

19772

# Contents

---

■ <i>Board of Directors</i>	2
■ <i>Statement by the Chairman</i>	3
■ <i>Managing Director's report</i>	5
■ <i>Directors' report</i>	13
■ <i>Financial statements and notes</i>	16
■ <i>Auditors' report</i>	28



# Board of Directors

---



*Dr S B Callisch (Chairman)*

*J C Finlay - Managing Director*

*W N Hood CBE*

*R A F O'Sullivan OBE*

*Dr S C Spence*

*Business & Hooper*

# Statement by the Chairman

---

■ 1993 proved to be a year of further significant growth for Provident Life. The Company continued to successfully focus on development of the core strategies with the Estate Agents and Professional Advisers Divisions:

The Estate Agents Division recorded a new business growth rate of nearly 50% up on 1992's annual premium levels. This considerable achievement should be seen against the background of a sluggish overall housing market, which failed to grow nationally at the rate expected. Within the Professional Advisers Division there was a concentration on certain classes of single premium contracts and as a result single premium business was nearly 130% up on 1992. There has been particularly strong growth with regard to self-invested personal pensions and Provident Life has established itself as the market leader in this growing niche.

The strengthening of these core strategies has enabled Provident Life, as a wholly owned subsidiary of Wetherby Insurance Company, to build on its growing reputation for expertise in these chosen specialist markets. I note with pleasure that the Company's strong position to remunerate dividend payments.

Under the leadership of the Managing Director, John Fran, I am confident that continued success will be mine in 1994 and beyond. I would also like to acknowledge the considerable contribution

made by the Board of Directors. I was particularly pleased in 1993 to be able to welcome Francis Hooper to the Board and to note that Tony Osborne has agreed to continue as a non-executive director. This follows Tony Osborne's retirement during the year from the post of General Manager and Appointed Actuary. Provident Life will therefore continue to benefit from his considerable experience and expertise.

There are new challenges which await us in 1994, such as the introduction of commission disclosure. In recent years we have however been quick to demonstrate our ability to readily grasp new opportunities. With outstanding effort from our staff, we have been able to move the Company forward. I would like to thank colleagues at all levels within Provident Life for that exceptional dedication and commitment. I am certain that with their support and determination we can continue to look to the future with much confidence.



David S. B. Cat, Chairman

# Award Winners

---



◀ Pictured left are the Managing Director's Award Winners who were rewarded for excellent service to clients and colleagues alike. Overall winner Linda Martin is surrounded by divisional winners Sarah Jones, Linda Jesney, Neil Barbour, Kevin Morris, Denise Littlejohns and Brian White.



◀ Pictured left are the Sales Award Winners. Seen here with John Finan are the top three Account Managers who exceeded their sales targets during 1993. From left to right, Richard Prochnicki, Steve Rayner and Len Diggins.

# Managing Director's Report

---

■ In our 1993 Corporate Plan we had some very challenging objectives to aim for. These included aggressive sales targets, whilst at the same time rigorously controlling our costs. We had I am delighted to report, a satisfactory result and our new business production of annual premiums was up nearly 30% on the previous year. This, of course, was against the general trend. Single premium business also rose by over 100%. This was in addition to a reduction in our costs compared to 1992.

The Estate Agency Division had a particularly good year, despite relatively little real growth in the housing market. We increased our

output by almost one third, which helped the Corporation prosper. We had had a very good start to the year, with a particularly strong start in the UK. Within the Erection of Advisers Division we had further strong growth, particularly with regard to self-invested personal pensions. Here we consolidated our long position as market leader in this growing new business.

The resultant cost reduction came about by taking strong measures in reducing our costs. In particular we moved to capture savings wherever possible and this strategy has been highly successful.

