

WINTERTHUR LIFE UK LIMITED  
REPORTS AND ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1995



Registered Office: Winterthur Way  
Basingstoke  
RG21 6SZ

Registered Number: 19772

# Directors' Report

## Report for the year ended 31 December 1995

The directors present their annual report together with the audited financial statements for the one hundred and eighteenth year of the company's business.

### Principal activity

The principal activity of the company is the transaction of long term insurance business and associated investment activities in the United Kingdom.

The company has two wholly owned subsidiaries, Winterthur Pension Trustees UK Limited and Personal Pension Management Limited, and has a 42% investment in Winterthur Properties Limited.

### Business review

The development of the company's business is reviewed in the Chairman's report on pages 7 to 28. Details of the results for the year are set out on pages 34 to 36. The company has continued to concentrate exclusively on the UK market.

### Tangible assets

The changes in tangible assets are set out in note 19 to the financial statements.

### Dividends and transfers to reserves

The directors recommend the payment of a dividend of £844,800 (3.2 pence per share) for the year. After payment of the above dividend, £533,000 of the profit for the year will be transferred to reserves.



# Directors' Report

## Directors and directors' interests

The directors who held office during the year were as follows:

JC Finan (Chairman and Managing Director)

Dr S B Caffisch (resigned 17 August 1995)

W N Hood CBE

Baroness Hooper

R A F Ostime FIA

T E Popp (appointed 17 August 1995)

Dr S C Sarbach

According to the Register of Directors' Interests:

- a) none of the Directors had any interest in the shares of group companies at 31 December 1995 and
- b) no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## Liability insurance

During the year, the company maintained liability insurance for its directors and other officers.

## Employees

The directors recognise the importance of human resources. Throughout 1995, the company continued its policy of employee involvement by providing information on matters of concern to them as employees, by meeting their trade union representatives and by encouraging employees to be aware of the financial and economic factors affecting the company's performance. Practices to promote good communications and relations with employees include the use of briefing groups, company news letters and the annual publication of financial reports to all employees.

It is the company's policy to give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities; to continue, as appropriate, the employment of staff who have become disabled and to provide equal opportunities for the training and career development of disabled employees.

## Political and charitable contribution

The company made no political contributions during the year. Donations to UK charities amounted to £6,500.

# Directors' Report

## Statement of directors' responsibilities

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 for the period. In preparing those financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- d) 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Elective resolutions

Under the provisions of the Companies Act 1985, the company has elected:

- a) to dispense with the holding of Annual General Meetings;
- b) to dispense with the laying of report and accounts before the company in general meeting; and
- c) to dispense with the obligation to appoint auditors annually.



By order of the board

**G J Boutle Secretary**  
17 May 1996 Basingstoke RG21 6SZ



# Report of the Auditors

## Report of the auditors to the members of Winterthur Life UK Limited

We have audited the financial statements on pages 34 to 64.

### Respective responsibility of directors and auditors

As described on page 32 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.

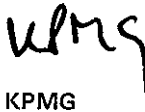
### Basis of opinion

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 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

  
KPMG  
Chartered Accountants  
Registered Auditors

London  
17 May 1996

# Profit and Loss account

For the year ended 31 December 1995

## Technical Account

	Note	1995		1994	
		£000	£000	£000	Restated £000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	3	246,222		172,529	
Outward reinsurance premiums		(1,335)		(6,526)	
			244,887		166,003
Investment income	4	36,940		29,918	
Unrealised gains on investments		64,039		-	
			100,979		29,918
			345,866		195,921
Other technical income, net of reinsurance			1,278		601
			347,144		196,522
<b>Claims incurred, net of reinsurance</b>					
Claims paid					
Gross amount		(52,763)		(44,038)	
Reinsurers' share		370		1,224	
			(52,393)		(42,814)
Change in the provision for claims					
Gross amount		250		(1,563)	
Reinsurers' share		737		(903)	
			987		(2,466)
			(51,406)		(45,280)

# Profit and Loss account

For the year ended 31 December 1995

Technical Account (continued)

	Note	1995		1994	
		£000	£000	£000	Restated £000
<b>Change in other technical provisions, net of reinsurance</b>					
Long term business provision, net of reinsurance					
Gross amount		(18,560)		(9,450)	
Reinsurers' share		534		91	
		(18,026)		(9,359)	
Other technical provisions, net of reinsurance		(219,097)		(89,534)	
			(237,123)		(98,893)
			(288,529)		(144,173)
Net operating expenses	6	(38,330)		(29,352)	
Investment expenses and charges	7	(9,331)		(12,839)	
Unrealised losses on investments		-		(43,291)	
Tax attributable to the long term business	11	2,647		81	
Transfers (to)/from the fund for future appropriations	23	(13,391)		32,366	
			(58,405)		(53,035)
Sub-total (balance on the technical account for long term business)			210		(686)

