**

**1999**



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**Registered office**

Temple Court,  
11, Queen Victoria Street,  
London EC4N 4TP

Registered in England & Wales No. 423930

## LEGAL & GENERAL INSURANCE LIMITED

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### Directors

D.J.Prosser, FIA (Chairman)

J.Castagno, ACII, MSFA (Managing Director)

J.D.A.Gordon, FIA

G.J.Hoskin, ACA

D.Rough, FCII

A.P.Whitehouse, ACA

### Secretary

C.A.Dockrell, ACIS

## REPORT OF THE DIRECTORS

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The directors submit their annual report together with the audited financial statements of Legal & General Insurance Limited for the year ended 31 December 1999.

### Principal activity

The Company is an insurance company authorised in the UK, the principal activity of which is the transaction of general insurance business. The Company has a number of operating subsidiaries, the principal activities of which are general insurance business and investment holding.

### Result for the year and dividend

The results of the Company are set out on page 9. The directors do not recommend the payment of a dividend for 1999 (1998, £10,000,000). The total preference share dividend payable for 1999 was £146,000 (1998, £207,000).

### Directorate

The names of the present directors are shown on page 2. D.J.Prosser, J.D.A.Gordon, D.Rough and A.P.Whitehouse remained in office throughout the year. G.J.Hoskin was appointed as a director of the Company on 24 September 1999 and J.Castagno was appointed as a director of the Company on 2 December 1999. A.W.Palmer and J.Pollock resigned as directors of the Company on 20 August 1999 and 26 July 1999 respectively. P.E.Glen resigned as a director of the Company on 18 February 2000.

### Directors' share interests

No director had any interest in the shares of the Company during the year ended 31 December 1999.

D.J.Prosser and D.Rough are directors of the ultimate holding company, Legal & General Group Plc, and their interests in the shares of that company are shown in the accounts of that company. G.J.Hoskin is a director of the holding parent company, Legal & General Assurance Society Limited, and his interests in the shares of the ultimate holding company, Legal & General Group Plc, are shown in the accounts of Legal & General Assurance Society Limited.

According to the Register of Directors' Share Interests kept by the Company, the remaining directors of the Company had interests within the meaning of the Companies' Act 1985 in the ordinary shares of 2.5p each on 31 December 1999 in the Company's ultimate holding company, Legal & General Group Plc, as shown below:

	at 1 January 1999*	at 31 December 1999
J.Castagno	Nil	12,972
P.E.Glen	12,624	141,232
J.D.A.Gordon	138,480	158,876
A.P.Whitehouse	4,096	4,496

(\*or date of appointment if later)

Included in directors' share interests shown above are, where applicable, shares allotted under the employee profit sharing scheme, the Restricted Share Plan (RSP) and the Share Bonus Plan (SBP). Details of the RSP and SBP schemes are disclosed in the accounts of the ultimate holding company.

## REPORT OF THE DIRECTORS

### Directors' share interests (continued)

In addition to the interests listed above, the directors (not including those whose options are disclosed in the accounts of a holding parent company) held the following options. They were acquired under either the Legal & General Executive Share Option Scheme (closed October 1995) and/or the Legal & General 1999 Executive Share Option Scheme (ESOS); and/or the Legal & General Group Plc Savings-Related Share Option Scheme (1991) and/or the Legal & General 1999 Savings-Related Share Option Scheme (SAYE). Details of options granted and exercised, together with totals held, are set out in the table below:

		P.E.Glen	J.D.A.Gordon	A.P.Whitehouse
At 1 January 1999		151,020	64,540	3,036
Granted during the year	SAYE	-	3,100	-
	ESOS	-	32,000	30,000
Exercised during the year	SAYE	(9,368)	(18,748)	-
	ESOS	(126,928)	-	-
At 31 December 1999		14,724	80,892	33,036

No options lapsed during the year.

### United Kingdom Employees

It is the Company's policy to treat its employees without discrimination and to operate equal opportunity and employment practices designed to achieve this end. Furthermore, it is the Company's policy to give full and fair consideration to applications for employment made by disabled persons; to continue, whenever possible, the employment of staff who become disabled; and to provide equal opportunities for the training and career development of disabled employees.

