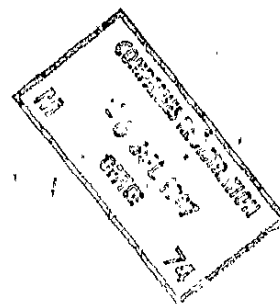


Report and Accounts 1986

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Board and Management

President

Reginald J. W. Crabbe, F.I.A.

Board of Directors

David H. Radley, F.I.A. *Chairman*

Dr. Silvio B. Caflisch

Sir John Colville, C.B., C.V.O.

R. Anthony F. Ostime, F.I.A.

Bruce E. Radley, F.I.A., A.S.A.

Dr. Hans R. Studer

The Rt. Hon. Lord Trend, P.C., G.C.B., C.V.O.

Management

B. E. Radley, F.I.A., A.S.A.

Managing Director

R. A. F. Ostime, F.I.A.

General Manager and Actuary

J. D. Fox, F.C.A.

General Manager and Secretary

R. K. Muddle, F.C.I.I.

General Manager

Registered Office

Provident Way, Basingstoke,
Hampshire RG21 2SZ.



Statement by the Chairman

Review of Operations

During 1986 and early 1987 the management and senior staff made detailed investigations into the effects of the Financial Services Act, and the new regulatory framework that is being set up for the whole of the financial services industry, to determine the changes that the Company must make to ensure that it continues to thrive in the changed environment that is foreseen.

These efforts have resulted in plans which are already being put into effect and which will have far-reaching results for the future growth and profitability of the Company.

For the Life and Pensions products a large increase in business under altered sales methods is our principal objective. In order to provide the necessary financial strength for taking full advantage of the changes now taking place the issued share capital of the Company was increased by £25 million in December 1986.

Since the year end it has also been decided to concentrate the efforts of the Company on the Life and Pensions business, and to cease writing General Business. The General Business, which has been written in the United Standard Insurance Company Limited, has not been profitable over recent years and the existing business will be run off.

Long Term Business

The new business achieved in 1986 was £6.7 million of new annual premiums, an increase of 28 per cent. on the previous year, and £13.0 million of single premiums, an increase of 45 per cent. on the previous year.

The new annual premiums for non-linked life assurance were £2.5 million compared with £2.3 million in the previous year, and for unit-linked assurances £2.8 million compared with £1.8 million. New annual premiums for individual and group pensions were £1.4 million compared with £1.1 million in the previous year. The large increase in single premiums was mainly due to the unit-linked PLUSBOND contracts which provided over £9.3 million of single premiums in the full year compared with £4.1 million.

At the end of the year the Long-Term Funds stood at £214.5 million and the Investment Reserve at £30.0 million compared with the 1985 figures of £186.4 million and £23.6 million. The gross rate of interest earned on the Long-Term Funds was 8.34 per cent. compared with 8.45 per cent. in 1985.

The commission and expenses during the year amounted to £16.3 million compared with £13.7 million, a large part of the increase being due to costs connected with the increase in new business and the sales organisation.

CLASSDATE

- 6 JUL 1987

CRO

The annual valuation made by the Actuary as at 31st December, 1986 showed a surplus at the year end, including a transfer of £8.1 million from Investment Reserve, of £15.2 million. This provided for the cost of reversionary bonuses to policyholders at the year end which was £10.8 million. At the end of the year an increased amount of £4.4 million was carried forward which together with the Investment Reserve of £30.0 million provided valuable additional protection to policyholders. In the main compound bonus series the special reversionary bonus was discontinued but a higher normal reversionary bonus was declared and a new terminal bonus, payable on claims in 1987, was introduced.

Directors and Auditors

On 16th June, 1987 Lord Trend retires from the Board, which he joined 14 years ago. This period has been one of great change for the Company, in ownership and in organisation, and I would like to acknowledge the contribution made by Lord Trend to the progress of the Company, and to wish him a long and happy retirement.

The Rt. Hon. Patrick Jenkin who had been appointed to the Board at the last Annual General Meeting resigned on 20th June, 1986 in order to take up another appointment.

At the Annual General Meeting the Company is proposing a change in our auditors from Deloitte Haskins & Sells who have been our auditors for 75 years. This change has been occasioned by the world-wide needs of our parent company, and I must express my thanks and appreciation to Deloitte Haskins & Sells for their helpful advice and guidance over this long period.

Staff

In 1986 the management and senior staff, under the able leadership of Mr. Bruce Radley, have dealt very successfully not only with the strains caused by the relocation of the Head Office in the previous year, but also with our plans for the future.

The recent formulation of these plans and the action necessary to put them into effect will again cause strains both at Head Office and in the sales organisation. The Company will do all that is possible to ameliorate these strains, and I wish, on behalf of my fellow directors and myself, to offer my thanks to all our staff for their hard work which I feel sure will result in our continuing success in the changed financial environment which we will soon be entering.

D. H. Radley
Chairman



Directors' Report

for the year ended 31st December, 1986

Principal Activities

Long-Term Insurance

The Directors present their Report for the One Hundred and Ninth Year of the Company's business.

The principal activities of the Company and of its wholly-owned subsidiary, the United Standard Insurance Company Limited, are respectively the transaction of Long-Term Insurance Business and General Insurance Business in the United Kingdom. Since the end of the financial year the Group has decided to discontinue writing General Insurance Business. (See General Insurance below).

New Long-Term Insurance Business written during the year (after deduction of reinsurance) was as follows:

| | 1986 | 1985 |
|---------------------|---------|---------|
| Number of policies | 20,006 | 16,949 |
| | £000 | £000 |
| Annual premiums | 6,701 | 5,203 |
| Single premiums | 13,001 | 8,914 |
| Sums assured | 369,687 | 293,789 |
| Annuities per annum | 602 | 266 |

Premiums for the year amounted to £39,527,911 (1985—£33,229,943).