# Profit and Loss account

For the year ended 31 December 1995

Non-technical account

	Note	1995		1994	
		£000	£000	£000	Restated £000
Balance on the long term business technical account			210		(686)
Tax attributable to shareholders' profit on long term business	11		103		-
Profit/(loss) arising on long term business			313		(686)
Investment income	4	1,835		1,573	
Unrealised gains on investments		478		-	
Investment expenses and charges	7	(405)		(1,785)	
Unrealised losses on investments		-		(1,366)	
			1,908		(1,578)
Operating profit/(loss) on continuing operations			2,221		(2,264)
Other charges, including value adjustments			(197)		(316)
Profit/(loss) on ordinary activities before tax	8		2,024		(2,580)
Tax on profit/(loss) on ordinary activities	11		(646)		851
Profit/(loss) for the financial year after tax			1,378		(1,729)
Dividends	12		(845)		(739)
Retained profit/(loss) for the financial year transferred to reserves	21		533		(2,468)



# Statement of total recognised gains & losses

For the year ended 31 December 1995

	<b>Note</b>	<b>1995</b>	<b>1994</b>
		<b>£000</b>	Restated <b>£000</b>
Profit/(loss) for the financial year		1,378	(1,729)
Decrease in revaluation reserve:			
Land and buildings	21	(1,983)	(164)
Total recognised gains and losses relating to the year		(605)	(1,893)
Prior year adjustment	1,21	1,168	-
Total gains and losses recognised since the last annual report		563	(1,893)

# Statement of historical cost profits & losses

For the year ended 31 December 1995

	1995	1994
	£000	Restated £000
Profit/(loss) on ordinary activities before taxation	2,024	(2,580)
Realisation of revaluation (losses)/gains of previous years	(336)	1,466
Net unrealised (gains)/losses	(478)	1,366
Historical cost profit on ordinary activities before taxation	1,210	252
Historical cost (loss)/profit retained for the year	(281)	364



## Reconciliation of movements in shareholders' funds

For the year ended 31 December 1995

	Note	1995		1994	
		£000	£000	£000	Restated £000
Profit/(loss) for the financial year			1,378		(1,729)
Dividends	12		(845)		(739)
Retained profit/(loss) for the financial year			533		(2,468)
Other gains and losses relating to the year (net)	21		(1,983)		(164)
Net reduction in shareholders' funds			(1,450)		(2,632)
Opening shareholders' funds					
As previously stated		28,806		31,984	
Prior year adjustment	21	1,168		622	
As restated			29,974		32,606
Closing shareholders' funds			28,524		29,974

# Balance Sheet

As at 31 December 1995

	Note	1995		1994	
		£000	£000	£000	Restated £000
<b>Assets</b>					
<b>Investments</b>					
Land and buildings	13	15,730		22,170	
Investments in group undertakings and participating interests	14	-		-	
Other financial investments	15	351,722		277,742	
		367,452		299,912	
<b>Assets held to cover linked liabilities</b>	16	592,295		348,500	
			959,747		648,412
<b>Reinsurers' share of technical provisions</b>					
Long term business provision	24	1,527		993	
Claims outstanding		872		135	
Technical provisions for unit-linked liabilities		6,458		5,290	
			8,857		6,418
<b>Debtors</b>					
Debtors arising out of direct insurance operations	17	3,024		2,148	
Other debtors	18	19,832		9,047	
			22,856		11,195
<b>Other assets</b>					
Tangible assets	19	2,036		2,422	
Cash at bank and in hand		7,915		4,450	
			9,951		6,872
<b>Prepayments and accrued income</b>					
Accrued interest and rent		4,529		3,765	
Deferred acquisition costs		21,681		19,871	
Other prepayments and accrued income		4,318		1,686	
			30,528		25,322
<b>Total assets</b>			1,031,939		698,219



# Balance Sheet

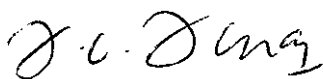
As at 31 December 1995 (continued)

	Note	1995		1994	
		£000	£000	Restated £000	£000
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital	20		26,400		26,400
Revaluation reserve	21		(2,519)		(536)
Profit and loss account	21		4,643		4,110
Shareholders' funds attributable to equity interests			28,524		29,974
<b>Fund for future appropriations</b>	23		50,495		37,104
<b>Technical provisions</b>					
Long term business provision	24	290,263		271,703	
Claims outstanding		2,638		2,888	
		292,901		274,591	
<b>Technical provisions for linked liabilities</b>		563,035		342,770	
			855,936		617,361
<b>Creditors</b>					
Creditors arising out of direct insurance operations		2,696		1,329	
Amount owed to credit institutions	26	57,625		8,550	
Other creditors including taxation and social security	26	10,006		1,470	
			70,327		11,349
Accruals and deferred income			26,657		2,431
<b>Total liabilities</b>			1,031,939		698,219

Included in capital and reserves are £26,783,000 (1994: £26,400,000) which are not distributable.

