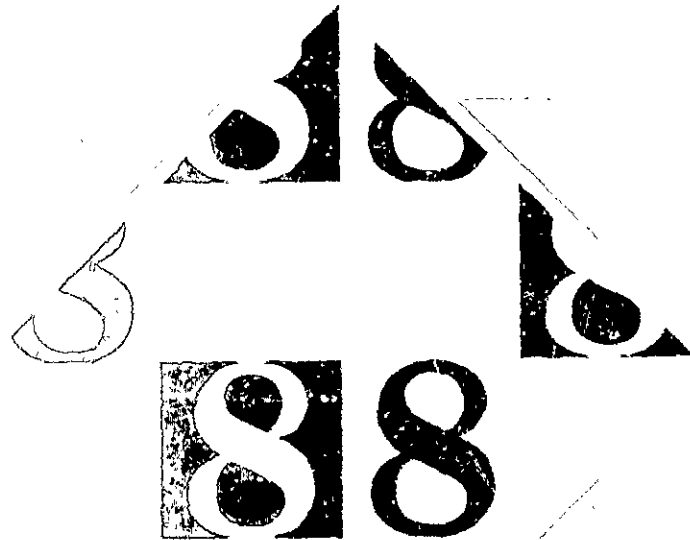


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Report & Accounts 1988



Black Horse
Life



Black Horse Life Assurance Company Limited

Report and Accounts 1988

Mountbatten House, Chatham, Kent ME4 4JF
Tel: Medway (0634) 834000.



Black Horse Life Assurance Company Limited

Directors and officers

Directors

K P Plummer (Chairman)
R L Bevan FIA
T J Jones FCCA MBIM
R J Spragg FFA

General Manager
R L Bevan FIA

Secretary
F C A Maslen

Registered Office
71 Lombard Street
London EC3P 3BS

Appointed Actuary
R J Spragg
Black Horse Life Assurance Company Limited
Mountbatten House
Chatham
Kent ME4 4JF

Auditors
Price Waterhouse
Southwark Towers
32 London Bridge Street
London SE1 9SY

Bankers
Lloyds Bank Plc
142 High Street
Chatham
Kent ME4 4DQ

Solicitors
Linklaters & Paines
Barrington House
59-67 Gresham Street
London EC2V 7JA

Statement by the Chairman

Data processing

A new computerised administration system was installed at the beginning of the year and this has proved very successful in enabling the increased business volumes to be processed quickly and efficiently. The process of enhancement and modification will continue to improve further the service provided to policyholders.

The future

The Company has recently merged with the Abbey Life Group plc but will continue to trade as an independent company separately from Abbey Life Assurance. The combined 'skills' of the new group will be a major force in the life assurance industry and enhance the Company's already attractive growth prospects. Another year of significant and profitable expansion is therefore envisaged in 1989.

Staff

A rapid but carefully controlled expansion of staff numbers was vital to the Company's success and this was successfully achieved with an increase in numbers to 402 (1987: 157) by the end of the year.

The Company is indebted to the hard work and commitment of its staff during a year of very substantial business growth and on behalf of the directors I thank them for their truly magnificent efforts.



K P Plummer
Chairman
8 February 1989

Report of the directors

Activities

The principal activity of the Company is to transact ordinary long term life assurance and pensions business.

New business

New business completed by the Company during the year, before reinsurance, was:

	1988	1987
	£m	£m
Regular premiums	27.2	3.4
Single premiums	106.1	65.1

Bonus declaration

The following bonuses for with profit, whole life, and endowment policies, including low cost endowment plans, in force on 1 October 1988 have been declared:

1. a reversionary bonus of 4.5 per cent per annum compound to vest with immediate effect; and
2. a terminal bonus payable only in the event of death or maturity of:
 - (a) 45 per cent of existing reversionary bonuses, plus
 - (b) 1 per cent of basic sum assured for each complete year in force at date of death or maturity.

Until further notice, with profit policies becoming claims by death or maturity after 1 October 1988 will receive reversionary and terminal bonuses at the above rates.

Long term business revenue account

Details of the business transacted during the year are shown on page 9 in the long term business revenue account.

Share capital

In order to finance the rapid business growth, the authorised share capital of the Company was increased on 26 September 1988 from £6 million to £11 million by the creation of 5,000,000 additional ordinary shares of £1 each and 5,000,000 ordinary shares were issued for cash at par.