Investment income totalled £16,053,486 (1985—£14,051,675) and the gross rate of interest earned on the Long-Term Insurance Funds was 8.34 per cent. (1985—8.45 per cent.).

Mortgage advances on house property outstanding at the end of the year amounted to £40 million. The average amount of each advance outstanding was £4,548.

Bonus declarations—Reversionary bonuses upon with-profits policies in the Participating Fund were declared for the year 1986 and in respect of the year ending 31st December 1987 by way of a terminal bonus at the following rates:

Life Assurance Policies:

- (i) Current compound bonus series—£5.00 per cent. reversionary bonus and a terminal bonus of 20 per cent. of attaching bonuses on all policies becoming claims by death or maturity during 1987.
- (ii) Closed simple bonus series—£5.60 per cent. reversionary bonus and a final bonus on policies becoming claims by maturity or death in 1987. For normal whole life or endowment assurance policies the final bonus will be 15 per cent. of all previous bonus additions.

Policies in the Pensions Business Fund Compound Bonus Series:

- (i) On individual pure endowment and term assurances and the Selective Pension Plan—£4.85 per cent. reversionary bonus and on maturity a terminal bonus of 40 per cent. of attaching bonuses.
- (ii) On all other pure endowment assurances—£5.10 per cent. reversionary bonus.
- (iii) 9.5 per cent. of the average number of initial units and 13 per cent. of the average number of ordinary units attaching throughout 1986 for unitized with-profit Pensionplus and 13.5 per cent. of the average number of units attaching throughout 1986 for with-profit Plusfunds.

The annual valuation of the liabilities of the Long-Term Insurance Business as at 31st December, 1986 has been made by the Actuary. Life assurances were valued by the net premium method using the A. 1967-70 mortality table adjusted in certain cases for female lives and interest rates of 3¼ per cent. per annum for with-profits assurances, 4¼ per cent. for simple bonus additions thereon, 3¼ per cent. for compound bonus additions thereon, and 5 per cent. for without-profits assurances, with additional reserves for some older policies. For life assurances the premiums were modified in order to reduce new business strain.

Immediate annuities were valued on the $a(55)$ mortality table and 5 per cent. interest in the General Annuity Fund and the $a(90)$ mortality table and 7½ per cent. interest in the Pensions Business Fund.

Pure endowment assurances in the Pensions Business Fund were valued by the net premium method at 5½ per cent. for with-profits policies and 7½ per cent. for without-profits policies, the premiums being modified in order to reduce the new business strain. For linked assurances the reserves were equal to the value of the underlying investment units plus additional reserves where appropriate. Credit was taken for the Long-Term Insurance Funds at the value shown in the balance sheet.

The valuation showed a surplus at the end of the year as follows:

| | 1986 £ | 1985 £ |
|---|--------------------|--------------------|
| Balance of surplus brought forward from previous year | 3,500,679 | 3,475,280 |
| Transferred from Investment Reserve | 7,408,104 | 9,475,000 |
| Capital appreciation on unallocated linked assets | 713,468 | 350,423 |
| Surplus arising in year | 3,642,844 | 2,323,440 |
| Surplus at the end of the year | <u>£15,265,095</u> | <u>£15,624,143</u> |

Acting on the advice of the Actuary, the Directors have allocated the surplus as follows:

| | 1986 £ | 1985 £ |
|---|--------------------|--------------------|
| To policyholders | 10,777,127 | 11,159,223 |
| To Profit and Loss Account: | | |
| Shareholders' share of divisible profits | — | 814,241 |
| Non-divisible profits | — | 150,000 |
| Balance of surplus carried forward unappropriated | 4,487,968 | 3,500,679 |
| | <u>£15,265,095</u> | <u>£15,624,143</u> |

General Insurance

The General Insurance Business, which has been written in the United Standard Insurance Company Limited, has not been profitable over recent years which reflects the general conditions of the market and the small scale of our business. As a result, the Group announced on the 1st June, 1987 that it would immediately cease to write new business but renewal invitations will be issued to the end of September 1987 at which time renewals will be invited by Allstate Insurance Company Limited.

As a consequence of the above a review was conducted of the future cash inflows and outflows over the anticipated period covering the run-off of the business. The Directors are of the opinion that no adjustments need to be made to the accounts of the United Standard Insurance Company Limited and that the accounts can be prepared on a basis consistent with the prior year.

However, because the General Insurance Business is now being curtailed the Directors consider that it would not be appropriate to prepare group accounts on a consolidated basis and that a fairer presentation would be achieved through presenting the group accounts as described in Note 1(b) of the Accounting Policies.

provident life

The financial statements of the United Standard Insurance Company Limited show:

| | 1986 £000 | 1985 £000 |
|----------------------|--------------|--------------|
| Premiums written | 7,376 | 6,260 |
| Investment income | 856 | 950 |
| Underwriting results | (2,088) | (1,434) |
| Expenses | (41) | (277) |
| Taxation | (1) | (1) |
| Loss after taxation | (1,274) | (762) |

Dividend

The Directors have recommended that no dividend be paid in respect of the year 1986 (1985—£406,000).

Share Capital

At an Extraordinary General Meeting of the Company held on 19th December, 1986 a special resolution was passed which authorised an increase in the nominal capital of the Company by the creation of 25 million ordinary non-voting shares of £1 each. These shares were offered, and issued at par, to Winterthur Life Insurance Company, a wholly owned subsidiary of Winterthur Swiss Insurance Company.