These financial statements were approved by the board of directors on 17 May 1996 and were signed on its behalf by:

J C Finan



Chairman

# Notes to the financial statements

## 1 Basis of preparation

The financial statements have been prepared 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 under the historical cost accounting rules, modified to include the revaluation of investments.

Following the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, certain accounting policies and disclosures have been amended and comparative amounts have been restated (see note 22).

As a wholly owned subsidiary of another company incorporated in Great Britain, the company is exempt from preparing group accounts under Section 228 of the Companies Act 1985.

## 2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

### **Basis of accounting for long term insurance business**

The company has adopted a modified statutory solvency basis for determining technical provisions and deferred acquisition costs.

### **Premiums**

Premiums are accounted for on a receivable basis excluding any taxes or duties levied with premiums. Outward reinsurance premiums are accounted for on a payable basis.

### **Acquisition costs and deferred acquisition costs**

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs comprise the costs of acquiring insurance policies which are incurred during a financial year but relate to a subsequent financial year.

For both linked and non-linked business, an explicit deferred acquisition costs asset has been established in the balance sheet. The basis of amortisation of the deferred acquisition costs is proportional to margins in respect of the related policies. Deferral of costs has been limited to the extent that there are available margins. Costs have not been deferred after appropriate margins have been materially received.

### **Claims**

Death claims and surrenders represent those notified to the company up to the balance sheet date. Maturities and annuities are recognised as they fall due for payment.

# Notes to the financial statements

## 2 Accounting policies (continued)

### **Long term business provision**

The long term business provision has been computed by the appointed actuary, having due regard to the principles laid down in Council Directive 92/96/EEC. In particular, a prospective net premium valuation method has been adopted for all major classes of business, with the exception of linked contracts where the provisions are based on the market value of the related assets.

### **Fund for future appropriations**

Surpluses arising from with-profits and other participating business, as a result of actuarial valuations of the long term business assets and liabilities, are appropriated by the directors for the purpose of preparing financial statements:

- to participating policyholders by way of bonuses, and
- to shareholders by way of transfers to the non-technical account.

Any unappropriated surplus is carried forward in the fund for future appropriations.

### **Investment income, expenses and charges**

Investment income is accounted for on a receivable basis, including where appropriate, the imputed tax credit. Dividends are recognised on the date on which the related investment goes ex-dividend. Interest is accrued up to the balance sheet date.

Investment income, realised gains and losses, expenses and charges are included in the long term business technical account to the extent that they relate to the long term fund. Other investment income, realised gains and losses, expenses and charges are included in the non-technical account.

Realised gains and losses represent the difference between net sales proceeds and purchase price or if the investments have been previously valued, their valuation at the last balance sheet date.

### **Unrealised gains and losses on investments**

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price or valuation at the last balance sheet date. Unrealised gains and losses on shareholders' land and buildings, group undertakings and participating interests are taken directly to the revaluation reserve. Unrealised gains and losses on other investments which are attributed to the long term fund or held to cover linked liabilities are included in the long term business technical account. Unrealised gains and losses on all other investments are included in the non-technical account.

# Notes to the financial statements

## 2 Accounting policies (continued)

### Investments

All investments, including those classified under assets held to cover linked liabilities, are stated at their current value.

Land and buildings, other than those occupied by the company for its own use, are treated as investment properties and valued at open market valuation by independent professionally qualified valuers every three years; in the intervening years, these valuations are reviewed by directors on the basis of independent professional advice as required, and any decrease in values accounted for as value adjustments in the profit and loss account. Land and buildings occupied by the company for its own activities are stated at market value, less accumulated depreciation.

The aggregate surplus or deficit on valuation rather than on directors' assessments is transferred to the revaluation reserve except where the deficit is considered to be permanent in nature, when the diminution in value is charged to the profit and loss account, with a corresponding transfer from the revaluation reserve to profit and loss reserve, if appropriate.

Listed investments are stated at mid-market value. Unlisted investments, for which a market exists, are valued at the average price at which they were traded on the balance sheet date, or on the last trading day before that date. Other unlisted investments are valued by the directors on a prudent basis with regard to their likely realisable values.

Investments in group undertakings and participating interests are stated at current value, based on the most recently available information.

### Depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	3 years
Computer equipment	3 years
Fixtures, fittings and equipment	5 years
Buildings occupied by the company for its own purposes	50 years





# Notes to the financial statements

## 2 Accounting policies (continued)

No depreciation or amortisation is provided in respect of land, freehold investment properties and leasehold investment properties with over 20 years to run. This treatment, as regards the company's investment properties, is a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are held for investment and the directors consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view.

### **Foreign currencies**

Transactions in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the long term business technical account or the non-technical account as appropriate.

### **Pension costs**

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

### **Taxation**

The charge for taxation is based on the result of the application of the rules for the taxation of life assurance companies to the items included in the profit and loss account for the year. It also takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that a liability will crystallise.

The transfer from the long term business technical account to the non-technical account is grossed up, where appropriate, at the full rate of corporation tax applicable to the period.

### **Bonuses**

All bonuses have been dealt with through the change in other technical provisions.

# Notes to the financial statements

## 3 Gross premiums written

Gross premiums, all of which relate to direct insurance, can be analysed as follows:

	Regular 1995 £000	Regular 1994 £000	Single 1995 £000	Single 1994 £000
<b>Non Participating:</b>				
Life	4,257	3,645	-	-
Pensions	841	997	1,383	2,183
Permanent Health	1,420	1,215	-	-
	<b>6,518</b>	<b>5,857</b>	<b>1,383</b>	<b>2,183</b>
<b>Participating:</b>				
Life	7,344	7,604	-	-
Pensions	863	1,036	2	1,064
	<b>8,207</b>	<b>8,640</b>	<b>2</b>	<b>1,064</b>
<b>Unit Linked:</b>				
Life	51,049	39,781	52,385	5,657
Pensions	9,302	7,831	117,376	101,516
	<b>60,351</b>	<b>47,612</b>	<b>169,761</b>	<b>107,173</b>
<b>Total</b>	<b>75,076</b>	<b>62,109</b>	<b>171,146</b>	<b>110,420</b>
<b>Comprising:</b>				
Individual	73,984	60,444	171,146	110,420
Group	1,092	1,665	-	-
	<b>75,076</b>	<b>62,109</b>	<b>171,146</b>	<b>110,420</b>

All premiums are derived from contracts concluded in the United Kingdom. Commissions payable in respect of direct insurance amounted to £18,820,000 (1994: £17,485,000).



## Notes to the financial statements

### 3 Gross premiums written (continued)

Annualised new business premiums can be analysed as follows:

	Regular Premiums		Single Premiums	
	1995 £000	1994 £000	1995 £000	1994 £000
<b>Non participating</b>				
Life	828	1,157	-	-
Pensions	-	-	1,383	2,183
Permanent Health	384	567	-	-
	1,212	1,724	1,383	2,183
<b>Participating</b>				
Life	88	69	-	-
Pensions	23	20	2	1,064
	111	89	2	1,064
<b>Unit Linked</b>				
Life	13,624	15,104	52,385	5,657
Pensions	3,352	2,438	117,376	101,516
	16,976	17,542	169,761	107,173
<b>Total</b>	<b>18,299</b>	<b>19,355</b>	<b>171,146</b>	<b>110,420</b>
<b>Comprising</b>				
Individual	18,299	19,355	171,146	110,420
Group	-	-	-	-
	18,299	19,355	171,146	110,420

In classifying new business premiums, the basis of recognition adopted is as follows:

- New recurrent single premium contracts are classified as periodic where they are deemed likely to renew at or above the amount of initial premium. Incremental increases on existing policies are classified as new business premiums.
- Rebates from the Department of Social Security are classified as new single premiums.
- Funds at retirement under individual pension contracts left with the company and transfers from group to individual contracts are classified as new business single premiums and for accounting purposes are included in both claims incurred and as single premiums within gross premiums written.
- Increments under existing group pension schemes are classified as new business premiums.
- Where periodic premiums are received other than annually the regular new business premiums are on an annualised basis.