The Company seeks to achieve a common awareness among staff of corporate objectives and performance, financial and economic factors affecting the business and other matters of concern to them as employees. During the year, staff were provided with information through briefings by managers, training courses, staff newspapers and circulars.

### Year 2000

In common with all other companies within the Legal & General Group, the Company undertook a review of the risks and uncertainties associated with the potential impact of the change of century on the business. The principal focus of activity during 1999 was on testing, risk mitigation and contingency planning. The Group managed the transition into the Year 2000 with no material disruption to customers, staff or businesses. The Group will continue to keep the situation under review until all elements of the business processes are utilised for the first time during 2000.

The total cost of the Year 2000 compliance incurred by the Company and its subsidiaries between 1996 and 1999 was £941,000, of which £173,000 was incurred during 1999.



## REPORT OF THE DIRECTORS

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### Creditors

The Company's purchases are administered by another group undertaking, Legal & General Assurance Society Limited (the Society). The Society agrees terms and conditions for its business transactions with suppliers. Payment is made on these terms provided the supplier meets its obligations. The average number of days of payments outstanding at 31 December 1999 was 33 (1998, 35).

### Related party transactions

There were no material transactions between directors or key managers and the Legal & General group of companies which are required to be disclosed under Financial Reporting Standard No. 8 Related Party Disclosures. All transactions between the Legal & General group of companies (or Legal & General Group Plc), their directors and key managers are on commercial terms which are no more favourable than those available to staff in general.

### Auditors

An elective resolution has been passed by the Company's shareholders whereby the Company is not required to hold an Annual General Meeting and does not need to appoint auditors each year.

By Order of the Board



C.A. Dockrell  
Secretary  
25 April 2000

## **RESPONSIBILITY OF THE DIRECTORS**

for the preparation of the financial statements

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Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company 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 confirm that the financial statements comply with the above requirements.

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 responsible steps for the prevention and detection of fraud and other irregularities.

# REPORT OF THE AUDITORS

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## TO THE MEMBERS OF LEGAL & GENERAL INSURANCE LIMITED

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We have audited the financial statements set out on pages 8 to 21 which have been prepared in accordance with the accounting policies set out on pages 12 and 13.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 circumstances of the Company, 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.

### **Equalisation reserves**

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 1999, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax, are disclosed in notes 1(b) and 16.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers  
Chartered Accountants  
and Registered Auditors  
London  
25 April 2000

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1999

<b>Technical account - General business</b>		1999	1998
<b>Profit from continuing operations</b>		£'000	£'000
Note			
<b>Earned premiums, net of reinsurance</b>			
2.	Gross premiums written	131,015	110,742
	Outward reinsurance premiums	(6,015)	(4,598)
		125,000	106,144
	Change in the gross provision for unearned premiums	12,088	13,611
	Change in the provision for unearned premiums, reinsurers' share	1,268	(325)
		13,356	13,286
	Earned premiums, net of reinsurance	138,356	119,430
<b>Claims incurred, net of reinsurance</b>			
	Claims paid - gross amount	101,314	105,688
	- reinsurers' share	(4,333)	(5,707)
		96,981	99,981
	Change in the provision for claims - gross amount	(11,695)	(15,040)
	- reinsurers' share	3,178	2,316
		(8,517)	(12,724)
	Claims incurred, net of reinsurance	88,464	87,257
	Changes in other technical provisions, net of reinsurance	(8,700)	(5,300)
3.	Net operating expenses	42,996	36,594
16.	Change in the equalisation provision	3,048	2,657
		125,808	121,208
	Balance on the technical account for general business	12,548	(1,778)

