

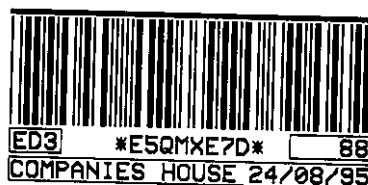
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THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS

31 December 1994

COMPANY NUMBER 100367



THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

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THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS

DIRECTORS' REPORT

The directors present their Report and Accounts of the Company for the year ended 31 December 1994.

PRINCIPAL ACTIVITIES

The principal activity of the Company has not changed during the year and continues to comprise life reinsurance business. The directors consider that the Company's activities will continue unchanged in the foreseeable future.

RESULTS AND DIVIDEND

The results for the year are shown on page [] and arise from continuing operations. The directors consider the results and the Company's financial position to be satisfactory. The directors, having declared an interim dividend of £2,000,000 (1993 £2,000,000), do not recommend the payment of any further dividend for the year. The profit for the financial year of £[] will be transferred to reserves.

DIRECTORS

The directors in office during the year were as follows:

Mr M F Davies
 Mr J S Rattray
 Mr D I W Reynolds (appointed 1 January 1994)
 Mr C A C M Schrauwens
 Mr P G Ward

DIRECTORS' INTERESTS

The directors of the Company who held office at 31 December 1994 had the following interests in the shares of Commercial Union Group companies:

Commercial Union plc

Ordinary Shares of 25p each

	31 December 1994		Options exercised during the year	1 January 1994	
	Shareholdings	Share Options		Shareholdings	Share Options
M F Davies	6,155	33,841	559	4,500	32,477
J S Rattray	6,053	67,830	3,096	7,027	45,503
D I W Reynolds	6,711	69,654	15,000	-	58,520
C A C M Schrauwens	3,746	92,594	-	2,586	76,060

During the year Mr Davies was granted 1,923 options, Mr Rattray 25,423 options, Mr Reynolds 26,134 options and Mr Schrauwens 16,534 options.

In accordance with the relevant Scheme rules, the exercise prices and numbers of shares under option have been adjusted for the bonus element of the rights issue made by Commercial Union plc in 1994.

Mr Ward is a director of the Company's ultimate holding company and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) is not required to disclose his interests in the Company's accounts. His interests can be found in the Report and Accounts of Commercial Union plc.

THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the financial year, the Commercial Union Group effected insurance cover for the officers of the Company as permitted by Section 310 of the Companies Act 1985.

Approved and signed on behalf of the Board

K N GRANT
Secretary

29 June 1995

Registered office: St. Helen's, 1 Undershaft, London, EC3P 3DQ

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The directors are required to ensure that accounts are prepared for each accounting period which comply with the relevant provisions of the Companies Act 1985, in respect of the state of affairs of the Company as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies have to be used and applied consistently in preparing accounts, using reasonable and prudent judgements and estimates, on the going concern basis unless it is inappropriate to presume that the Company will continue in business. Applicable accounting standards also have to be followed, with any material departure being disclosed and explained.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and for ensuring controls are in place for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

To the members of The British & European Reinsurance Company Limited.

We have audited the accounts on pages 4 to 10.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

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

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London

29 June 1995

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1994

	Note	1994 £'000	1993 £'000
Life profits	1b	2,857	2,985
Profit on ordinary activities before taxation		2,857	2,985
Taxation	1d,4a	(857)	(985)
Profit on ordinary activities after taxation		2,000	2,000
Dividends		(2,000)	(2,000)
Profit for the financial year		-	-
Retained profits brought forward		5,191	5,191
Retained profits carried forward		5,191	5,191

The Company has no recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 7 to 10 are an integral part of these accounts.

The auditors' report is on page 3.

THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

BALANCE SHEET

At 31 December 1994

	Note	1994 £'000	1993 £'000
LIFE ASSETS		60,437	63,948
OTHER ASSETS	2		
Amounts due from holding company		32,191	32,191
Amounts due from life fund		<u>2,000</u>	<u>2,000</u>
		34,191	34,191
TOTAL ASSETS		<u>94,628</u>	<u>98,139</u>
Less:			
LIFE LIABILITIES AND RESERVES		(60,437)	(63,948)
OTHER LIABILITIES	2		
Dividends		<u>(2,000)</u>	<u>(2,000)</u>
NET ASSETS		<u>32,191</u>	<u>32,191</u>
Represented by:			
CAPITAL AND RESERVES			
Share capital	7	27,000	27,000
Retained profits and reserves		<u>5,191</u>	<u>5,191</u>
EQUITY SHAREHOLDERS' FUNDS	8	<u>32,191</u>	<u>32,191</u>

Approved by the Board on 29 June 1995

Director

MF Davies

The notes on pages 7 to 10 are an integral part of these accounts.

The auditors' report is on page 3.

THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

BALANCE SHEET (LIFE)

At 31 December 1994

	Note	1994 £'000	1993 £'000
INVESTMENTS	1c		
Government securities		30,500	31,799
Debentures		8,282	11,457
Ordinary shares		13,576	19,926
Cash deposits		250	2,550
		<u>52,608</u>	<u>65,732</u>
Less: Investment reserve	1a	<u>(4,614)</u>	<u>(13,036)</u>
		47,994	52,696
OTHER ASSETS			
Reserves retained by ceding companies		2,345	2,354
Companies and brokers		8,878	8,255
Amounts due from fellow subsidiaries		589	281
Amounts due from holding company		92	-
Bank balances		<u>539</u>	<u>362</u>
		12,443	11,252
TOTAL LIFE ASSETS		<u>60,437</u>	<u>63,948</u>
REPRESENTED BY:			
LIFE FUND	1a,3	48,158	52,788
LIABILITIES			
Companies and brokers		9,747	9,019
Amounts due to fellow subsidiaries		8	52
Amounts due to holding company		2,036	2,088
Bank overdraft		<u>488</u>	<u>1</u>
		12,279	11,160
TOTAL LIFE LIABILITIES AND RESERVES		<u>60,437</u>	<u>63,948</u>

MOVEMENTS IN LIFE FUND

For the year ended 31 December 1994

	Note	1994 £'000	1993 £'000
Life fund at 1 January		52,788	56,388
Premiums net of reinsurance	9	5,591	6,621
Investment income	1a	3,904	4,210
Transfer from investment reserve		<u>3,150</u>	<u>2,900</u>
		65,433	70,119
Claims, surrenders and annuities after reinsurance		(11,328)	(7,286)
Commission		(475)	(749)
Expenses		(726)	(807)
Taxation	4b	(979)	(2,413)
Shareholders' profit after taxation	1b	(2,000)	(2,000)
Adjustment to market value of investments		<u>(1,767)</u>	<u>(4,076)</u>
		(17,275)	(17,331)
Life fund at 31 December		<u>48,158</u>	<u>52,788</u>

The notes on pages 7 to 10 are an integral part of these accounts.
auditors' report is on page 3.

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NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of results

These accounts have been prepared in accordance with section 255 of, and the special provisions relating to insurance companies of schedule 9A to, the Companies Act 1985.

The accounting policies adopted reflect United Kingdom Financial Reporting Standards and Statements of Standard Accounting Practice as considered appropriate for an insurance company.

Any business, other than long-term business, is wholly reinsured with Commercial Union Assurance Company plc and investment income on shareholders' funds has been surrendered to that company.

Income and expenditure of long-term business, after allowance for outward reinsurance, is reflected in the movement in the Life fund except for realised and unrealised gains and losses, together with certain other items, which are taken directly to investment reserve. Transfers to or from investment reserve are debited or credited to movement in long-term funds on the advice of the Actuary.

Premiums are the amounts receivable for the year, and claims and surrenders are the amounts payable for the year.

Commission and expenses are written-off as incurred.

Investment income comprises interest and dividends receivable for the year, after adding back any related tax credit. Expenses incurred in the management of investments are deducted from investment income.

The Actuary has advised the directors that he is satisfied that the assets, as shown in the Life balance sheet, were sufficient to cover the liabilities at 31 December 1994.

(b) Life profits

Life profits accrue to shareholders as a result of annual actuarial valuations of the Life fund in which the shareholders have a proprietary interest. The profits, included in the profit and loss account, are stated before taxation, with the related taxation being included in the taxation charge. Within the movements in the Life fund, shareholders' life profits are stated after taxation.