RA Hulsanov, General Manager  
D Corfield, General Manager  
G J Balfour, General Manager  
and Secretary  
J Shuckler, Investment Manager  
G V Budd, General Manager



---

## *Estate Agency Division*



*During 1993 we continued with the development of the Estate Agents Network. Some 44 new firms were tied. A very significant development was the successful tying of the Cornerstone chain.*

---

■ *The housing market remained subdued in 1993, and the sector still lacked confidence. Nevertheless, Provident Life achieved very significant new business growth. Overall new annual premiums were up nearly 50% on 1992 levels and there was a marked increase in average policy size*

*During 1993 we continued with the development of the Estate Agents Network. Some 44 new firms were tied. A very significant development was the successful tying of the Cornerstone chain. These important achievements were made possible through the high status and profile, which Provident Life has attained within the estate agents sector. The agent base was also critically examined throughout the year in*

*order to ensure that the overall quality of the network was maintained*

*Where it was clear that an Estate Agent was not sufficiently productive, the appointment was terminated in order that resources could be concentrated on those ties which were able to perform satisfactorily*

*Work has continued throughout 1993 and into 1994 to ensure that both Provident Life and our tied agents are able to maintain a key competitive edge within a challenging market place. Our network has developed throughout 1993 in a very positive way and we are now well-placed to benefit from an improving housing market*

---

## Professional Advisers Division

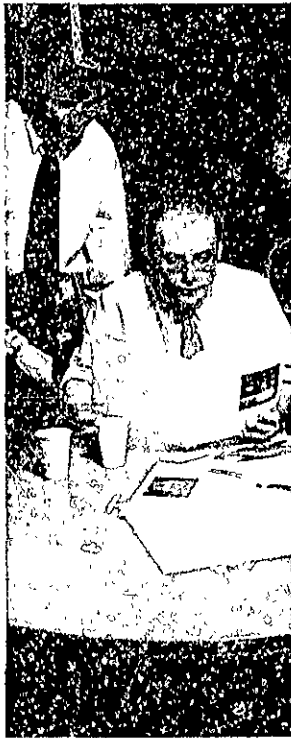
■ *New business continued to grow strongly in 1993 centred on our core single premium pension products, with more modest new business growth of annual premium contracts. We have, however, also continued to develop innovative contracts. In particular, the launch of derivative based pension products produced a satisfactory volume of new single premium business. The switch of the major PAD unit linked funds to investment managers, Schroder Investment Managers, took place mid year and we have been pleased with the performance of those funds.*

*Work commenced in 1993 on the introduction of a National Accounts sales force who are to concentrate on the key nationally based firms of advisers. The development of a programme within the administration group aimed at achieving BS 5750 status, highlighted the importance which has been attached to maintaining an appropriate quality of service within the*

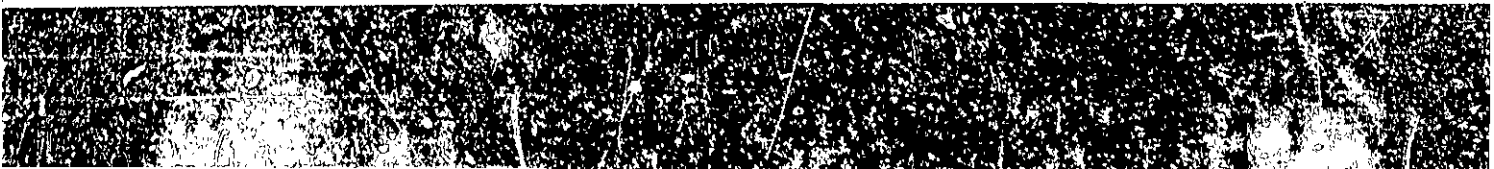
*Professional Advisers Division. This should be completed in 1994. High service standards are seen as a vital component for continued success for the Division.*

*Our wholly owned subsidiary Personal Pension Management Limited (PPM), a specialist self-invested personal pensions company acquired in 1992, has continued with a programme of controlled expansion. This company provides self-invested personal pension administration to members who wish to have direct control over their investment strategy. PPM has, in 1993, forged a number of joint venture relationships providing administration services to a number of insurance companies and fund managers. PPM has been responsible for a number of innovations in the industry, and continues to set high standards with regard to the quality of its administration services. The PPM result is not consolidated within these financial statements.*