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1999

<b>Non-technical account</b>	1999	1998
<b>Profit from continuing operations</b>	£'000	£'000 Restated
Note		
Balance on the general business technical account	12,548	(1,778)
7. Investment income	31,415	39,420
Unrealised gains on investments	-	11,875
7. Investment expenses and charges	(7,247)	(4,248)
Unrealised losses on investments	(6,470)	-
<b>Profit on ordinary activities before tax</b>	<b>30,246</b>	<b>45,269</b>
5. Tax on profit on ordinary activities	(2,760)	(8,588)
<b>Profit for the financial year</b>	<b>27,486</b>	<b>36,681</b>
Dividends	(146)	(10,207)
<b>Retained profit for the financial year</b>	<b>27,340</b>	<b>26,474</b>

<b>Statement of total recognised gains and losses</b>	1999	1998
	£'000	£'000
Profit for the financial year	27,486	36,681
Gain on revaluation of investments in subsidiary undertakings	15,248	7,508
Exchange gains/(losses)	2	(2)
<b>Total recognised gains and losses for the year</b>	<b>42,736</b>	<b>44,187</b>

**BALANCE SHEET**

at 31 December 1999

Note	Assets	1999 £'000	1998 £'000
	<b>Investments</b>		
8.	Investments in group undertakings and participating interests	170,057	155,916
9.	Other financial investments	378,445	394,032
		548,502	549,948
17.	<b>Reinsurers' share of technical provisions</b>		
	Provision for unearned premiums	1,374	106
	Claims outstanding	4,293	7,471
	Other technical provisions	6,100	7,800
		11,767	15,377
	<b>Debtors</b>		
	Debtors arising out of direct insurance operations - policyholders	20,358	12,499
	- intermediaries	9,239	13,069
		29,597	25,568
	Debtors arising out of reinsurance operations	1,208	1,576
	Amounts owed by group undertakings	6,946	8,560
	Other debtors	4,127	6,655
		41,878	42,359
	<b>Other assets</b>		
10.	Tangible assets	637	362
	Cash at bank and in hand	5,778	4,961
		6,415	5,323
	<b>Prepayments and accrued income</b>		
	Accrued interest and rent	6,977	7,224
17.	Deferred acquisition costs	16,212	17,110
		23,189	24,334
	<b>Total assets</b>	<b>631,751</b>	<b>637,341</b>

**BALANCE SHEET**  
at 31 December 1999

Note	Liabilities	1999 £'000	1998 £'000
	<b>Capital and reserves</b>		
11.	Called up share capital	7,000	7,000
	Share premium account	96,053	96,053
12.	Revaluation reserve	99,042	90,262
12.	Profit and loss account	116,610	82,800
13.	<b>Shareholders' funds</b>	318,705	276,115
	Total shareholders' funds attributable to		
	Non-equity shareholders	3,500	3,500
	Equity shareholders	315,205	272,615
		318,705	276,115
17.	<b>Technical provisions</b>		
	Provision for unearned premiums	90,895	102,983
	Claims outstanding	92,846	104,541
	Equalisation provision	11,502	8,454
	Other technical provisions	29,100	39,500
		224,343	255,478
	<b>Creditors</b>		
	Creditors arising out of direct insurance operations	609	2,269
	Creditors arising out of reinsurance operations	294	548
14.	Other creditors, including taxation and social security	85,795	97,628
		86,698	100,445
	<b>Accruals and deferred income</b>	2,005	5,303
	<b>Total liabilities</b>	<u>631,751</u>	<u>637,341</u>

The notes on pages 12 to 21 form an integral part of these financial statements.

The financial statements on pages 8 to 21 were approved by the directors on 25 April 2000.



J. Castagno, Director

### 1. Accounting policies

#### a) Basis of preparation

The financial statements conform with applicable accounting standards, have been prepared under the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985 and have been prepared in compliance with section 255 of, and Schedule 9A to, the Companies Act 1985, and conform with the Association of British Insurers' (ABI) Statement of Recommended Practice on Accounting for Insurance Business (SORP) published in December 1998.

The provisions of Financial Reporting Standard 16 (FRS16) 'Current Tax' have been adopted in these financial statements and, as a consequence, UK dividend income is now reported as the amount receivable without any addition for associated tax credits. Prior year figures have been restated accordingly.

#### b) General insurance

Results of general insurance business are determined after taking account of unearned premiums, outstanding claims and unexpired risks using the annual basis of accounting.