Subsequent events

On 4 October 1988 the share capital of the Company was increased further to support future expansion. The authorised share capital was increased from £11 million to £16 million by the creation of 5,000,000 additional ordinary shares of £1 each. 5,000,000 ordinary shares were issued for cash at par.

On 21 December 1988 the share capital of the Company's holding company was transferred to Abbey Life Group plc as part of a merger of five Lloyds Bank businesses into the Abbey Life Group plc.

Report of the directors

Directors

The names of the present directors of the Company are shown on page 1.

Mr E J Dawson, Mr K P Plummer and Mr R O Steel resigned as directors in January 1988 when Mr R L Bevan, Mr T J Jones and Mr R J Spragg were appointed directors. Mr R O Steel resigned as chairman at the same date and Mr D I Stuart was elected chairman in his place.

Mr D I Stuart resigned as a director and chairman in January 1989 and Mr K P Plummer was appointed a director and elected chairman in his place.

In accordance with the articles of association Mr Plummer will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

There were no directors at the year end other than those who were also directors of Lloyds Bank Assurance and Unit Trust (Holdings) Limited or Lloyds Bank Financial Services (Holdings) Limited who had any interest in the capital of Lloyds Bank Plc either at the date of their appointment or the end of the year.

Auditors

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their re-appointment as auditors will be submitted to the forthcoming annual general meeting.

By order of the board,

FCA Maslen
Secretary

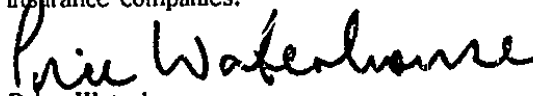
8 February 1989

Auditors' report

To the members of Black Horse Life Assurance Company Limited

We have audited the accounts on pages 7 to 14 in accordance with approved Auditing Standards.

In our opinion, the accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.




Price Waterhouse
Chartered Accountants

Southwark Towers
32 London Bridge Street
London SE1 9SY

8 February 1989

Actuary's certificate

In my opinion, the aggregate amount of the liabilities of the Company in relation to its long term business as at 30 September 1988 does not exceed the aggregate amount of those liabilities as shown in the balance sheet. In reaching that opinion I have had regard to the nature and term of the assets available to meet those liabilities as shown in the balance sheet and the value placed on such assets.



R J Spragg
Appointed Actuary
of Black Horse Life Assurance Company Limited

Mountbatten House
Chatham
Kent ME4 4JF

8 February 1989

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Black Horse Life Assurance Company Limited

Profit and loss account
for the year ended 30 September 1988

	1988	1987
	£000	£000
Transfer (to) from long term business revenue account	(1,100)	478
(Loss) Profit before and after taxation	(1,100)	478
Accumulated losses brought forward	(914)	(1,392)
Accumulated losses carried forward	(2,014)	(914)

The notes on pages 12 to 14 form part of these accounts

Statement of source and application of shareholders' funds for the year ended 30 September 1988

	1988	1987
	£000	£000
Source of funds		
Issue of shares	5,000	1,000
Application of funds		
Transfer to (from) long term business revenue account	1,100	(478)
Items not involving movement of funds:		
Depreciation	(283)	(100)
Loss on disposal of fixed assets	—	(75)
	817	(653)
Additions to equipment	1,867	434
Decrease (Increase) in current liabilities	355	(355)
Increase in other current assets	1,961	1,574
	5,000	1,000

The notes on pages 12 to 14 form part of these accounts

Long term business revenue account for the year ended 30 September 1988

	Note	1988 £000	1987 £000
Income			
Premium income	1a	121,989	69,042
less: reinsurance		(34,516)	(11,395)
		87,473	57,647
Investment income	1b	7,580	5,098
Profit on realisation of investments		1,055	2,072
		96,108	64,817
Expenditure			
Claims		3,060	2,136
less: reinsurance		(561)	(419)
		2,499	1,717
Surrenders		15,799	7,730
less: reinsurance		(3,336)	(1,466)
		12,463	6,264
Commission: paid and received	1c	1,882	628
Stamp duty and medical fees		769	108
Management expenses	1c, 7	12,491	4,401
Taxation	3	(298)	277
		29,806	13,395
		66,302	51,422
(Decrease) Increase in market value of investments		(31,332)	30,247
		34,970	81,669
Transfer from (to) profit and loss account		1,100	(478)
		36,070	81,191
Long term insurance fund at beginning of year		152,491	71,300
Long term insurance fund at end of year		188,561	152,491