Board

The Board of Directors of the Company is as set out on page 2. The Rt. Hon. Patrick Jenkin, M.P., who was appointed to the Board on 1st May, 1986, resigned on 20th June, 1986. Dr. S. B. Cafilisch and Dr. H. R. Studer retire by rotation and being eligible offer themselves for re-election and The Rt. Hon. Lord Trend who also retires by rotation has indicated that he will not be seeking re-election.

Interests of Directors

According to the Register of Directors' Share Interests none of the Directors had any interest in the shares of the Company at 31st December, 1986.

Employees

The average number of persons employed during the year under contracts of service in each week was 680 (1985—616) and the aggregate remuneration for the year was £7,739,738 (1985—£6,619,316).

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

Throughout 1986 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.

Other matters

Charitable donations amounting to £9,109 (1985—£3,259) were made by the Group during the year.

A resolution will be put to the members of the Company at the Annual General Meeting proposing the appointment of Peat Marwick McLintock as auditors for the ensuing year in place of the retiring auditors, Deloitte Haskins & Sells.


 By Order of the Board,
 J. D. Fox
 Secretary.

Provident Way, Basingstoke, RG21 2SZ
 16th June, 1987

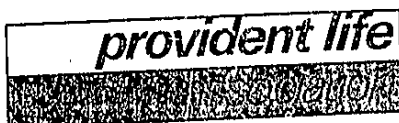
**LONG TERM
INSURANCE
BUSINESS**

Revenue Account
for the year ended 31st December, 1986

| | Note | 1986 £000 | 1985 £000 |
|---|------|----------------|----------------|
| Premiums | | 39,528 | 33,230 |
| Investment income | 1(e) | 16,053 | 14,052 |
| Transferred from Investment Reserve | 4 | 7,408 | 9,475 |
| Change in value of investments of Unit Fund (after adjustment for taxation) | | <u>2,349</u> | <u>768</u> |
| | | 65,338 | 57,525 |
| Claims incurred: | | | |
| Death | | 3,346 | 2,628 |
| Maturity | | 7,802 | 5,510 |
| Surrenders | | 8,502 | 5,690 |
| Annuities | | 1,314 | 1,228 |
| Commission | | 3,429 | 2,981 |
| Expenses | | 12,851 | 10,718 |
| Taxation | 2 | 8 | 717 |
| Transferred to Profit and Loss Account | | — | 964 |
| | | <u>37,252</u> | <u>30,436</u> |
| Increase in funds during year | | 28,086 | 27,089 |
| Funds at beginning of year | | <u>186,456</u> | <u>159,367</u> |
| Funds at end of year | | <u>214,542</u> | <u>186,456</u> |

Balance Sheet
as at 31st December, 1986

| | Note | 1986 £000 | 1985 £000 |
|---|------|---------------|---------------|
| Funds | | | |
| Long-Term Insurance Funds | | 214,542 | 186,456 |
| Investment reserve | 1(d) | <u>30,090</u> | <u>23,690</u> |
| | | 244,632 | 210,146 |
| Liabilities | | | |
| Current Liabilities | 11 | <u>5,060</u> | <u>4,495</u> |
| | | 249,692 | 214,641 |
| Investments | | | |
| British Government Securities | | 72,012 | 66,618 |
| Other Fixed Interest Securities | | 11,149 | 9,060 |
| Preference Shares | | 2,054 | 740 |
| Ordinary Shares | | <u>90,518</u> | <u>67,713</u> |
| Market Value | 1(c) | 175,733 | 144,131 |
| Mortgages on house property and other loans within the United Kingdom | | 41,275 | 42,911 |
| Freehold and leasehold property including Company's offices | | <u>18,620</u> | <u>17,807</u> |
| | | 235,628 | 204,849 |
| Other Assets | | | |
| Current Assets | 14 | <u>14,064</u> | <u>9,792</u> |
| | | 249,692 | 214,641 |



The notes and signatures on pages 11 to 14 are an integral part of these Accounts

**SHAREHOLDERS'
FUND**

Profit and Loss Account

for the year ended 31st December, 1986

| | Note | 1986 £000 | 1985 £000 |
|---|------|--------------|--------------|
| Transferred from Long-Term Insurance Fund | 3 | — | 964 |
| Investment income | | 262 | 173 |
| | | <u>262</u> | <u>1,137</u> |
| Expenses | | 108 | 13 |
| Taxation | 2 | 52 | 55 |
| | | <u>160</u> | <u>68</u> |
| Profit after taxation | | 102 | 1,069 |
| Dividend (see Directors' Report) | | — | 406 |
| Transferred to Retained Profits and Reserves | | <u>102</u> | <u>663</u> |

Balance Sheet

as at 31st December, 1986

| | Note | 1986 £000 | 1985 £000 |
|---------------------------------|------|----------------|----------------|
| Capital and Reserves | | | |
| Share Capital | 10 | 26,400 | 1,400 |
| Retained Profits and Reserves | | 876 | 2,048 |
| Investment Reserve | 1(d) | 1,316 | 764 |
| | | <u>28,592</u> | <u>4,212</u> |
| Other Liabilities | | | |
| Current Liabilities | 11 | 403 | 17 |
| Dividend Proposed | | — | 406 |
| | | <u>28,995</u> | <u>4,635</u> |
| Long-Term Insurance | | | |
| Per separate Balance Sheet | | <u>249,692</u> | <u>214,641</u> |
| | | <u>278,687</u> | <u>219,276</u> |
| Investments | | | |
| British Government Securities | | 20,620 | 158 |
| Other Fixed Interest Securities | | — | 14 |
| Preference Shares | | 187 | 210 |
| Ordinary Shares | | 1,268 | 1,303 |
| | | <u>22,075</u> | <u>1,685</u> |
| Other Assets | | | |
| Market Value | 1(c) | 22,075 | 1,685 |
| Subsidiary Companies | 13 | 1,325 | 1,781 |
| Current Assets | 14 | 5,595 | 1,169 |
| | | <u>28,995</u> | <u>4,635</u> |
| Long-Term Insurance | | | |
| Per separate Balance Sheet | | <u>249,692</u> | <u>214,641</u> |
| | | <u>278,687</u> | <u>219,276</u> |