Equalisation provisions have been established in accordance with the Insurance Companies (Reserves) Act 1995 to mitigate exceptional high loss ratios for classes of business displaying a high degree of claims volatility. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 9A to the Companies Act 1985, to be included within technical provisions.

Premiums are accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end and provision is made for subsequent lapses. Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.

Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums. A proportion of commission and other acquisition expenses relating to unearned premiums is carried forward as deferred acquisition expenses.

Claims and related reinsurance amounts are accounted for in respect of all incidents up to the year end. Provision is made on the basis of available information for the estimated ultimate cost, including claims settlement expenses, of:

- (i) claims reported but not settled;
- (ii) claims incurred but not yet reported;

In addition to unearned premiums and after taking account of investment return, additional amounts are set aside where necessary for unexpired risks to meet future claims on business in force at the end of the year.

#### c) Investment in subsidiary undertakings

Shares in subsidiary undertakings are stated at the Company's share of their net assets. Gains and losses arising on investment in subsidiary undertakings are taken to the revaluation reserve.

#### d) Capital expenditure

Expenditure on computers, motor cars and large items of equipment is depreciated over periods ranging up to four years, having regard to expected residual values. All other items of capital expenditure are charged to the profit and loss account as incurred.

### 1. Accounting policies (continued)

#### e) Operating leases

Rentals payable under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

#### f) Investments

##### (i) General

Investment return, which comprises investment income less related expenses, interest expense and investment gains and losses is included in the non-technical account.

##### (ii) Investment income

Investment income includes dividends and interest; directly related investment expenses are reported separately within investment expenses and charges. Dividends receivable are accounted for on an ex-dividend basis and interest is included on an accruals basis.

##### (iii) Interest expense

Interest expense reflects the underlying cost of borrowing and is reported within investment expenses and charges.

##### (iv) Investment valuations

Listed investments are shown at market value and unlisted investments at directors' valuation.

##### (v) Investment gains and losses

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

Unrealised gains and losses on investments are calculated as the difference between the carrying valuation of investments at the balance sheet date and original cost. Movements in unrealised gains and losses on investments arising in the year are included in the profit and loss account.

#### g) Related party disclosures

The company has taken advantage of the exemption in FRS8 from disclosing related party transactions with other entities included in the consolidated financial statements for Legal & General Group Plc.

#### h) Deferred tax

Deferred tax is calculated on the liability method and is provided only to the extent that it is considered, with reasonable probability, that the liability will become payable within the foreseeable future.

#### i) Pension costs

The Company charges the regular cost of its pension schemes against profits on a systematic basis over the service lives of the pensionable employees. Variation from regular cost is allocated over the expected remaining service lives of current scheme members.

Any difference between the cumulative amounts charged against profits and contribution amounts paid is included as a provision, or prepayment, in the balance sheet. Deferred tax in respect of pension costs is accounted for in accordance with the policy described above.

## NOTES TO FINANCIAL STATEMENTS

<b>2. Class segmental analysis</b>	1999 £'000	1998 £'000
<b>Gross premiums written</b>		
Motor (third party liability and other classes)	26,604	27,385
Fire & other damage to property	96,225	75,652
Credit and suretyship	3,140	3,716
Other business	5,046	3,989
	<u>131,015</u>	<u>110,742</u>
<b>All premiums result from contracts written in the United Kingdom.</b>		
<b>Gross premiums earned</b>		
Motor (third party liability and other classes)	26,079	27,664
Fire & other damage to property	97,866	77,749
Credit and suretyship	13,349	14,587
Other business	5,809	4,353
	<u>143,103</u>	<u>124,353</u>
<b>Gross claims incurred</b>		
Motor (third party liability and other classes)	21,020	27,677
Fire & other damage to property	61,595	54,299
Credit and suretyship	5,707	8,168
Other business	1,297	504
	<u>89,619</u>	<u>90,648</u>
<b>Gross operating expenses</b>		
Motor (third party liability and other classes)	7,531	8,805
Fire & other damage to property	33,685	24,838
Credit and suretyship	1,069	1,643
Other business	1,203	909
	<u>43,488</u>	<u>36,195</u>
<b>Reinsurance balance</b>		
Motor (third party liability and other classes)	155	(178)
Fire & other damage to property	4,062	3,036
Credit and suretyship	583	(127)
	<u>4,800</u>	<u>2,731</u>
<b>Balance on the technical account for general business</b>		
Motor (third party liability and other classes)	(2,627)	(9,140)
Fire & other damage to property	(4,208)	(6,579)
Credit and suretyship	16,013	11,063
Other business	3,370	2,878
	<u>12,548</u>	<u>(1,778)</u>