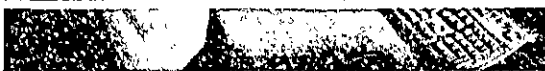
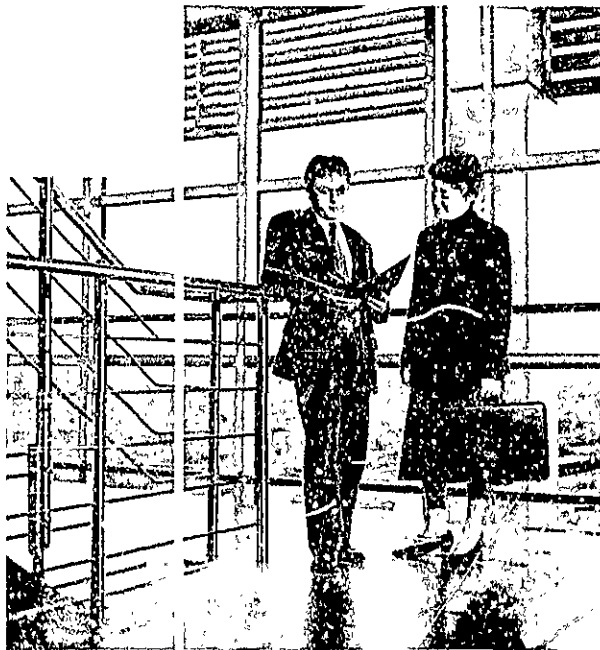


*High service standards are seen  
as a vital component for  
continued success for the  
Division*

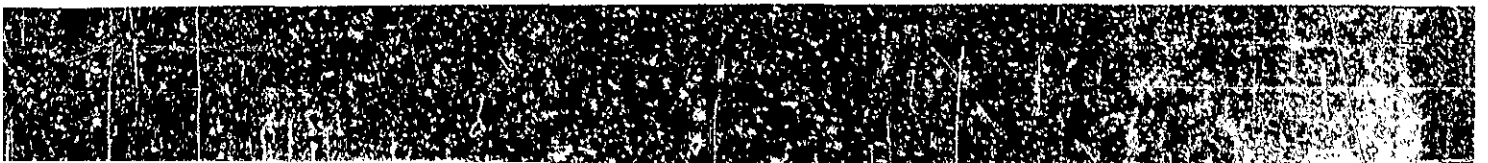


---

## *Additional Issues*



*The rigorous expense containment it was not allowed to overshadow the continued drive to improve standards of service, within administration and support areas*



---

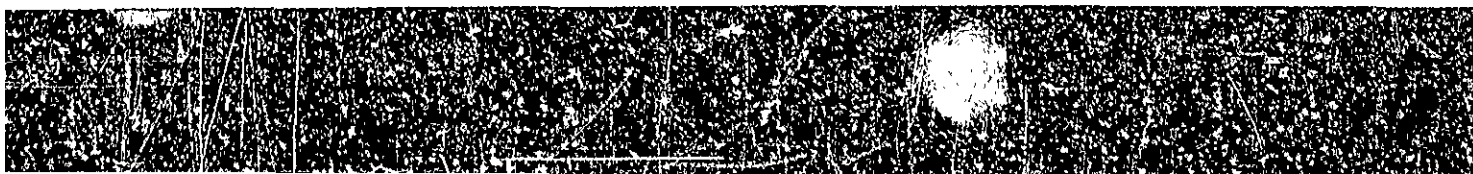
■ *Total expenditure during 1993 was as forecast in the annual plan, despite additional expenditure being incurred in relation to new LAUTRO regulatory training requirements, and the key Cornerstone development. This successful containment of expenses, below 1992 levels, reflects the importance attached to the cost reduction programme by Provident Life management.*

*This rigorous expense containment was not, however, allowed to overshadow the continued drive to improve standards of service, within administration and support areas. Also, our commitment to maintaining our leading edge through effective use of technology has continued. An important new training and competency scheme covering the sales operation was established. A continued programme of training and development together with new communication initiatives were also pursued in order to ensure that all staff remained fully aware of, and committed to, corporate objectives.*

*Despite the lower interest yields available during the year, reversionary bonus rates have been maintained or increased. In addition, the appreciation in asset values resulting from the lower yields has allowed an increase in the terminal bonus payable on maturing policies. This is most marked for those policies that have been in force the longest.*

*Our main investment markets showed high capital growth over the year. It is unusual for both the equity and gilts markets to rise so strongly in tandem, as they tend to focus on different fundamentals. This year, however, they shared a common stimulus, the flight from liquidity.*

*I am particularly pleased to record that the Directors have recommended the payment of a final dividend. This ends a recent period of nil dividends and is a further indication of the renewed confidence which exists within the Company.*