The notes and signatures on pages 11 to 14 are an integral part of these Accounts

Statement of Source and Application of Funds

for the year ended 31st December, 1986
(Excluding Long-Term Insurance)

| | 1986 £000 | 1985 £000 |
|--|---------------|--------------|
| Source of Funds | | |
| Profit before taxation | 154 | 1,124 |
| Movement on Investment Reserve | 552 | 117 |
| Adjustments for: | | |
| Increase/(Decrease) in Creditors | 356 | (5) |
| (Increase)/Decrease in Debtors | (59) | 1,210 |
| Issue of shares | 25,000 | — |
| | <u>26,003</u> | <u>2,446</u> |
| Application of Funds | | |
| Dividends paid | 406 | 336 |
| Tax paid | 22 | 79 |
| | <u>428</u> | <u>415</u> |
| Changes in Investments and Net Liquid Funds | | |
| Increase in: | | |
| Investments, Deposits and Subsidiary | 25,539 | 2,054 |
| Balances at Bankers | 36 | (23) |
| | <u>25,575</u> | <u>2,031</u> |
| | <u>26,003</u> | <u>2,446</u> |



The notes and signatures on pages 11 to 14 are an integral part of these Accounts

Notes on the Accounts

1. Accounting Policies

(a) Disclosure Requirements

Neither the group nor the holding company is required to comply with the accounting and disclosure provisions of Part VII, Chapter I of the Companies Act 1985. The group accounts are drawn up in accordance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985.

(b) Group Accounts

As stated in the Directors' Report the General Insurance Business is now being curtailed. In view of this the Directors consider that it is appropriate not to present the group accounts in the form of consolidated accounts.

The Group Accounts of the Company comprise:-

- (i) Long-Term Insurance Business (Page 8).
- (ii) Shareholders' Fund (Page 9).
- (iii) Accounts of the United Standard Insurance Company Limited in respect of General Business (Pages 15-20).

(c) Investments

(i) Listed securities have been valued at middle market value less accrued interest at 31st December, 1986. The market value of unlisted securities has been estimated by the Directors.

(ii) Mortgages and other loans are included at the amounts advanced.

(iii) Properties are shown at open market value less estimated selling costs. All valuations have been carried out within the last three years by external valuers who are all chartered surveyors. Where properties were not valued by them at 31st December, 1986, the Directors consider the value at which they are included in the accounts to be fair.

(d) Investment Reserve

The following items are dealt with through the Investment Reserve:

(i) The net unrealised appreciation of the value of investments, as defined in (c) above, over cost at the year end and the profits and losses realised on the sale of investments (adjusted where appropriate for taxation thereon).

(ii) Expenditure on computer equipment, office furniture, additional motor cars and the costs of relocating staff to Basingstoke has been charged to this Reserve. Amounts equal to this expenditure are transferred to the Long-Term Insurance Fund on the following bases:

| | |
|-----------------------|----------------------------------|
| Computer equipment | — over its estimated useful life |
| Office furniture | — in the year of purchase |
| Additional motor cars | — in the year of purchase |
| Relocation costs | — in the year incurred |

(e) Investment Income

Investment income comprises dividends due and receivable in the year (including related tax credits), and in the case of rents, interest from mortgages and fixed interest and preference securities, the income accruing on a day-to-day basis.

2. Taxation

The charge for taxation includes Income Tax at the basic rate and Corporation Tax at 36.25 per cent. for the year. The charge for taxation in the Long-Term Revenue Account and Profit and Loss Account is made up as follows:

| | Long-Term Revenue Account | | Profit and Loss Account | |
|-----------------|---------------------------------|--------------|----------------------------|--------------|
| | 1986 £000 | 1985 £000 | 1986 £000 | 1985 £000 |
| Income Tax | (10) | 649 | 16 | 37 |
| Corporation Tax | 18 | 68 | 36 | 18 |
| | <u>8</u> | <u>717</u> | <u>52</u> | <u>55</u> |

Notes on the Accounts

An amount of £714,000 relating to recoverable income tax on unfranked investment income, which in earlier years had been charged to the Long-Term Revenue Account, has been transferred to Investment Reserve.

3. Transfers to Profit and Loss Account

The transfers comprise the following:

| | 1986 £000 | 1985 £000 |
|--|--------------|--------------|
| Long-Term Insurance: | | |
| Shareholders' share of divisible profits | — | 814 |
| Non-divisible profits | — | 150 |
| | <u>—</u> | <u>964</u> |

4. Investment Reserve (Long-Term Insurance)

The sum of £7,408,000 transferred to the Long-Term Insurance Fund is made up of £9,400,000 less £1,992,000 (including £995,000 relocation costs of which £267,000 represents the costs incurred during 1986 and the balance of £728,000 represents costs incurred in earlier years) in respect of the items referred to in note 1(d) (ii).