The notes on pages 12 to 14 form part of these accounts

Balance sheet

at 30 September 1988

Funds employed	Note	Policyholders' funds	
		1988 £000	1987 £000
Share capital	4	—	—
Profit and loss account		—	—
Long term insurance fund		188,561	152,491
		188,561	152,491
Represented by			
Equipment	6	—	—
Investments at market value	1d		
British Government securities		33,779	22,419
Other fixed interest securities		7,280	1,735
Lloyds Bank unit trusts		55,045	44,188
Equities and other unit trusts		74,829	72,276
Property		3,700	2,910
		174,633	143,528
Current assets			
Investment income receivable		1,435	752
Tax recoverable		1,497	815
Claims paid in advance		—	65
Short term loans and deposits		15,012	7,968
Balances with Lloyds Bank Plc		2,227	813
Balances with fellow subsidiaries		168	160
Other debtors		3,234	2,428
		23,573	13,001
Less: Current liabilities			
Claims outstanding		1,583	720
Balances with Lloyds Bank Plc		1,154	645
Balances with fellow subsidiaries		2,237	536
Other creditors		4,671	1,839
Deferred taxation		—	298
		9,645	4,038
Net current assets		13,928	8,963
		188,561	152,491

K P Plummer Chairman
R L Bevan Director

The notes on pages 12 to 14 form part of these accounts

Balance sheet

Shareholders' funds		Total	
1988 £000	1987 £000	1988 £000	1987 £000
11,000 (2,014)	6,000 (914)	11,000 (2,014)	6,000 (914)
8,986	5,086	8,986	5,086
—	—	188,561	152,491
8,986	5,086	197,547	157,577
2,284	700	2,284	700
—	—	33,779	22,419
—	—	7,280	1,735
—	—	55,045	44,188
—	—	74,829	72,276
—	—	3,700	2,910
—	—	174,633	143,528
32	31	1,467	783
—	—	1,497	815
—	—	—	137
6,585	4,638	21,597	12,606
85	—	2,312	813
—	—	168	160
—	—	3,234	2,428
6,702	4,741	30,275	17,742
—	—	1,583	720
—	355	1,154	1,000
—	—	2,237	536
—	—	4,671	1,839
—	—	—	298
—	355	9,645	4,393
6,702	4,386	20,630	13,349
8,986	5,086	197,547	157,577



Notes to the accounts

1. Accounting policies

The accounts are prepared under the historical cost convention as modified by the revaluation of investments and in accordance with the Companies Act 1985, sections 257, 258, 260 and Schedule 9 and with the other requirements of the Companies Act 1985 applicable to insurance companies.

a Premium income

Premium income is credited to the long term business revenue account in the year in which it is receivable, after deducting related reinsurance premiums.

b Investment income

Investment income comprises interest, dividends, and rents receivable and includes the associated tax credits on franked investment income. The investment income arising on assets representing shareholders' funds is credited to the long term business revenue account.

c Commission and management expenses

Commission and management expenses are charged to the long term business revenue account in the year in which they are incurred.

d Investments

Investments are included in the balance sheet as follows:

- (i) British government and other fixed interest securities — at middle market price on the balance sheet date.
- (ii) Listed investments — at middle market price on the balance sheet date.
- (iii) Unit trusts — at bid price on the balance sheet date.
- (iv) Property — at directors' valuations on the basis of open market value by reference to the most recent valuations prepared by professional valuers.
- (v) Short term loans and deposits — at the amounts advanced.

Profits and losses on restatement or realisation of investments are taken to the long term business revenue account.

e Life assurance business

Actuarial valuations of the liabilities of the long term business fund are made annually. The most recent valuation was carried out as at 30 September 1988.

f Depreciation

Equipment is depreciated by equal annual instalments over the estimated useful lives of the assets, which are mainly as follows:

Fixtures and fittings	20 years
Furnishings	10 years
Computers and other equipment	6 years

g Deferred taxation

Deferred taxation is provided at the appropriate rates of taxation where there is a reasonable probability that such taxation will become payable in the foreseeable future.