## NOTES TO FINANCIAL STATEMENTS

<b>3. Net operating expenses</b>	1999 £'000	1998 £'000
Acquisition costs	29,484	25,401
Change in deferred acquisition costs	898	2,304
Administrative expenses	13,106	8,391
Reinsurance commissions and profit participation	(492)	498
	<u>42,996</u>	<u>36,594</u>
The above figures include commissions for direct business amounting to:	<u>23,462</u>	<u>18,690</u>

- 4. Auditor's remuneration**  
Fees paid to PricewaterhouseCoopers in relation to the audit of these financial statements and those of the Company's subsidiary undertakings amounted to £65,000 (1998, £74,000). Other fees paid to PricewaterhouseCoopers, including fees for the audit of regulatory returns in the UK, amounted to £14,000 (1998, £14,000).

<b>5. Tax charge</b>	1999 £'000	1998 £'000 Restated
Corporation tax at 30.25% (1998, 31%)	2,765	9,688
Adjustments in respect of prior periods	(5)	(1,100)
	<u>2,760</u>	<u>8,588</u>
Potential amount of deferred tax not provided for:	1999 £'000	1998 £'000
Unrealised net investment gains	21,279	18,394
Other timing differences	(1,594)	(1,026)
	<u>19,685</u>	<u>17,368</u>

Potential deferred tax is computed at the relevant corporate tax rate according to existing law.

## NOTES TO FINANCIAL STATEMENTS

6. Employee information	1999	1998
Average number of staff employed in the conduct of general insurance business	<u>407</u>	<u>408</u>
Average number of part time staff included in the above	<u>27</u>	<u>32</u>
	1999	1998
	£'000	£'000
Staff costs included in operating expenses		
Wages and salaries	8,800	7,815
Social security costs	723	671
Other pension costs	683	592
	<u>10,206</u>	<u>9,078</u>
Staff costs of part time staff included in the above	<u>345</u>	<u>307</u>
7. Investment return	1999	1998
	£'000	£'000
(i) investment income		Restated
Income in respect of other investments		
- received from group undertakings	5,385	8,512
- received from other sources	26,030	23,819
	<u>31,415</u>	<u>32,331</u>
Realised investment gains	-	7,089
	<u>31,415</u>	<u>39,420</u>
(ii) unrealised investment gains	-	11,875
(iii) investment expenses and charges		
Bank loans and overdrafts	(8)	(6)
Other borrowings	(3,681)	(3,695)
Investment management expenses	(598)	(547)
Realised investment losses	(2,960)	-
	<u>(7,247)</u>	<u>(4,248)</u>
iv) unrealised investment losses	<u>(6,470)</u>	-
Total investment return	<u>17,698</u>	<u>47,047</u>

The provisions of FRS16 'Current Tax' have been adopted and the 1998 figures restated accordingly. The restatement reduced the income in respect of other investments by £2,108,000.

## NOTES TO FINANCIAL STATEMENTS

8. Investments in group undertakings and participating interests	1999 £'000	1998 £'000
Shares in group undertakings	93,850	78,602
Loans to group undertakings	74,573	74,918
Participating interests	1,634	2,396
	<u>170,057</u>	<u>155,916</u>

Original cost of shares in group undertakings is £ 44,935,190 (1998, £44,935,190).

The subsidiary companies of Legal & General Insurance Limited are listed below. The Company holds 100% of the ordinary share capital and voting rights, except for Gresham Insurance Company Limited, where the Company holds 90% of the ordinary share capital and voting rights. Each undertaking operates mainly in the United Kingdom.