5. Directors' Remuneration

| Directors' remuneration for the year was: | 1986 | 1985 |
|---|-----------------|-----------------|
| Fees | £28,330 | £25,000 |
| Other emoluments | 195,784 | 214,118 |
| Pensions paid to former Directors or their widows | 10,010 | 11,685 |
| | <u>£234,124</u> | <u>£250,803</u> |

| | | |
|-----------------------|---------|---------|
| Chairman | £39,609 | £65,232 |
| Highest paid Director | £70,230 | — |

| Other Directors by Scale: | Number of Directors | |
|---------------------------------|---------------------|------|
| | 1986 | 1985 |
| Up to £5,000 | 1 | 4 |
| Exceeding £ 5,000 up to £10,000 | 4 | — |
| Exceeding £10,000 up to £15,000 | — | 1 |
| Exceeding £45,000 up to £50,000 | — | 1 |
| Exceeding £55,000 up to £60,000 | 1 | 1 |

One Director waived fees totalling £1,048

6. Employees' Remuneration

The number of employees in the Company in receipt of emoluments in excess of £30,000 was as follows:

| | 1986 | 1985 |
|---------------------------------|------|------|
| Exceeding £30,000 up to £35,000 | 8 | 1 |
| Exceeding £35,000 up to £40,000 | 2 | 3 |
| Exceeding £40,000 up to £45,000 | 2 | 2 |
| Exceeding £45,000 up to £50,000 | 1 | — |

7. Loans to Directors and Officers

(i) Directors

Details of such loans are shown below. Mortgage advances are loans made for the purpose of staff house purchase and are secured on the main residence of the borrower and life assurance policies. All due interest has been paid.

| | Maximum Loan | Average rate of interest |
|--------------------------------------|----------------------------|--------------------------|
| | Loan at 1.1.86 during 1986 | Loan at 31.12.86 |
| Mr. D. H. Radley Mortgage advance | £7,500 | £7,500 |
| Mr. B. E. Radley Mortgage advance | £32,500 | £32,500 |
| Mr. K. A. F. Ostime Mortgage advance | £20,000 | £20,000 |
| | | 2.9% |
| | | 6.7% |
| | | 5.1% |

(ii) Officers

Staff loans for the purpose of house purchase existed as follows:

Aggregate amount outstanding £130,000. Number of Officers 2.



8. Auditors' Remuneration

The remuneration of the auditors for the year amounted to £38,000 (1985—£35,000).

9. Staff Pension Fund

The Group's liabilities under the Staff Pension Fund are funded from the Revenue Accounts by normal contributions which during 1986 were at the rate of 21 per cent. of pensionable earnings.

10. Share Capital

The authorised, issued and fully paid-up share capital of the Company is made up as follows:

| | 1986 | 1985 |
|--|--------------------|-------------------|
| 1,400,000 Ordinary Shares of £1 each | £1,400,000 | £1,400,000 |
| 25,000,000 Ordinary Shares of £1 each, non-voting | <u>£25,000,000</u> | <u>—</u> |
| | <u>£26,400,000</u> | <u>£1,400,000</u> |

11. Current Liabilities

| Shareholders' Fund | 1986 | 1985 |
|----------------------------------|--------------|--------------|
| | £000 | £000 |
| Sundry creditors | 254 | 6 |
| Taxation | 41 | 11 |
| Subsidiary Company | <u>108</u> | <u>—</u> |
| | <u>403</u> | <u>17</u> |
| | | |
| Long-Term Fund | 1986 | 1985 |
| | £000 | £000 |
| Outstanding claims and annuities | 1,618 | 741 |
| Depositors | 55 | 70 |
| Shareholders' Fund | 155 | 555 |
| Sundry Creditors | <u>3,232</u> | <u>3,129</u> |
| | <u>5,060</u> | <u>4,495</u> |

12. Investments

- (i) If the assets had been realised at the values referred to in note 1 (c) it is estimated that there would have been no additional liability to corporation tax.
- (ii) Uncalled capital on investments held by the Company at the year end amounted to £631,500 (1985—£430,648) in the Long-Term Fund and £nil (1985—£nil) in the Shareholders' Fund.

13. Investment in Subsidiaries

The investment in subsidiaries represents the entire share capital of the United Standard Insurance Company Limited and The Vigilant Assurance Company Limited. The investments are shown in the Company's Balance Sheet at net asset values excluding Investment Reserves. During the year the Company has taken up and paid for 500,000 shares of £1 each (1985—2,000,000 shares of £1 each) of United Standard Insurance Company Limited issued at par. The deficit arising during the year amounting to £1,275,000 (1985—£637,000) has been debited to Retained Profits and Reserves.

As discussed in note 15 below, this investment was sold subsequent to the year end.

Notes on the Accounts

14. Current Assets

| Shareholders' Fund | | 1986 | 1985 |
|---|--|---------------|--------------|
| | | £000 | £000 |
| Sundry debtors | | 485 | 11 |
| Long-Term Fund | | 155 | 555 |
| Subsidiary company | | — | 15 |
| Deposits | | 4,887 | 556 |
| Balances at bankers | | 68 | 32 |
| | | <u>5,595</u> | <u>1,169</u> |
| | | | |
| Long-Term Fund | | 1986 | 1985 |
| | | £000 | £000 |
| Sundry debtors | | 798 | 781 |
| Taxation | | 4,337 | 2,133 |
| Outstanding premiums | | 619 | 756 |
| Investment income accrued and outstanding | | 2,693 | 2,335 |
| Deposits | | 5,508 | 3,477 |
| Balances at bankers | | 109 | 310 |
| | | <u>14,064</u> | <u>9,792</u> |

15. Post Balance Sheet Events


On the 1st June, 1987 the Company's subsidiary handling the General Insurance Business of the Group announced that it would cease writing new business.

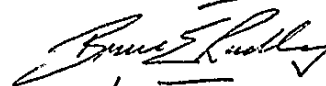
A detailed review of future cash inflows and outflows has been conducted and the Directors are of the opinion that no adjustments need to be made to the accounts at the 31st December, 1986.


As part of this re-organisation of the Group the Company's investment in the United Standard Insurance Company Limited was sold to a fellow subsidiary, Winterthur (UK) Holdings Limited, by agreement dated 16th June, 1987 for a consideration based on the net asset value of the company at that date.