---

## Conclusion

■ *Provident Life has seen substantial progress during 1993. We have considerably increased sales and yet have maintained a rigorous control over expenses. We have relished the challenges which 1993 has provided, and we have been able to maintain an ambitious drive forward in our chosen niche strategies.*

*1994 will bring new challenges. We are confident, however, that issues such as commission disclosure will present us with new opportunities which we will readily grasp. I am certain that the Company will maintain and build on the successful progress which has been achieved in recent years.*

*I would like to once again formally express my appreciation to Winterthur for their support. As Managing Director of Provident Life, I would also like to record my thanks to the Management for their leadership and enthusiasm which played such a major part in us having a successful year, and to all the staff for their hard work and commitment. In particular I would like to acknowledge the important contribution made by Tony Ostone during his many years with Provident and to*

*welcome the subsequent appointment of Mike Farrar to the position of Appointed Actuary.*

*The foundations are now clearly laid for further development and growth in the future. Whilst 1994 brings with it further major challenges, I am confident we are in a strong position to realise our plans, which will go a long way to enable Provident Life to continue to strengthen its position within the UK market.*



J.C. Finan

# Directors' Report

## Report for the year ended 31 December 1993

■ *The Directors present their report for the one hundred and sixteenth 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*

### Dividend

■ *The Directors recommend a final dividend of 3.8p per ordinary share (1992 nil). This amounts to a total payment of £1,003,200 (1992 -)*

### Directors

■ *The Board of Directors of the Company is as set out on page 2. Barcnass G Hooper joined the Board on 1 October 1993. Mr P E Vogel resigned on 7 October 1993. According to the Register of Directors' Share Interests none of the Directors had any interest in the shares of group companies at 31 December 1993.*

### Directors' responsibility

■ *Company Law requires the Directors to prepare financial statements in compliance with the Companies Act 1985 as applicable to insurance companies.*

*In preparing those financial statements, the directors are required to:*

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and*
- *prepare the financial statements on a 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.*

## Directors' Report

### Long term insurance

■ *New long term business written during the year (after deduction of reinsurance) was as follows*

	1993	1992
	£000	£000
Annual premiums	12 745	9 884
Single premiums	73 555	35 315

■ *Premiums for the year (after deduction of reinsurance) were as follows*

	1993	1992
	£000	£000
Life Assurance	39 846	33 448
Pensions Business	81 945	43 540
Other	519	361
	122 310	77 349

### Annual valuation

■ *The annual valuation of the liabilities of the long term insurance business as at 31 December 1993 has been made by the Actuary*

■ *The valuation showed a surplus as follows:*

	1993	1992
	£000	£000
Balance of surplus brought forward from previous year	1 252	2 146
Transferred from investment reserve <sup>o</sup>	10 681	20
Surplus/(Deficit) arising in year (see note below)	(1 954)	6 700
Transferred from profit and loss account	1 345	2 000
Surplus at the end of the year	11 324	10 866

*Acting on the advice of the Actuary, the Directors have allocated the surplus to with profits policyholders, by way of reversionary and terminal bonuses, as follows:*

	1993	1992
	£000	£000
To policyholders (see note below)	10 112	9 614
Balance of surplus carried forward unappropriated	1 212	1 252
	11 324	10 866

*The shareholder's share of surplus was retained within the Long Term Fund as part of the surplus carried forward unappropriated. The shareholders' share of the surplus during the year was 8% (1992 7.52%).*

*Note: The surplus arising and the distribution of surplus to policyholders in 1992 have been restated to include the surplus distributed in respect of terminal bonus*

---

# Directors' Report

## Employees

■ The average number of persons employed during the year under contracts of service in each week was 375 (1992 - 429) and the aggregate remuneration for the year was £8 392 000 (1992 - £9 301 000). 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 have become disabled and to provide equal opportunities for the training and career development of disabled employees. Throughout 1993 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.

## Elective resolutions

■ Under the provisions of the Companies Act 1985, the Company has elected:

- i) to dispense with the holding of Annual General Meetings,
- ii) to dispense with the laying of report and accounts before the Company in general meeting; and
- iii) to dispense with the obligation to appoint auditors annually.

Accordingly KPMG Peat Marwick continue as auditors of the Company.