# Notes to the financial statements

## 4 Investment income

	Technical account		Non-technical account	
	1995	1994 Restated	1995	1994 Restated
	£000	£000	£000	£000
<b>Income from investments:</b>				
Land and buildings	2,889	2,475	-	-
Other investments	34,051	27,443	1,835	1,573
Gains on the realisation of investments	-	-	-	-
	<b>36,940</b>	<b>29,918</b>	<b>1,835</b>	<b>1,573</b>

## 5 Bonuses

Claims and the change in other technical provisions include bonuses paid and bonuses declared but not paid, respectively. The charge incurred for bonuses in respect of the current year is as follows:

	1995	1994
	£000	£000
Participating contracts		
Terminal bonus paid	2,237	1,841
Interim bonus paid	64	123
Reversionary and other bonus added to technical provisions	8,370	8,355
	<b>10,671</b>	<b>10,319</b>
Linked contracts: Bonus added to with-profit unit values	979	867
	<b>11,650</b>	<b>11,186</b>

## 6 Net operating expenses

	1995	1994
	£000	Restated £000
Acquisition costs	(27,766)	(25,892)
Change in deferred acquisition costs	1,810	7,537
	<b>(25,956)</b>	<b>(18,355)</b>
Administrative expenses	(12,398)	(11,027)
Reinsurance commissions and profit participation	24	30
	<b>(38,330)</b>	<b>(29,352)</b>



# Notes to the financial statements

## 7 Investment expenses and charges

	Technical account		Non-technical account	
	1995	1994 Restated	1995	1994 Restated
	£000	£000	£000	£000
Investment management expenses, including interest	(4,084)	(360)	-	-
Interest payable on bank loan repayable by installments	(911)	(441)	-	-
Value adjustments on investments	(397)	(434)	-	-
Losses on the realisation of investments	(3,939)	(11,604)	(405)	(1,785)
	(9,331)	(12,839)	(405)	(1,785)s

## 8 Profit/(loss) on ordinary activities before tax

	1995	1994
	£000	£000
<b>Profit/(loss) on ordinary activities before tax is stated</b>		
<b>after crediting</b>		
Income from listed investments	31,484	24,563
<b>after charging</b>		
Depreciation	1,287	1,455
Auditors' remuneration:		
Audit	69	53
Other services	54	8

## 9 Remuneration of directors

	1995	1994
	£000	£000
<b>Directors' emoluments:</b>		
As directors	48	40
Remuneration as executives	355	355
Pensions paid to former directors or their widows	32	32
	435	427

# Notes to the financial statements

## 9 Remuneration of directors (continued)

The emoluments, excluding pension contributions, of the former Chairman were £11,000 (1994: £18,000) and of the highest paid director and current Chairman were £230,000 (1994: £233,000).

The emoluments, excluding pensions contributions, of the directors (including the Chairman and highest paid director) were within the following ranges:

Number of directors	1995	1994
Up to £5,000	1	-
£5,001 - £10,000	-	4
£10,001-£15,000	6	-
£15,001 - £20,000	-	1
£230,001 - £235,000	1	1

## 10 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	1995	1994
Administration	378	361
Sales	80	68
	458	429

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£000	£000
Wages and salaries	10,546	9,565
Social security costs	868	752
Other pension costs	991	895
	12,405	11,212

# Notes to the financial statements

## 11 Taxation

	Technical account		Non-technical account	
	1995	1994	1995	1994
		Restated		Restated
	£000	£000	£000	£000
UK corporation tax at 33% (1994:33%)	-	(79)	(239)	(338)
Tax credit on franked investment income	-	(947)	-	-
Tax attributable to shareholders' profit on long term business	-	-	(103)	-
Payments in respect of loss relief	147	207	(147)	(207)
	147	(819)	(489)	(545)
Deferred taxation (see note 25)	2,500	900	(157)	1,396
	2,647	81	(646)	851

## 12 Proposed dividend

The directors recommend a final dividend of 3.2 pence per ordinary share (1994: 2.8p). This amounts to a total payment of £844,800 (1994 £739,200).

# Notes to the financial statements

## 13 Land and buildings

	Investment	Properties	Total
	properties	for own use	
	£000	£000	£000
<b>Cost or valuation</b>			
At beginning of year	17,333	5,200	22,533
Additions	12	-	12
Disposals	(3,800)	-	(3,800)
Revaluations	(2,281)	(350)	(2,631)
Value adjustments	67	-	67
<b>At end of year</b>	<b>11,331</b>	<b>4,850</b>	<b>16,181</b>
<b>Depreciation</b>			
At beginning of year	-	363	363
Charge for year	-	88	88
<b>At end of year</b>	<b>-</b>	<b>451</b>	<b>451</b>
<b>Net book value</b>			
At 31 December 1995	11,331	4,399	15,730
At 31 December 1994	17,333	4,837	22,170

	Investment Properties		Properties for own use		Total	Total
	1995	1994	1995	1994	1995	1994
	£000	£000	£000	£000	£000	£000
<b>Land and buildings at net book value comprise:</b>						
Freehold	11,331	16,891	4,399	4,837	15,730	21,728
Long leasehold	-	442	-	-	-	442
	<b>11,331</b>	<b>17,333</b>	<b>4,399</b>	<b>4,837</b>	<b>15,730</b>	<b>22,170</b>
<b>Cost</b>	<b>13,214</b>	<b>17,098</b>	<b>15,860</b>	<b>15,860</b>	<b>29,074</b>	<b>32,958</b>
Depreciation based on cost	2,637	2,938	3,489	3,172	6,126	6,110
Net book value Total	<b>10,577</b>	<b>14,160</b>	<b>12,371</b>	<b>12,688</b>	<b>22,948</b>	<b>26,848</b>

All land and buildings were valued on an open market basis at 31 December 1995 by Weatherall, Green and Smith, Chartered Surveyors. Depreciation on investment properties which would otherwise have been charged amounted to £266,000 for the year (1994: £346,000).