16. Ultimate Holding Company

The ultimate holding company is Winterthur Swiss Insurance Company, a company incorporated and registered in Switzerland.

 D. H. Radley
Chairman.

 B. E. Radley
Director.

 R. A. F. Ostime
Director.

Provident Way, Basingstoke, RG21 2SZ
16th June, 1987

provident life

**UNITED
STANDARD
INSURANCE
COMPANY
LIMITED**

Revenue Account
for the year ended 31st December, 1986

| | Note | 1986 £000 | 1985 £000 |
|--|-------|-----------------------|-----------------------|
| Premiums | | 7,376 | 6,260 |
| Increase in unearned premiums | | (337) | (176) |
| Premiums earned | | <u>7,039</u> | <u>6,084</u> |
| Claims incurred | | 5,857 | 4,044 |
| Commission | | 1,202 | 1,042 |
| Expenses | | 2,007 | 1,768 |
| Transfer of exchange Profit | 1 (g) | 61 | 664 |
| | | <u>9,127</u> | <u>7,518</u> |
| Transferred to Profit and Loss Account | | (Loss) <u>(2,088)</u> | (Loss) <u>(1,434)</u> |

Profit and Loss Account
for the year ended 31st December, 1986

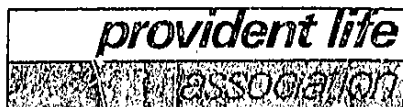
| | Note | 1986 £000 | 1985 £000 |
|-------------------------------------|-------|----------------|--------------|
| Transferred from Revenue Account | | (2,088) | (1,434) |
| Investment income | 1 (c) | 856 | 950 |
| | | <u>(1,232)</u> | <u>(484)</u> |
| Expenses | 2 | 41 | 277 |
| Taxation | 3 | 1 | 1 |
| | | <u>42</u> | <u>278</u> |
| Loss after taxation | | (1,274) | (762) |
| Transferred from Investment Reserve | | — | 125 |
| Transferred to Accumulated deficit | | <u>(1,274)</u> | <u>(637)</u> |

**UNITED
STANDARD
INSURANCE
COMPANY
LIMITED**

Balance Sheet

as at 31st December, 1986

| | | 1986 | 1985 |
|--|-------------|---------------|---------------|
| | <i>Note</i> | £000 | £000 |
| Capital and Reserves | | | |
| Share Capital | 4 | 4,000 | 3,500 |
| Accumulated Deficit | | (2,994) | (1,719) |
| Investment Reserve | 1(f) | 306 | 374 |
| | | <u>1,312</u> | <u>2,155</u> |
| Insurance Funds and Liabilities | | | |
| Unearned Premiums | | <u>2,835</u> | <u>2,498</u> |
| Outstanding Claims | 5 | 5,772 | 6,001 |
| | | 8,607 | 8,499 |
| Other Liabilities | | | |
| Current Liabilities | 6 | 425 | 488 |
| | | <u>10,344</u> | <u>11,142</u> |
| Investments | | | |
| British Government Securities | | 4,542 | 3,895 |
| Other Fixed Interest Securities | | 1,545 | 2,119 |
| Ordinary Shares | | 130 | 115 |
| Market Value | 1(e) | 6,217 | 6,129 |
| Freehold property | | 1,285 | 1,285 |
| Mortgages on house property | | — | 7 |
| | | 7,502 | 7,421 |
| Other Assets | | | |
| Current Assets | 7 | 2,842 | 3,721 |
| | | <u>10,344</u> | <u>11,142</u> |



**UNITED
STANDARD
INSURANCE
COMPANY
LIMITED**

Applications of Funds

Sources of Funds

**Movement in Working
Capital:**

**Decrease/(Increase) in Net
Liquid Funds**

**Statement of Source
and Application of Funds**

for the year ended 31st December, 1986

| | 1986 £000 | 1985 £000 |
|---|--------------|--------------|
| Loss before taxation | 1,273 | 761 |
| Adjustments for items not involving the movement of Funds this year: | | |
| (Increase)/Decrease in Insurance Funds and Liabilities | (107) | 817 |
| Tax Recoverable on Investment income | 228 | 288 |
| Transfer from Investment Reserve to Profit and Loss Account | — | 125 |
| Other | 5 | (599) |
| Total absorbed by operations | <u>1,399</u> | <u>1,392</u> |
| Other applications: | | |
| Purchases less sales of investments | 144 | 722 |
| | <u>1,543</u> | <u>2,114</u> |
| Issues of shares | 500 | 2,000 |
| Taxation recovered | 290 | 265 |
| | <u>753</u> | <u>(151)</u> |
| Decrease/(Increase) in amounts due from Companies and Intermediaries | 72 | (1) |
| Increase in debtors and accrued income | (13) | (79) |
| (Decrease)/Increase in creditors | (38) | 5 |
| | <u>21</u> | <u>(75)</u> |
| Deposits | 819 | (21) |
| Cash | (87) | (55) |
| | <u>753</u> | <u>(151)</u> |

Notes on the Accounts

1. Accounting Policies

(a) Disclosure Requirements

The company is not required to comply with the accounting and disclosure requirements of Part VII, Chapter I of the Companies Act 1985. The financial statements are drawn up in accordance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985.

(b) Basis of Accounting

As discussed in note 9 below there has been no change in the Basis of Accounting and the accounts have been prepared on a basis consistent with the prior year.

(c) Investment Income

Investment income comprises dividends due and receivable in the year (including related tax credits) and, in the case of fixed interest and preference securities, the income accruing on a day-to-day basis.

(d) Insurance Funds and Liabilities

(i) Unearned Premiums

The provisions carried forward have been calculated on the 24ths basis with due allowance for commission.