## Other matters

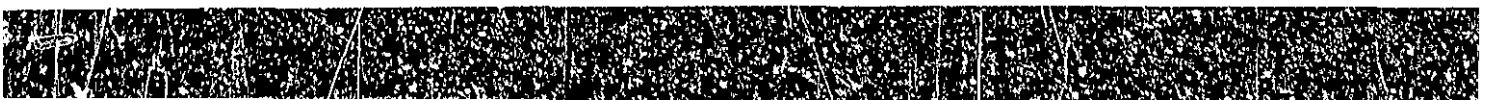
■ Charitable donations amounting to £5 600 (1992 £5 430) were made by the Company during the year. The Company maintains indemnity insurance for certain of its officers.

By Order of the Board



G J Boyle Secretary

20 April 1994 Provident Way, Basingstoke RG21 2SZ



## Long Term Insurance Business

### Revenue Account for the year ended 31 December 1993

■ The notes on pages 20 to 27 are an integral part of these accounts

	Note	1993 £000	1992 £000
Premiums	1	122 310	77 349
Investment income		26 195	28 416
Change in value of linked investments (after adjustment for tax)		27 568	13 001
Transferred from/(to) investment reserve	2	10 358	(486)
Transferred from Shareholders' fund		1 345	2 000
		187 776	118 281
Claims incurred			
Death	3	4 452	4 773
Maturity	3	12 800	11 103
Surrenders	3	21 108	17 396
Annuities	3	2 575	2 349
Commission		11 086	7 341
Expenses		16 057	16 570
Taxation	7	610	127
		68 688	59 659
Increase in funds during the year		119 088	58 622
Funds at the beginning of the year		390 276	331 654
Funds at the end of the year		509 364	390 276

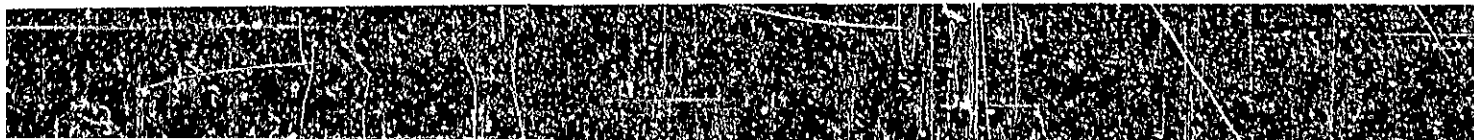


# Long Term Insurance Business

## Balance Sheet at 31 December 1993

□ The notes on pages 20 to 27 are an integral part of these accounts

	Note	1993 £000	1992 £000
<b>Funds</b>			
Long term insurance funds		509 364	390 276
Investment reserves		56 017	27 919
		<b>565 381</b>	<b>418 195</b>
<b>Investments</b>			
British government securities		117 917	84 500
Other fixed interest securities		46 396	28 759
Preference shares		15 030	11 061
Ordinary shares		236 364	175 658
Deposits		71 206	35 531
Mortgages and other loans		38 640	41 555
Freehold property		38 515	30 017
		<b>564 068</b>	<b>407 081</b>
<b>Other assets</b>			
Current assets	11	18 229	19 116
		<b>582 297</b>	<b>426 197</b>
<b>Other liabilities</b>			
Current liabilities	12	16 916	8 002
		<b>565 381</b>	<b>418 195</b>



## Shareholders' Fund

### Profit and Loss Account for the year ended 31 December 1993

■ The notes on pages 20 to 27 are an integral part of these accounts

	Note	1993 £000	1992 £000
Investment income		2 495	2 399
Expenses		21	51
Profit before taxation		2 474	2 348
Transfer to Long Term Fund		1 345	2 000
Profit after transfers		1 129	348
Taxation	7	215	779
Profit/(Loss) after taxation		914	(431)
Retained profits brought forward		925	1 356
Dividend		1 003	-
Retained profits carried forward		836	925

*There are no recognised gains or losses attributable to the Shareholders' Fund other than those included in the Profit and Loss Account and investment reserve.*