Notes to the accounts

2. Emoluments of the directors and employees

Two directors served as chairman during the year and received emoluments as follows:

Mr R O Steel to January 1988 £1,430 (1987: £2,800), Mr D I Stuart from January 1988 £nil.

The emoluments of the highest paid director were £44,293.

The number of other directors whose gross emoluments, excluding pension contributions and ex gratia payments, were within each of the following ranges was:

	£	1988	1987
Nil	— 5,000	—	3
5,001	— 30,000	—	—
30,001	— 35,000	1	—
35,001	— 40,000	1	—
40,001	— 45,000	1	—

Directors emoluments are included for that part of the year they were directors of the Company. All staff engaged in the service of the Company are employees of Lloyds Bank Plc.

3. Taxation

The taxation charge in the long term business revenue account is based on a United Kingdom corporation tax rate of 35% (1987: 35%) and comprises:

	1988 £000	1987 £000
Current taxation	—	98
Prior year adjustment	—	1
Deferred taxation, relating to short term timing differences	(298)	178
	<u>(298)</u>	<u>277</u>

4. Share capital

	1988 £000	1987 £000
Authorised, issued, allotted and fully paid: 11 million (1987: 6 million) ordinary shares of £1 each	<u>11,000</u>	<u>6,000</u>

The whole of the issued share capital is owned by Lloyds Bank Assurance and Unit Trust (Holdings) Limited, which became a subsidiary of Abbey Life Group plc on 21 December 1988. The ultimate holding company is Lloyds Bank Plc, which is incorporated in Great Britain.

5. Subsequent events

On 4 October 1988 the share capital of the Company was increased further to support future expansion. The authorised share capital was increased from £11 million to £16 million by the creation of 5,000,000 additional ordinary shares of £1 each. 5,000,000 ordinary shares were issued for cash at par.

On 21 December 1988 the share capital of the Company's holding company was transferred to Abbey Life Group plc as part of a merger of five Lloyds Bank businesses into the Abbey Life Group plc.

Notes to the accounts

6. Equipment

	Total	Computers & other equipment	Loose furnishings	Fixture & fittings
	£000	£000	£000	£000
Cost				
At 1 October 1987	932	852	62	18
Additions	1,867	1,393	362	112
Disposals	—	—	—	—
	<u>2,799</u>	<u>2,245</u>	<u>424</u>	<u>130</u>
At 30 September 1988				
Accumulated depreciation				
At 1 October 1987	232	226	6	—
Charge for the year	283	259	21	3
	<u>515</u>	<u>485</u>	<u>27</u>	<u>3</u>
At 30 September 1988				
Net book value				
At 30 September 1988	<u>2,284</u>	<u>1,760</u>	<u>397</u>	<u>127</u>
At 30 September 1987	<u>700</u>	<u>626</u>	<u>56</u>	<u>18</u>

7. Management expenses

Management expenses include the following charges:

	1988 £000	1987 £000
Depreciation	283	100
Auditors' remuneration	31	19
Commission payable to Lloyds Bank Plc	1,522	—
Wages and salaries payable to Lloyds Bank Plc	4,305	1,591
Other expenses payable to Lloyds Bank Plc	1,339	192
Director emoluments	111	—

8. Date of approval

The directors approved the accounts on 8 February 1989.

Black Horse Life Contracts

CONVENTIONAL ASSURANCES

Homecover — Mortgage Protection Assurance

Family Income Benefit

Term Assurance

Convertible Term Assurance

Coverloan — Flexible Term Assurance

UNIT LINKED ASSURANCES

Investment Bond

Investment Plan

Low Cost Mortgage Endowment Plan

Low Start Mortgage Endowment Plan

Personal Pension Plan

Personal AVC Pension Plan

SPECIAL FACILITIES

Personal Bond

Gemini Bond

Home Loan Scheme

'Top-Up' Home Loan Scheme

HEAD OFFICE
Black Horse Life Assurance Company Limited,
Mountbatten House, Chatham, Kent ME4 4JF.
Telephone: 0634 834000
February 1989

Registered in England no 1132760
Registered office:
71 Lombard Street, London EC3P 3BS

Black Horse Life Assurance
Company Limited is a
subsidiary of Lloyds Bank Plc.

A member of the Association of British Insurers and the Insurance Ombudsman Bureau
Regulated in the conduct of investment business by SIB