(ii) Outstanding Claims

Full provision is made for the estimated cost, less reinsurance recoverable, of all claims notified but not settled at the date of Balance Sheet, using the best information available at that time. Provision is also made for the cost of claims incurred but not reported until after the Balance Sheet date.

Significant delays are experienced in both the notification and settlement of liability claims. Accordingly, a substantial measure of experience and judgement is required in assessing such outstanding claims, the ultimate cost of which cannot be known with certainty at the Balance Sheet date. Differences between the provision for outstanding claims at a Balance Sheet date and subsequent revisions and settlements are included in the Revenue Account in later years.

(e) Investments

(i) Listed securities have been valued at middle market value at 31st December, 1986, less accrued interest.

(ii) Mortgages are included at the amounts advanced.

(iii) Properties are shown at open market value less estimated selling costs. All valuations have been carried out within the last three years by external valuers who are all chartered surveyors. Where properties were not valued by them at 31st December, 1986, the Directors consider the value at which they are included in the accounts to be fair.

(f) Investment Reserve

The investment reserve includes the net unrealised appreciation of the value of investments, as defined in (e) above, over cost at the year end and the profits and losses realised on the sale of investments (adjusted where appropriate for taxation thereon).



(g) *Exchange Rates*

Assets and liabilities in foreign currencies have been translated at the rates ruling on 31st December 1986. The revenue transactions have been translated at average rates prevailing during the year. The resultant exchange differences have been transferred to investment reserve.

(h) *Depreciation*

No provision is made for depreciation of motor cars and office equipment. Such assets are written off in the year of acquisition.

2. Expenses

Included in expenses charged to Profit and Loss Account in 1985 is an exceptional cost of £228,249 incurred in relocating the company's operation to Basingstoke.

3. Taxation

| | 1986 £000 | 1985 £000 |
|--------------|--------------|--------------|
| Overseas Tax | | |
| Current year | <u>1</u> | <u>1</u> |

Corporation Tax losses carried forward amount to approximately £3,800,000 (1985 £2,820,000).

No provision has been made for deferred taxation on the revaluation of the company's freehold offices and land on the assumption that the liability on disposal would be "rolled over" into the purchase of new premises.

4. Share Capital

| | 1986 £000 | 1985 £000 |
|--|--------------|--------------|
| The Share Capital of the company at 31st December was: | | |
| Authorised | | |
| 4,000,000 shares of £1 each | <u>4,000</u> | <u>3,500</u> |
| Issued and Fully Paid | | |
| 4,000,000 shares of £1 each | <u>4,000</u> | <u>3,500</u> |

During the year the company issued 500,000 shares of £1 each fully paid and since the year end the company has issued a further 500,000 shares of £1 each fully paid, all of which were taken up by the parent company, Provident Life Association Limited.

5. Outstanding Claims

| | 1986 £000 | 1985 £000 |
|--|--------------|--------------|
| Outstanding Claims are made up as follows: | | |
| Property and Accident | | |
| Gross Liabilities | 8,963 | 10,054 |
| Reinsurance Recoverable | <u>6,008</u> | <u>6,162</u> |
| Net Liabilities | <u>2,955</u> | <u>3,892</u> |
| Motor | | |
| Gross Liabilities | 3,002 | 2,381 |
| Reinsurance recoverable | <u>185</u> | <u>272</u> |
| Net Liabilities | <u>2,817</u> | <u>2,109</u> |

Included within Property and Accident outstanding claims is a provision in respect of the company's potential liability on claims arising mainly from industrial diseases under insurances accepted approximately

Notes on the Accounts

25 years ago. The provision has been based on the best information currently available. However, there exist considerable uncertainties concerning the manner in which the company could be held liable.

The company has effected an excess of loss reinsurance policy with the ultimate holding company. The policy reinsures the company in respect of potential liabilities, in excess of those provided for at 31st December, 1984 being U.S. \$4,169,379 (equivalent at that date to £3,594,292), on claims arising primarily from the industrial diseases referred to above, under policies written before 1970. The maximum liability under the policy is U.S. \$10,000,000.

6. Current Liabilities

| | 1986 | 1985 |
|-------------------------------------|------------|------------|
| | £000 | £000 |
| Due to companies and intermediaries | 368 | 393 |
| Creditors | 57 | 80 |
| Due to Parent Company | — | 15 |
| | <u>425</u> | <u>488</u> |

7. Current Assets

| | 1986 | 1985 |
|---|--------------|--------------|
| | £000 | £000 |
| Due from companies and intermediaries | 1,178 | 1,275 |
| Taxation | 226 | 288 |
| Investment income accrued and outstanding | 252 | 320 |
| Debtors | 3 | 30 |
| Due from Parent Company | 108 | — |
| Deposits | 785 | 1,605 |
| Balance at Bankers | 290 | 203 |
| | <u>2,842</u> | <u>3,721</u> |

8. Auditors' Remuneration

The auditors' remuneration for the year amounted to £22,000 (1985-£20,000).

9. Post Balance Sheet Events

The company decided on the 1st June 1987 to cease writing new business as outlined in the directors report. Although the company will not be accepting any new business, it will continue to administer existing policies and meet any commitments and liabilities that may arise in the future as a consequence of these policies. A detailed review of future cash inflows and outflows based on the company's history has indicated that no adjustments need be made to the current year's Financial Statements and that the Accounts can be prepared on a basis consistent with the prior year.

10. Ultimate Holding Company

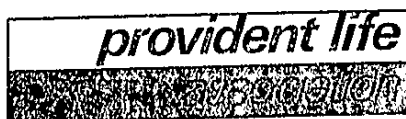
The Ultimate Holding company is Wintherthur Swiss Insurance Company, a company incorporated and registered in Switzerland.

Approved by the Board on 15th June 1987.