# Combined Balance Sheet

including Shareholders' Fund

## Balance Sheet at 31 December 1993

■ The notes on pages 20 to 22 are an integral part of these accounts

	Note	1993 £000	1992 £000
<b>Capital and Reserves</b>			
Share capital	15	26 400	26 400
Retained profits		836	925
Investment reserve		4748	2428
		<b>31 984</b>	<b>29 733</b>
<b>Long Term Insurance Funds</b>			
Per separate balance sheet		565 381	418 195
		<b>597 365</b>	<b>447 958</b>
<b>Investments</b>			
British government securities		22 491	19 939
Other fixed interest securities		1 497	1 273
Preference shares		1 803	403
Ordinary shares		-	83
Investments in subsidiaries		250	250
Deposits		1 153	3
Property		-	3 896
Mortgages		5 000	2 838
		<b>32 194</b>	<b>28 685</b>
<b>Other assets</b>			
Loan to holding company		827	1 830
Current assets	11	2 054	704
		<b>35 075</b>	<b>31 219</b>
<b>Other liabilities</b>			
Current liabilities	12	3 091	1 456
		<b>31 984</b>	<b>29 763</b>
<b>Long Term Insurance Net Assets</b>			
Per separate balance sheet		565 381	418 195
		<b>597 365</b>	<b>447 958</b>

Approved by the Board on 20 April 1994



J C Finan Managing Director



Dr S B Caffisch Chairman

---

# Accounting Policies

## Disclosure requirements

■ *The accounts have been prepared in accordance with the provisions of Section 255 of and Schedule 9 to the Companies Act 1985 applicable to insurance companies. The accounts have been prepared in accordance with applicable accounting standards and with the Statement of Recommended Practice, 'Accounting for Insurance Business', issued by the Association of British Insurers in May 1990.*

## Segmental reporting

■ *The transaction of long term insurance business and its associated investment business in the United Kingdom is regarded by the Directors as the only business segment.*

## Investments

■ *i) Listed securities have been valued at middle market value less accrued interest at 31 December 1993. The market value of unlisted securities has been estimated by the Directors.*  
*ii) Mortgages and other loans are included at the amounts advanced less provisions for doubtful debts.*  
*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 31 December 1993, the Directors consider the value at which they are included in the accounts to be fair.*

## Investment reserve

■ *The following items are dealt with through the investment reserve:*  
*i) The net unrealised appreciation and depreciation of the value of investments, as defined 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) The cost of dealing in investments;*  
*iii) Expenditure on computer equipment, office furniture, additional motor cars, and certain other items.*

*Amounts are transferred from the Long Term Insurance Fund on the following basis:*

*Computer equipment - over its estimated useful life*

*Office furniture - in the year of purchase*

*Additional motor cars - in the year of purchase*

*Other costs - in the year incurred*

*The balance of expenditure remaining unamortised is retained as a deduction within the investment reserve. Expenditure on replacement motor cars is charged directly to expenses in the revenue account.*

---

# Accounting Policies

## Premiums

- Premiums are recognised for accounting purposes as they fall due

## Investment income

- Investment income includes the following items
  - i) Dividends received during the year, including related tax credits, together with accruals computed by reference to ex-dividend dates
  - ii) Interest from mortgages, fixed interest and preference securities, accrued on a day-to-day basis
  - iii) Interest received on deposits etc., accrued on a day-to-day basis

## Claims

- Claims are recognised for accounting purposes on the following bases
  - i) Deaths - as notified to the Company
  - ii) Maturities - as they fall due for payment

## Foreign currency translation

- Assets and liabilities in foreign currencies held at the year end are translated at rates prevailing at that time. Transactions during the year are translated at the appropriate rate ruling at the time of the transaction. Exchange differences relating to investments are dealt with in the investment reserve

## Investments in subsidiaries

- Consolidated accounts have not been prepared because the Company is a wholly owned subsidiary of Winterthur (UK) Holdings Limited, a company incorporated in England

## Deferred taxation

- Deferred taxation is provided for on all material timing differences unless the liability is unlikely to become payable in the foreseeable future

## Staff pension fund

- The Company operates a fully funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the revenue account so as to spread the cost of pensions over employees working here with the Company. The contributions are determined by a qualified actuary, who is not an employee of the Company, on the basis of annual valuations using the projected unit method

# Notes to the Accounts

## 1 Premiums

i) Analysis of gross premiums	1993	1992
	£000	£000
Gross premiums receivable	123 719	79 010
Reassurance ceded	1 409	1 661
Net premiums received	122 310	77 349

