

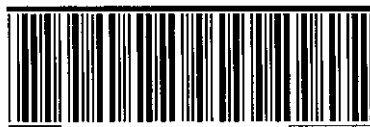
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**FRIENDS' PROVIDENT**  
**LINKED LIFE ASSURANCE LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**31ST DECEMBER 1994**



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COMPANIES HOUSE 30/05/95

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 1994**

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**DIRECTORS**

G.K. ASLET, MA, FIA K. SATCHELL, BSc, FIA, ASA

B.W. SWEETLAND, LL.B

**SECRETARY**

B.W. SWEETLAND, LL.B

**PRINCIPAL ACTIVITY**

The principal activity of the company is the transaction of linked long-term reinsurance business in respect of contracts issued by Friends' Provident Life Office in the United Kingdom.

**RESULTS AND BUSINESS REVIEW**

The net addition to the Ordinary Long-Term Business Fund is set out on page 4. The company's results for the year are set out on page 5. A transfer of £600,000 has been made to the Profit and Loss Account from the Ordinary Long-Term Business Revenue Account (1993:£100,000).

**DIVIDEND**

An interim dividend of £600,000 was paid during the year (1993:£100,000). The directors do not recommend the payment of a final dividend.

**DIRECTORS**

The directors named above held office throughout the year. M.F. Doerr, A.R. Barnes, A.J. Griffiths, R.C. Hallett and P. Silvester resigned on 31st December 1994 having held office throughout the year to this date. No director held shares beneficially in any company of the Friends' Provident Life Office Group during the year.

**DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

Such insurance has been effected.

**AUDITORS**

The directors have taken advantage of the Elective Regime, under section 386 of the Companies Act 1985, for dispensation from the annual appointment of auditors.

The auditors, Price Waterhouse, have signified their willingness to continue in office.

# **FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

## **REPORT OF THE DIRECTORS (continued)**

### **DIRECTORS' RESPONSIBILITIES**

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

After making enquiries, the directors are satisfied that the company has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the accounts on that basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 applicable to insurance companies. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements.

Pixham End,  
Dorking,  
Surrey, RH4 1QA

20th March 1995

Registered Number 1665500

BY ORDER OF THE DIRECTORS



B.W. SWEETLAND  
SECRETARY

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention, as modified by the revaluation of investments and the accounting policies set out therein.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 2 the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **OPINION**

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

PRICE WATERHOUSE  
Chartered Accountants  
and Registered Auditors  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

20th March 1995

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

**ORDINARY LONG -TERM BUSINESS REVENUE ACCOUNT  
FOR THE YEAR ENDED 31ST DECEMBER 1994**

	Note	1994 £'000	1993 £'000
<u>Continuing Operations</u>			
<b>INCOME</b>			
Annual premiums	2	50,949	36,876
Single premiums	2	82,644	79,858
		-----	-----
		133,593	116,734
Investment income	4	12,171	9,114
Variation of investment values		(38,397)	69,138
		-----	-----
		107,367	194,986
		-----	-----
<b>EXPENDITURE</b>			
Claims		9,019	6,440
Surrenders		28,189	40,442
Management expenses	5	5,654	4,199
Taxation	6	1,448	2,526
		-----	-----
		44,310	53,607
		-----	-----
<b>INCREASE IN THE FUND FOR THE YEAR</b>		63,057	141,379
Transfer to Profit and Loss Account		(600)	(100)
<b>FUND AT THE BEGINNING OF THE YEAR</b>		382,620	241,341
		-----	-----
<b>FUND AT THE END OF THE YEAR</b>		445,077	382,620
		=====	=====

Note

The Revenue Account deals with all income and expenditure for the year as well as realised and unrealised gains and losses attributable to policyholders.

The notes on pages 8 to 13 form an integral part of these accounts

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1994**

	Note	1994 £'000	1993 £'000
<u>Continuing Operations</u>			
Investment Income		23	18
Transfer from Revenue Account		600	100
		----	----
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		623	118
Tax on profit on ordinary activities	6	(6)	(6)
		----	----
<b>PROFIT FOR THE FINANCIAL YEAR</b>	14	617	112
Dividend	7	(600)	(100)
		----	----
<b>PROFIT RETAINED FOR THE FINANCIAL YEAR</b>	14	17	12
		==	==

Note

There is no difference between the results disclosed above and those on a modified historical cost basis.

**STATEMENT OF TOTAL SHAREHOLDERS' RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31ST DECEMBER 1994**

	1994 £'000	1993 £'000
Profit for the financial year	617	112
(Decrease)/increase in market value of investments	(72)	96
	----	----
Total recognised gains and losses for the financial year	545	208
	==	==

The notes on pages 8 to 13 form an integral part of these accounts.