Held directly by the Company	Nature of Business	Incorporated In
Gresham Insurance Company Limited	General insurance	Great Britain
Legal & General GI Computer Services Limited	Leasing company	Great Britain
Southgate Associates Limited	Holding company	Great Britain
<b>Held indirectly through subsidiary undertakings</b>		
Bridge End Computers Limited	Leasing company	Great Britain
Glanfield Securities Limited	Investment company	Great Britain
Legal & General Investment Trust Limited	Investment company	Great Britain
<b>Participating interests (10%)</b>		
Woolwich Insurance Services Limited	Insurance administration	Great Britain

9. Other financial investments	1999 £'000	1998 £'000
Shares and other variable-yield securities and units in unit trusts	103,966	98,841
Debt securities and other fixed income securities		
- British Government securities	145,400	171,369
- Other	128,723	123,204
	274,123	294,573
Unsecured loans	356	618
	<u>378,445</u>	<u>394,032</u>
The value of listed investments included above is:	<u>377,455</u>	<u>392,780</u>

The original cost of financial investments was £328,254,000 (1998, £337,372,000).

# NOTES TO FINANCIAL STATEMENTS

10.	<b>Tangible assets</b>	1999	1998		
	Fixtures, fittings, tools and equipment.	£'000	£'000		
	<b>Cost</b>				
	Balance at beginning of year	2,194	3,703		
	Revaluations	-	127		
	Additions	3,301	809		
	Disposals	(2,065)	(2,445)		
	Balance at end of year	3,430	2,194		
	<b>Depreciation</b>				
	Balance at beginning of year	1,832	3,049		
	Provided during the year	3,080	463		
	Disposals	(2,119)	(1,680)		
	Balance at end of year	2,793	1,832		
	<b>Net book value at 31 December</b>	<b>637</b>	<b>362</b>		
11.	<b>Share capital</b>	1999	1998		
		£'000	£'000		
	<i>Authorised and issued, fully paid:</i>				
	Equity interests - 3,500,000 ordinary shares of £1 each	3,500	3,500		
	Non-equity interests - 3,499,999 floating rate cumulative preference shares of £1 each	3,500	3,500		
		<b>7,000</b>	<b>7,000</b>		
	<i>Rights of preference shareholders</i>				
	Total dividends for 1999 of £146,000 (1998, £207,000), are payable half yearly on 1 June and 1 December and rank in priority to any other class of shares. On winding-up or redemption the preference shareholders are entitled, in priority to any other class of shares, to the capital repayment plus the proportion of dividends due. There are no voting rights attaching to the preference shares other than for a resolution for winding-up the Company or reducing its capital.				
12.	<b>Movements in retained profits and reserves</b>				
		Profit & loss	Revaluation	Profit & loss	Revaluation
		Account	Reserve	Account	Reserve
		1999	1999	1998	1998
		£'000	£'000	£'000	£'000
	Balance at 1 January	82,800	90,262	68,201	70,881
	Retained profit	27,340		26,474	
	Unrealised investment transfer	6,470	(6,470)	(11,875)	11,875
	Gain on revaluation of investments in subsidiaries		15,248		7,508
	Exchange profit (loss)		2		(2)
	<b>Balance at 31 December</b>	<b>116,610</b>	<b>99,042</b>	<b>82,800</b>	<b>90,262</b>

## NOTES TO FINANCIAL STATEMENTS

<b>13. Reconciliation of movements in shareholders' funds</b>	1999 £'000	1998 £'000
Profit on ordinary activities after tax	27,486	36,681
Dividends paid	(146)	(10,207)
Other recognised gains and losses relating to the year	15,250	7,506
Net addition to shareholders' funds	42,590	33,980
Opening shareholders' funds	276,115	242,135
Closing shareholders' funds	<u>318,705</u>	<u>276,115</u>
<b>14. Analysis of other creditors</b>	1999 £'000	1998 £'000
Tax	17,504	24,680
Amounts owed to group undertakings	60,255	62,100
Other creditors	8,036	10,848
	<u>85,795</u>	<u>97,628</u>