(c) Investments

Investments are stated at their market values at the end of the year which comprise, for this purpose, stock exchange mid-market values for listed securities and directors' valuations for unlisted securities.

(d) Taxation

Taxation stated in the profit and loss account is based on the taxable results for the year.

Provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future. No amount is provided where a liability or relief is not expected to arise and where timing differences are of a continuing nature.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES

(e) Exchange rates

Revenue transactions in non-sterling currencies are translated into sterling at the varying rates of exchange which have applied throughout the year. Assets and liabilities are translated at the rates ruling at 31 December. Exchange differences are taken to the life reinsurance account or the investment reserve as appropriate.

2. Reinsurance of general business

The following general balances are stated net of reinsurance:

	1994			1993		
	£'000			£'000		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Unearned premiums	(33,607)	33,607	-	(36,895)	36,895	-
Deferred acquisition costs	7,897	(7,897)	-	5,906	(5,906)	-
Outstanding claims	(172,013)	172,013	-	(170,464)	170,464	-
Marine fund	(12,467)	12,467	-	(12,493)	12,493	-

3. Reassurance of life business

The life fund is stated net of reinsurance of £28,284,000 (1993: £32,027,000).

4. Taxation

(a) Profit and loss account

Taxation, amounting to £857,000 (1993 £985,000) charged in the profit and loss account is wholly attributable to shareholders' life profits.

(b) Life fund

Taxation charged/(credited) in the movements in long-term funds is made up as follows:

	1994	1993
	£'000	£'000
UK corporation tax based on profits and income for the year	1,504	(51)
Tax credit on UK dividends received (net of available reliefs)	90	63
Deferred taxation	(615)	2,401
	<u>979</u>	<u>2,413</u>

The deferred taxation (credit)/charge in the movements in Life fund arises from short-term timing differences and deferred gains.

5. AUDITORS' REMUNERATION

Auditors' remuneration for 1994 has been borne by Commercial Union Assurance Company plc.

NOTES TO THE ACCOUNTS (Continued)

6. DIRECTORS' EMOLUMENTS

All directors were remunerated by Commercial Union Employment Services Limited in respect of their services to the Commercial Union Group as a whole. Commercial Union Employment Services Limited makes no charge to the Company in respect of these services (1993 £Nil).

7. SHARE CAPITAL

The Ordinary Share Capital of the Company at 31 December 1994 was:

	1994 £'000	1993 £'000
Authorised, issued and fully paid :		
27,000,000 (1993 27,000,000) Ordinary shares of £1 each	<u>27,000</u>	<u>27,000</u>

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £'000	1993 £'000
Profit for the financial year	2,000	2,000
Dividend	<u>(2,000)</u>	<u>(2,000)</u>
	-	-
New share capital issued	<u>-</u>	<u>2,000</u>
New addition to shareholders' funds	-	2,000
Shareholders' funds at 1 January	32,191	30,191
Shareholders' funds at 31 December	<u>32,191</u>	<u>32,191</u>

THE BRITISH & EUROPEAN REINSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

9. SEGMENTAL INFORMATION

The majority of the Company's operations are based in the United Kingdom. The Company operated a branch in Singapore but the operating results and net assets of the branch are not considered sufficiently large to justify segmental disclosure.

Net premium income from the Company's life business can be analysed by territory of origin as follows:

	1994	1993
	£'000	£'000
United Kingdom	3,060	3,525
Continental Europe	2,121	2,817
North America	282	188
Overseas	128	91
	<u>5,591</u>	<u>6,621</u>

10. ULTIMATE HOLDING COMPANY

The ultimate holding company is Commercial Union plc, which is registered in England and Wales. Its group accounts are available on application to the Group Company Secretary, Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

The smallest group of undertakings, of which the Company is a member, that prepares group accounts is headed by Commercial Union Assurance Company plc, which is registered in England and Wales. Its group accounts are available to the public, on payment of the appropriate fee, from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

11. CASHFLOW STATEMENT

As the Company is a wholly owned subsidiary within the Commercial Union Group, the cash flows of the Company are included in the consolidated group cash flow statement of Commercial Union plc. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.