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

**BALANCE SHEET AS AT 31ST DECEMBER 1994**

	Note	1994 £'000	1993 £'000
INVESTMENTS	8	444,843	385,282
CURRENT ASSETS	9	3,026	2,274
CREDITORS: Amounts falling due within one year	10	1,858	4,175
NET CURRENT ASSETS/(LIABILITIES)		1,168	(1,901)
TOTAL ASSETS LESS CURRENT LIABILITIES		446,011	383,381
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(287)	(59)
		445,724	383,322
CAPITAL AND RESERVES			
Called up share capital	12	250	250
Reserve account	14	246	318
Profit and loss account	14	151	134
SHAREHOLDERS' FUNDS	13 & 14	647	702
ORDINARY LONG-TERM BUSINESS FUND		445,077	382,620
		445,724	383,322

*K Satchell*

K. SATCHELL  
DIRECTOR

20th March 1995

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1994**

	<b>Note</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
<b>NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES</b>	15(a)	601	84
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received		23	18
Dividends paid		(600)	(100)
Net cash outflow from returns on investments and servicing of finance		(577)	(82)
<b>TAXATION</b>			
Tax on investment income deducted at source		(6)	(3)
<b>INVESTING ACTIVITIES</b>		-	-
		---	---
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>		18	(1)
<b>FINANCING</b>		-	-
		---	---
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	15(b)	18	(1)
		<u>18</u>	<u>(1)</u>

The notes on pages 8 to 13 form an integral part of these accounts

# FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

(a) **Basis of Preparation**

The accounts have been prepared under the historical cost convention as modified by the revaluation of investments, in accordance with section 255 of, and Schedule 9A to, the Companies Act 1985 and applicable accounting standards.

(b) **Premium Income, Claims and Surrenders**

Premium income is accounted for when received within the Friends' Provident Life Office Group. Claims and surrenders are accounted for when they are paid.

(c) **Investment Income**

Income from fixed interest securities, properties and short-term deposits is accounted for in the year in which it accrues. Income from other securities is included as income on the dates securities are listed as ex-dividend.

(d) **Investments**

Securities are stated in the balance sheet at year-end valuations:

- (i) authorised unit trusts at prices at which the managers under the unit trust schemes would purchase the holding of units;
- (ii) quoted securities at middle market values; and
- (iii) properties at open market values based on valuations carried out by a Fellow of the Royal Institution of Chartered Surveyors, who is also an employee of the ultimate parent undertaking, in conjunction with Hillier Parker May & Rowden.

(e) **Variation in Investment Values**

Realised and unrealised gains and losses on investments attributable to policyholders are dealt with in the Revenue Account. Realised gains and losses on shareholders' investments are dealt with in the profit and loss account; unrealised profits and losses on shareholders' investments are taken to the reserve account.

(f) **Taxation**

Deferred taxation is accounted for in respect of short-term timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. In accordance with normal actuarial practice, taxation on chargeable gains relating to the net unrealised appreciation of investments within the company's linked funds, including that relating to the deemed disposal of unit trusts which is deferred, is taken into account in the calculation of mathematical liabilities.

(g) **Foreign Currencies**

Assets and liabilities denominated in foreign currencies are expressed in sterling at rates ruling at the year end. Exchange profits and losses arising on policyholder assets are taken to the Ordinary Long-Term Business Revenue Account.

### 2. PREMIUMS

Premiums originate from one class of business, the transaction of linked life long term reinsurance business in respect of contracts issued by the ultimate holding company, Friends' Provident Life Office. All business originates in the United Kingdom.

# **FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

### **3. SEGMENTAL INFORMATION**

The company operates one main Ordinary Long-Term Business Fund, for which premiums, fund movement and net assets are analysed as follows:

	<b>1994</b> <b>£'000</b>	<b>1993</b> <b>£'000</b>
Premiums	133,593	116,734
Increase in fund during the year	63,057	141,379
Net Assets of the Ordinary Long-Term Business Fund	445,077	382,620

The underlying net assets of the Ordinary Long-Term Business Fund are subdivided into a number of segregated investment funds.

### **4. INVESTMENT INCOME**

Bank interest and charges amounting to £47,000 (1993:£8,000) have been deducted from investment income.

Rents receivable amounted to £932,000 (1993:£505,000).

### **5. MANAGEMENT EXPENSES**

All the company's management and investment fees with the exception of bank charges and interest are paid by Friends' Provident Life Office. A management fee is charged to the company to cover these expenses and investment fees. The fee includes auditors' remuneration for audit services of £6,200 (1993:£6,089) and auditors' remuneration for non audit services of £545 (1993:£532).

The directors consider that their services to the company were incidental to their other duties within the Friends' Provident Life Office Group and accordingly no specific remuneration incurred by the company relates to these services. All staff were employed by the Friends' Provident Life Office.

# FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED

## NOTES TO THE ACCOUNTS (continued)

### 6. TAXATION

United Kingdom and overseas taxation has been charged in the Ordinary Long-Term Business Revenue Account and the Profit and Loss Account on assessable profits and income for the year on the bases appropriate to the class of business and the territory.

	1994		1993	
	Revenue Account	Profit and Loss Account	Revenue Account	Profit and Loss Account
	£'000	£'000	£'000	£'000
Corporation tax at 25% (1993-25%)	2,232	-	2,467	-
Corporation tax at 33% (1993-33%)	-	6	-	6
Deferred tax	228	-	59	-
Adjustment in respect of prior years	(1,012)	-	-	-
	-----	-----	-----	-----
	1,448	6	2,526	6
	=====	=====	=====	=====

### 7. DIVIDEND

	1994 £'000	1993 £'000
Interim dividend paid	600	100
	=====	=====

### 8. INVESTMENTS

Ordinary shares	5,043	-
United Kingdom government securities	20,791	29,301
Other fixed interest securities	11,064	5,146
Unit trusts	377,462	328,054
Properties	15,759	7,651
Short-term deposits	14,724	15,130
	-----	-----
	444,843	385,282
	=====	=====

Investments shown on the balance sheet include authorised unit trusts, with a value of £377 million (1993:£328 million), which are managed by a fellow subsidiary, Friends' Provident Unit Trust Managers Limited.

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

<b>9.</b>	<b>CURRENT ASSETS</b>	<b>1994</b> <b>£'000</b>	<b>1993</b> <b>£'000</b>
	Amounts due for investments sold	345	-
	Investment income due	1,412	939
	Amounts due from group undertakings	7	155
	Other debtors	39	24
	Tax recoverable	1,223	34
	Cash at bank	-	1,122
		<u>3,026</u>	<u>2,274</u>
<b>10.</b>	<b>CREDITORS: Amounts falling due within one year</b>	<b>1994</b> <b>£'000</b>	<b>1993</b> <b>£'000</b>
	Amount due to group undertakings	536	953
	Amounts due for investments purchased	91	3,103
	Other creditors	489	119
	Bank overdraft	742	-
		<u>1,858</u>	<u>4,175</u>
<b>11.</b>	<b>DEFERRED TAXATION</b>		
	Balance at 1st January 1994	59	
	Transfer to Ordinary Long Term Business Revenue Account	228	
		<u>287</u>	
	Balance at 31st December 1994		
<b>12.</b>	<b>CALLED UP SHARE CAPITAL</b>		
	Authorised:		
	1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
	Allotted and fully paid:		
	250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

**FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**13. SHAREHOLDERS' FUNDS**

The net assets comprising the Shareholders' Funds are:

	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>
<u>Assets</u>		
Authorised unit trusts	495	566
Debtors	132	5
Amount due from group undertakings	-	129
Cash at bank	27	9
	-----	-----
	654	709
 <u>Liabilities</u>		
Taxation	(7)	(7)
	-----	-----
Net Assets	647	702
	=====	=====

**14. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES**

	<b>Share Capital</b>	<b>Reserve Account</b>	<b>Profit and Loss Account</b>	<b>Total Shareholders' Funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1st January 1994	250	318	134	702
Profit for the year			617	617
Dividend			(600)	(600)
Decrease in market value of investments		(72)		(72)
	-----	-----	-----	-----
As at 31st December 1994	250	246	151	647
	=====	=====	=====	=====

The balance on the Reserve Account represents the unrealised appreciation in the market value of the investments in the Shareholders' Funds.

# FRIENDS' PROVIDENT LINKED LIFE ASSURANCE LIMITED

## NOTES TO THE ACCOUNTS (continued)

15.	NOTES TO THE CASH FLOW STATEMENT	1994 £'000	1993 £'000
(a)	Reconciliation of profit before taxation to net cash flow from operating activities:		
	<u>Continuing Operations</u>		
	Profit before taxation (excluding investment income)	600	100
	(Increase)/decrease in debtors	(128)	-
	Decrease/(increase) in amount due from group undertakings	129	(16)
		----	----
	Net cash inflow from operating activities	601	84
		====	====
(b)	Analysis of changes in cash and cash equivalents during the year:		
	Balance at 1st January	9	10
	Net cash inflow/(outflow)	18	(1)
		----	----
	Balance at 31st December	27	9
		====	====

The analysis of cash and cash equivalents comprises cash at bank.

## 16. ULTIMATE PARENT UNDERTAKING

The company's ultimate parent undertaking is Friends' Provident Life Office, which is incorporated in the United Kingdom by Act of Parliament. Copies of the Group accounts of Friends' Provident Life Office can be obtained from Pixham End, Dorking, Surrey, RH4 1QA.