B. E. Radley
Chairman.

R. A. F. Ostime
General Manager.

J. D. Fox
Director.



Report of the Auditors

To The Members of Provident Life Association Limited

We have audited the financial statements of the Company shown on pages 8 to 14 and of its subsidiary, The United Standard Insurance Company Limited, shown on pages 15 to 20 for the year ended 31st December, 1986 in accordance with approved Auditing Standards.

In our opinion the accounts of the Company (pages 8 to 14) and the Group accounts comprising the accounts of the Company and the accounts of United Standard Insurance Company Limited comply with the provisions of the Companies Act 1985 applicable to Insurance Companies.

London
16th June, 1987

Deloitte Haskins & Sells
Deloitte Haskins & Sells
Chartered Accountants.

Group Organisation

Executive

| | |
|-----------------------------|---------------------------------------|
| B. E. Radley F.I.A. A.S.A. | Managing Director |
| R. A. F. Ostime F.I.A. | General Manager and Actuary |
| J. D. Fr F.C.A. | General Manager and Secretary |
| R. K. Muddle F.C.I.I. | General Manager |
| G. J. Boutle B.A. D.M.S. | Personnel Manager |
| G. V. Budd F.I.A. | Marketing Manager |
| D. Corfield | Sales Manager |
| M. A. Farrar M.Sc. F.I.A. | Manager Actuarial Services |
| A.S.A. | Data Processing Manager |
| R. A. Halligan M.B.I.M. | Sales Training Manager |
| J. S. Knight A.C.I.I. | Statistician |
| M. A. Read F.I.A. | Investment Manager |
| J. Shaddick B.A. | Life Manager |
| J. T. Webster F.C.I.I. | Chief Accountant |
| M. Wise F.C.A. | |
| K. H. Blundell A.C.I.I. | Regional Manager |
| S. C. Brown A.C.I.I. | Office Services Manager |
| B. J. Carter B.Sc. F.I.A. | Product Development Manager |
| B. T. J. Eades | Regional Manager |
| R. W. Easterbrook | Motor Manager |
| S. E. Gage A.C.I.I. | |
| G.I.P.M. | Assistant Personnel Manager |
| A. J. Gearing F.C.I.I. | Sales Administration Manager |
| D. F. Griffith | Systems Development Manager |
| P. H. Gurman B.Sc. F.I.A. | Assistant Actuary |
| D. L. Jones A.C.I.I. | New Business Manager |
| W. D. Judge | Fire and Accident Manager |
| N. J. Lister F.L.I.A. | Regional Manager |
| A. G. Lord M.I.D.P.M. | Computer Services Manager |
| P. J. McKinlay B.Sc. A.C.A. | Internal Auditor |
| A. J. Moret B.Sc. A.I.A. | Pensions Manager |
| M. F. E. W. Pluck | Assistant Sales Training Manager |
| J. C. Porter | Regional Manager |
| D. A. Pressey B.Sc. A.I.A. | Assistant Investment Manager |
| F. C. Pullen A.C.I.I. | Claims Manager (General Business) |
| A. J. Selerie B.A. | Advertising and Promotions Manager |
| J. T. Sully | Collection Department Manager |
| L. A. Tisdall B.Sc. A.C.A. | |
| A.I.B. | Assistant Accountant |
| C. M. Vening A.C.I.I. | Pensions Development Manager |
| R. M. Wheble B.Sc. F.C.I.I. | Mortgage Manager |
| T. J. Wheeler F.L.I.A. | Regional Manager |
| K. J. Williams B.Sc. A.I.A. | Assistant Actuary |



**Provident Life
across the country**

Head Office

Provident Way, Basingstoke, Hampshire RG21 2SZ. Tel: Basingstoke
(0256) 470707

Company Offices

Bedford

27 St Cuthberts Street, Bedford MK40 3JG. Tel: Bedford (0234) 66005/61966

Birmingham

34 Harborne Road, Edgbaston, Birmingham B15 3AA.

Tel: Birmingham (021) 455 8901

Blackburn

22 Strawberry Bank, Blackburn, Lancs, BB2 6AA.

Tel: Blackburn (0254) 67219/675210

Bookham

17 High Street, Great Bookham, Surrey KT23 4AA.

Tel: Great Bookham (0372) 59566

Bridgend

2nd Floor, Derwen House, Court Road, Bridgend, Mid-Glamorgan

CF31 1BN. Tel: Bridgend (0656) 3888

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451151/450995

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1st Floor, 27a Station Road, Cheadle Hulme, Cheshire SK8 5AF.

Tel: Manchester (061) 486 9331/2

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46 Duke Street, Chelmsford, Essex CM1 1JO.

Tel: Chelmsford (0245) 261808/261828

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Tel: Chester (0244) 316821/2

Coventry

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Tel: Coventry (0203) 57461

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Tel: London (01) 840 6311

Haywards Heath

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Tel: Haywards Heath (0444) 451771/2

Leeds

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Tel: Leeds (0532) 445027/8

Loughborough

1st Floor, High Street Chambers, High Street, Loughborough,

Leics LE11 1PY. Tel: Loughborough (0509) 231771

Manchester

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Tel: Manchester (061) 969 8321

Orpington

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Kent BR6 7TR. Tel: Orpington (0689) 57882/3

Provident Life
across the country
continued

Plymouth

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Reading

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Tel: Reading (0734) 588668

Romford

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Tel: (0708) 27519

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Tel: Sheffield (0742) 753939

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Tel: Southampton (0703) 229994

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Watford

8 Station Road, Watford, Herts WD1 1EG. Tel: Watford (0923) 52224

Wolverhampton

1st Floor, 22-24 Lichfield Street, Wolverhampton, Staffs WV1 1DG.
Tel. Wolverhampton (0902) 714764/714564