# Notes to the financial statements

## 14 Investments in group undertakings and participating interests

	Current	Current	Cost	Cost
	value	value	1995	1994
	1995	1994	1995	1994
				Restated
	£000	£000	£000	£000
Shares in group undertakings	-	-	248	248
	-	-	248	248

Shares in group undertakings represents the company's investment in its wholly owned subsidiary undertakings, Winterthur Pension Trustees UK Limited and Personal Pension Management Limited, and its 42% investment, consisting of 5 ordinary shares of £1 each, in Winterthur Properties Limited. All of the above companies are registered in England and Wales. Winterthur Pension Trustees UK Limited was established to undertake and discharge the office of trustee of any superannuation scheme and to carry out all the duties arising out of all trusteeships held by the company; Personal Pension Management Limited undertakes the provision and administration of personal pension schemes; Winterthur Properties Limited undertakes property investment and management. Consolidated accounts have not been prepared because the company is a wholly owned subsidiary of Winterthur (UK) Holdings Limited, a company registered in England and Wales.

## 15 Other financial investments

	Market	Market	Cost	Cost
	value	value	1995	1994
	1995	1994	1995	1994
	£000	£000	£000	£000
Shares and other variable-yield securities and units in unit trusts	128,973	92,361	98,201	81,002
Debt securities and other fixed-income securities	178,778	137,829	174,534	147,487
Loans secured by mortgages	31,028	33,044	31,028	33,044
Loans secured by insurance policies	378	516	378	516
Other unsecured loans	1,879	6,260	1,879	6,260
Deposits with credit institutions	10,686	7,732	10,686	7,934
	351,722	277,742	316,706	276,243
Included in the above were investments:				
Listed on the UK Stock Exchange	239,345	193,969	231,295	192,044
Unlisted	1,845	2,084	1,424	1,903
	241,190	196,053	232,719	193,947

# Notes to the financial statements

## 16 Assets held to cover linked liabilities

	1995	1994
	£000	£000
Purchase price of investments included under assets held to cover linked liabilities	532,784	324,682

Included within this class of asset are freehold and leasehold properties that have been valued by independent professionally qualified valuers within the following years of account:

Year of account	Value of properties valued during year of account
	£000
1991	46
1992	2,214
1993	3,079
1994	8,768
1995	6,868

Properties not re-valued during the current year have been valued by directors on the basis of current market conditions.

## 17 Debtors arising out of direct insurance operations

	1995	1994
	£000	£000
Amounts owed by policyholders	881	851
Amounts owed by intermediaries	2,143	1,297
	3,024	2,148

## 18 Other debtors

	1995	1994
	£000	£000
Investments sold for subsequent settlement	7,578	-
Owed by group undertakings	2,926	1,520
Other debtors	923	83
Tax recoverable	8,405	7,444
	19,832	9,047

# Notes to the financial statements

## 19 Tangible assets

	Fixtures, fittings and equipment	Motor vehicles	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	6,916	2,020	8,936
Additions	452	557	1,009
Disposals	(7)	(470)	(477)
At end of year	7,361	2,107	9,468
<b>Depreciation</b>			
At beginning of year	5,641	873	6,514
Charge for year	786	414	1,200
On disposals	(2)	(280)	(282)
At end of year	6,425	1,007	7,432
<b>Net book value</b>			
At 31 December 1995	936	1,100	2,036
At 31 December 1994	1,275	1,147	2,422

## 20 Called up share capital

	1995	1994
	£000	£000
Authorised, allotted, called up and fully paid		
1,400,000 ordinary shares of £1 each	1,400	1,400
25,000,000 ordinary shares of £1 each-non-voting	25,000	25,000
	26,400	26,400

# Notes to the financial statements

## 21 Reserves

	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000
<b>At beginning of year</b>			
- As previously stated	-	2,406	2,406
- Prior year adjustments (see note 22)	(536)	1,704	1,168
- As restated	(536)	4,110	3,574
Retained profit for the year	-	533	533
Revaluation of land and buildings	(1,983)	-	(1,983)
At end of year	(2,519)	4,643	2,124

## 22 Changes in accounting policies and presentation

As a result of the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 the following changes have been made.