### 15. Pension scheme

The majority of employees of the Company are members of the Legal & General Group's UK defined benefit (final salary) pension schemes, details of the actuarial valuation of which are disclosed in the financial statements of the ultimate holding company. The total cost to the Company for all schemes was £683,000 (1998, £592,000) none of which is attributable to amortisation of past service liabilities. The schemes were subject to a formal review at 31 December 1999 by a qualified actuary, who was an employee of Legal & General Assurance Society Limited, the parent undertaking, using the projected unit method. The assets of the schemes are held through separate trustee administered funds.

The employers' contribution rates over the average remaining service lives of the members of the schemes take account of surpluses disclosed by the valuation.

### 16. Equalisation provisions

As explained in the accounting policy 1(b) on page 12, an equalisation provision is established in the financial statements. The effect of this provision is to reduce the shareholders' funds by £11,502,000 (1998, £8,454,000). The increase in the provision during the year has had the effect of reducing the balance on the technical account for general business and the profit on ordinary activities before tax by £3,048,000 (1998, £2,657,000).

## NOTES TO FINANCIAL STATEMENTS

17. Technical provisions	At 31 December 1998 £'000	Technical Account Movement £'000	At 31 December 1999 £'000
<b>Unearned premiums</b>			
Gross	102,983	(12,088)	90,895
Reinsurance	(106)	(1,268)	(1,374)
Net	102,877	(13,356)	89,521
<b>Unexpired risks</b>			
Gross	39,500	(10,400)	29,100
Reinsurance	(7,800)	1,700	(6,100)
Net	31,700	(8,700)	23,000
<b>Outstanding claims</b>			
Gross	104,541	(11,695)	92,846
Reinsurance	(7,471)	3,178	(4,293)
Net	97,070	(8,517)	88,553
<b>Equalisation provision</b>	8,454	3,048	11,502
<b>Deferred acquisition costs</b>	(17,110)	898	(16,212)
<b>Total</b>	<u>222,991</u>	<u>(26,627)</u>	<u>196,364</u>
<b>Segmental analysis of technical provisions</b>			
Motor (third party liability and other classes)	39,670	(3,664)	36,006
Fire & other damage to property	93,605	(3,304)	90,301
Credit and suretyship	83,104	(19,215)	63,889
Miscellaneous	6,612	(444)	6,168
	<u>222,991</u>	<u>(26,627)</u>	<u>196,364</u>

General insurance provisions, together with related reinsurance amounts, are fairly stated in aggregate on the basis of available information, but the establishment of provisions can never be definitive and reassessments take place regularly.

Equalisation provisions are calculated in accordance with statutory formulae. The increase for household business is 3% of net premiums written and for credit business is 12% of net premiums written. These provisions are in addition to those for the anticipated cost of settlement of policyholders liabilities.

## NOTES TO FINANCIAL STATEMENTS

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18. The parent company is Legal & General Assurance Society Limited, a company incorporated in Great Britain.

The Company is exempt from the obligation to prepare and deliver group accounts as it is a wholly owned subsidiary of the ultimate holding company, Legal & General Group Plc, a company incorporated in Great Britain and is the ultimate holding undertaking which consolidates the financial statements of the Company. These accounts therefore provide information about the Company as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available at the Registered Office, Temple Court, 11 Queen Victoria Street, London EC4N 4TP.

In accordance with FRS1(revised) the Company has not prepared a cashflow statement as the ultimate holding company has included a consolidated cashflow statement in its financial statements

19. **Directors' information**

*Directors' remuneration*

Emoluments of the directors in respect of their services to the Company are as follows:

	1999 £'000	1998 £'000
Aggregate emoluments	<u>182</u>	<u>158</u>

No fees were paid to the directors, emoluments relate to salaries and performance bonuses. Retirement benefits are accruing to 3 (1998, 3) directors under the defined benefit pension scheme.

*Directors' transactions and arrangements*

No director had any material interest in any contract or arrangement of significance in relation to the business of the Company during 1999.