All premium receipts are from a transaction of insurance business within the UK

ii) Analysis by type of business	1993	1993	1992	1992
	Individual	Group	Individual	Group
	£000	£000	£000	£000
Life, non linked	10 783	-	11 198	-
Life, linked	29 063	-	22 250	-
Annuity, non linked	46	-	74	-
Pensions, non linked	6 547	455	6 307	581
Pensions, linked	73 752	1 191	32 113	4 539
Permanent health, non linked	297	176	129	158
	120 488	1 822	72 071	5 278

iii) Analysis of annualised new business premiums	1993	1993	1992	1992
	Annual	Single	Annual	Single
	Premiums	Premiums	Premiums	Premiums
	£000	£000	£000	£000
Individual				
Life, non linked	750	-	445	-
Life, linked	10 063	238	7 774	225
Annuity, non linked	-	46	-	74
Pensions, non linked	24	5 974	164	6 353
Pensions, linked	1 620	67 279	1 232	28 266
Permanent health, non linked	287	-	145	-
	12 744	73 537	9 760	33 918
Group				
Pensions, non linked	1	-	80	1
Pensions, linked	-	18	44	1 396
	1	18	124	1 397
	12 745	73 555	9 884	35 315

## 2 Transfer from/(to) investment reserve

■ The sum of £10 358 000 transferred from (1992 £485 000 transferred to) the investment reserve is made up as follows

	1993	1992
	£000	£000
Gross transfer	11 827	1 641
Expenses written off	(1469)	(2 126)
	10 358	(485)

The expenses written off relate to the amortisation of expenditure incurred on computer equipment, office furniture, additional motor cars and certain other costs

# Notes to the Accounts

## 3 Reassurance

■ Reassurance recoveries in respect of claims and other payments can be analysed as follows

### i) Death Claims

	1993	1992
	£000	£000
Gross death claims payable	5 632	5 719
Reassurance recoveries	1 180	946
Net death claims payable	4 452	4 773

### ii) Annuities

	1993	1992
	£000	£000
Gross annuities payable	2 645	2 443
Reassurance recoveries	70	94
Net annuities payable	2 575	2 349

### iii) Other Payments

Reassurance recoveries in respect of other payments were £nil (1992 £nil).

## 4 Staff pension fund

■ The most recent actuarial valuation was carried out as at 1 October 1992 and showed that the market value of the scheme's assets were £44 151 119 and that the actuarial value of those assets represented 136% of the benefits that had accrued to members, after allowing for expected future increases in earnings

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. It was assumed that the rate of interest would be 9% per annum, that notional average earnings will increase by 7% per annum and that the Retail Price Index will increase by 6% per annum. Taking into account benefit and other changes during 1993 the pension charge for the period was £950 202 (1992 £1 043 224) based on a contribution rate for the year of 12% (1992 12%) of earnings. As a result of the surplus disclosed by the above actuarial valuation, which is being amortised over the average remaining service lives of members, an amount of £950 202 (1992 £nil) was retained in sundry creditors in respect of the difference between funding costs and the charge to revenue. At the end of the year the Company had made prepayments to the scheme of £nil (1992 £27 906)

# Notes to the Accounts

## 5 Directors' remuneration

■ *Directors' remuneration for the year was*

Total (including pension contributions)	1993	1992
	£	£
Fees	28 796	41 905
Other emoluments	478 102	210 421
Pensions paid to former Directors or their widows	31 521	26 584
	538 419	278 910

Individual (excluding pension contributions)	1993	1992
	£	£
Chairman	18 000	18 000
Highest paid Director	220 279	146 840

Directors by scale	No. Directors	
	1993	1992
Up to £5 000	1	-
£ 5 001 - £ 10 000	3	3
£ 10 001 - £ 15 000	-	1
£ 15 001 - £ 20 000	1	-
£ 25 001 - £ 30 000	-	1
£105 001 - £110 000	-	1
£145 001 - £150 000	-	1
£180 001 - £185 000	1	-
£220 001 - £225 000	1	-

## 6 Auditors' remuneration

■ *The remuneration of the Auditors in respect of the 1993 audit was £60 800 (1992 £55 395) and in respect of other services was £34 762 (1992 £14 250), all inclusive of irrecoverable VAT*

## 7 Taxation

■ *The charge for taxation which includes irrecoverable tax credits in respect of investment income at the basic rate of income tax and corporation tax at 33% (1992 33%) based on the results for the year is made up as follows:*