The information previously presented in the long term business revenue account is now the technical account - long term business on pages 34 and 35. Previously the transfer to the shareholders' profit and loss account (now the balance on the long term business technical account) was determined in accordance with the Insurance Companies Act 1982, on the "statutory solvency" basis, and the long term fund contained certain reserves. In 1995, the company adopted the "modified statutory solvency" basis of accounting:

- Unallocated surplus, investment, resilience and similar reserves in respect of general contingencies or the specific contingency that the funds will be closed to new business, previously held in the long term fund, have been reallocated, to the extent to which they are reserves (rather than provisions), to the shareholders' profit and loss account or to the fund for future appropriations. The effect of the change is to increase retained profits by £1,913,000 (1994: £1,704,000).
- Acquisition costs incurred during a financial year, but which relate to a subsequent financial year, are deferred to the extent to which they are recoverable out of future margins and amortised. Previously such costs were not deferred. A deferred tax asset also results from this treatment. The net effect of the change is to increase the fund for future appropriations by £25,681,000 (1994: £21,371,000) and deferred acquisition costs in the balance sheet by £21,681,000 (1994: £19,871,000), other prepayments and accrued income by £4,000,000 (1994: £1,500,00).

# Notes to the financial statements

## 22 Changes in accounting policies and presentation (continued)

Investments in group undertakings and participating interests have been restated from cost to current value. The net effect of the change is to reduce the revaluation reserve by £248,000 (1994: £248,000) and investments in group undertakings and participating interests by £248,000 (1994: £248,000).

The value of properties included in land and buildings and assets held to cover linked liabilities has been reduced by £1,983,000 (1994: £347,000).

The recognition of realised and unrealised gains/losses has increased retained profits by £73,000 (1994: increased retained losses by £3,151,000)

The aggregate effect of all the above changes is to increase shareholders' funds by £177,000 (1994: £1,168,000) and to increase both assets and liabilities by £27,239,00 (1994: £22,349,000)

<b>Restatement of long term fund</b>	<b>£000</b>
Balance at 31 December 1994 as previously stated:	
Long term business fund	609,294
Investment reserve	14,619
	<b>623,913</b>
Adjustments to recognise:	
Reinsurers' share of technical provision	6,283
Deferred acquisition costs and related deferred taxation	21,371
Revaluation/depreciation adjustments	(638)
Other taxation issues	(558)
Tangible assets	2,422
Other provisions	200
	<b>652,993</b>
Reclassified as:	
Long term business provision	271,703
Revaluation reserve	(288)
Technical provisions for linked liabilities	342,770
Fund for future appropriations	37,104
Reserves attributed to the profit and loss account	1,704
	<b>652,993</b>

## Notes to the financial statements

### 22 Changes in accounting policies and presentation (continued)

	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>
Profit for the year before changes in accounting policies	1,254	712
Changes in accounting policies		
- balance on technical account not previously recognised	210	(686)
- investment return now included in the non technical account	71	(3,151)
- deferred taxation on the above	(157)	1,396
Profit/(loss) for the financial year restated	1,378	(1,729)

### 23 Fund for future appropriations

	<b>1995</b>	<b>1994</b>
	<b>£000</b>	Restated <b>£000</b>
At beginning of year	37,104	69,470
Transfer from/(to) technical account		
- long term business	13,391	(32,366)
At end of year	50,495	37,104

# Notes to the financial statements

## 24 Technical provisions

The principal assumptions underlying the calculation of the long term business provision are:

### (a) Rates of interest

Life non-profit	4.5% net
Life with-profit	3.25% net
Pensions non-profit	6%
Pensions with-profit	5%
Immediate annuities	7% or 7.5%

### (b) Mortality tables

Life policies, pension policies and deferred annuities

Males AM (80)

Females AF (80)

Immediate Annuities

Males IM (80)c2010 and PM (80)c2010

Females IF (80) c2010 and PF (80)c2010

## 25 Deferred taxation

A net deferred tax asset has been recognised in the financial statements and included in other prepayments and accrual income as follows:

	1995	1994
		Restated
	£000	£000
Deferral of acquisition costs	4,000	1,500
Unrealised appreciation/depreciation of investments included in non technical income	(126)	31
	3,874	1,531

The movement for the year has been included in the profit and loss account as follows:

	1995	1994
	£000	£000
Technical account tax attributable to policyholders	2,500	900
Non-technical account - tax on profit on ordinary activities	(157)	1,396
	2,343	2,296

In addition to the above there is a provision for deferred taxation in respect of linked assets of £1,526,000 (1994: £9,000) included in technical provisions for linked liabilities. There are no other material unprovided deferred tax balances.

# Notes to the financial statements

## 26 Creditors

i) Other creditors including taxation and social security comprise:

	1995	1994
	£000	£000
Investments purchased for subsequent settlements	8,015	-
Social security	405	341
Owed to group undertakings	730	681
Other	856	448
	10,006	1,470

ii) Amounts owed to credit institutions include bank loans secured on the property of the company, repayable by equal instalments as below. Interest is payable on the loans at variable rates between base rate and 3.5% p.a. above base rate and fixed rates between 9.50% p.a. and 12.5% p.a.

	1995	1994
	£000	£000
In less than one year	1,729	1,005
Between one and two years	1,301	959
Between two and five years	50,319	2,680
In five years or more	4,276	3,906
	57,625	8,550





# Notes to the financial statements

## 27 Long term fund

At 31 December 1995, the total amount of assets representing the long term fund as defined in the Insurance Companies Act 1982, valued in accordance with Schedule 1 to the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 was £1,003,336,000 (1994: £667,988,000).

## 28 Pension scheme

The company operates a non-contributory pension scheme providing benefits based on final pensionable pay, contributions being charged to the long term business technical account so as to spread the costs of pensions over employees' working lives with the company. Contributions are determined by a qualified actuary on the basis of annual valuations using the projected unit method. The most recent actuarial valuation was at 1 April 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. Future investment returns are assumed to be 9.0% and the annual increases in salaries and pensions are assumed to be 8.0% and 6.0% respectively.

The most recent actuarial valuation showed that the market value of the scheme's assets was £52,789,669 and that the actuarial value of those assets represented 117% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The pension charge for the period was £992,731 (1994: £869,066). At the end of the year, the company owed the scheme £374,520 (1994: £314,283)

# Notes to the financial statements

## 29 Cash flow statement

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary of a parent that prepares consolidated financial statements including a cash flow statement dealing with the cash flows of the group.

## 30 Ultimate parent company

The company's accounts are consolidated in the group accounts of its ultimate parent company, "Winterthur" Schweizerische Versicherungs-Gesellschaft AG, a company incorporated in Switzerland. The company's accounts are also consolidated in the group accounts of its immediate parent company, Winterthur (UK) Holdings Limited, a company registered in England and Wales. Copies of accounts for both these companies are available from Winterthur Life UK Limited, Winterthur Way, Basingstoke, Hants RG2 1 6SZ.

# Notes to the financial statements

## 31 Contingent liabilities

i) As part of certain arrangements with a number of tied estate agencies, the company has undertaken to guarantee the rental payments which fall due in respect of 174 property leases. The outstanding lease terms range from 1 to 23 years duration. As at 31 December 1995, the maximum possible liability (in the unlikely event that all such lease payments had to be met by the company for the full duration of their terms) was as shown below. To date, the company has incurred no actual liability in respect of these guarantees.

	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
Maximum potential liabilities (before tax) under rent guarantees	18,342	20,001

ii) In common with other life offices in the United Kingdom, the company has written pensions transfer and opt out business. A provision has been made in respect of rectification and review costs of pension transfers and opt outs from occupational schemes, which is included in the long term business provision. The number of policyholders who should be compensated and the amount of compensation payable to these policyholders cannot currently be accurately determined; accordingly the provision might prove insufficient or excessive when the position is finally determined.

The provision has been determined with due consideration to the guidelines issued by the Securities and Investments Board in October 1994. The principal assumptions and estimates made in determining the provision relate to the number of cases which on investigation may be regarded as non-compliant sales, giving rise to a loss to the policyholder, and the average costs of making good the loss.

iii) The company has a contingent liability for any levy in relation to independent financial advisers under the Investors Compensation Scheme. There is no basis at the present time for assessing the likely level of any such levy.

iv) Uncalled capital on investments held by the company at the year end amounted to £284,000 (1994:£352,000).

# Notes to the financial statements

## 32 Loans to directors and officers

i) Directors - Details of such loans are shown below. Mortgage advances are loans made under the staff house purchase scheme and are secured on the main residence of the borrower and life assurance policies. All due interest has been paid.

	Loan	Max. loan	Loan	Ave. rate
	1.1.95	during 1995	31.12.95	of interest
	£	£	£	%
Mr J C Finan-mortgage advance	30,000	30,000	30,000	4.70
Mr R A F Ostime-mortgage advance	27,000	27,000	27,000	5.00

ii) Officers - Staff loans for the purpose of house purchase existed as follows: aggregate amount outstanding as at 31 December 1995 £472,978 (1994 £339,387). Number of officers: 5 (1994 5).