	Long Term Revenue Account		Profit and Loss Account	
	1993	1992	1993	1992
	£000	£000	£000	£000
Current year				
Corporation tax	-	-	539	770
Tax credits	300	127	9	9
	300	127	548	779
Adjustment to prior years	310	-	(333)	-
	610	127	215	779



# Notes to the Accounts

## 8 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 1.1.93 £	Max. loan during 1993 £	Loan 31.12.93 £	Ave. rate of interest %
Mr J C Finan - mortgage advance	39 500	39 500	30 000	5.06
Mr R A F Ostimo - mortgage advance	27 000	27 000	27 000	5.01

*ii) Officers - Staff loans for the purpose of house purchase existed as follows: aggregate amount outstanding as at 31 December 1993 £314 759 (1992 £314 759). Number of officers - 5 (1992 - 5)*

## 9 Investments

- *i) If the assets had been realised at the values referred to in the Accounting Policies it is estimated that the additional liability to corporation tax would be £1 800 000 (1992 £nil)*
- ii) Uncalled capital on investments held by the Company at the year end amounted to £3 046 919 (1992 £3 669 953) in the Long Term Fund*
- iii) The cost of dealing in investments amounted to £1 353 706 (1992 £1 353 473).*

## 10 Capital commitments

- *Contracted but not yet provided for £41 830 (1992 £137 995). Authorised but not yet contracted for £nil (1992 £nil)*

## 11 Current assets

<b>Long Term Fund</b>	<b>1993</b>	<b>1992</b>
	£000	£000
Sundry debtors	2 606	6 397
Taxation	4 929	6 752
Outstanding premiums	379	420
Investment income accrued and outstanding	3 876	4 056
Balances at bankers	3 364	2 242
Shareholders' Fund	3 037	147
Group companies	38	102
	<b>18 229</b>	<b>19 116</b>
<b>Shareholders' Fund</b>	<b>1993</b>	<b>1992</b>
	£000	£000
Sundry debtors	789	319
Balances at bankers	165	39
Taxation	445	-
Group companies	655	346
	<b>2 054</b>	<b>704</b>

# Notes to the Accounts

## 12 Current liabilities

	1993	1992
	£000	£000
Long Term Fund		
Outstanding claims and annuities:		
Net	288	1 215
Reassurance	1 037	764
Gross	1 325	1 979
Sundry creditors	15 486	5 621
Group companies	105	402
	16 916	8 002
Shareholders' Fund		
	1993	1992
	£000	£000
Sundry creditors	54	258
Taxation	-	281
Long Term Fund	3 037	147
Group companies	-	770
	3091	1 456

## 13 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 22 years duration. As at 31 December 1993, 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

	1993	1992
	£000	£000
Maximum potential liabilities (before tax) under rent guarantees	21 697	23 855

ii) An industry study commissioned by the Securities and Investments Board revealed instances of inadequate documentation which may eventually indicate that there have been cases of mis-selling of certain pension policies. At this stage, it is not possible to quantify liabilities, if any, which may arise. However, a provision has been made which is not considered material

## 14 Staff costs

■ Staff costs included in the long term insurance business revenue account include the following amounts

	1993	1992
	£000	£000
Wages and salaries	8 392	9 301
Social security costs	703	776
Other pension costs	1 071	1 025

---

## Notes to the Accounts

### 15 Share capital

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

	1993	1992
	£000	£000
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

### 16 Group accounts

■ The Company's accounts are consolidated in the group accounts of its ultimate parent undertaking, "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 undertaking, Winterthur (UK) Holdings Limited, a company registered in England. Copies of accounts for both of these Companies are available from Provident Life, Provident Way, Basingstoke RG2 1 2SZ.

### 17 Investment in group companies

■ The Shareholders' Fund owns the following investments:

Company	Principal activity	Proportion of issued ordinary share capital owned
Provident Life (Pension Trustees) Limited	Trusteeship of superannuation schemes	100%
Personal Pension Management Limited	Provision and administration of personal pension schemes	100%
Winterthur Properties Limited (acquired 21 September 1993)	Property investment/management	42%

All of the above companies are registered in England and have been included in the balance sheet at cost

### 18 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 undertaking that prepares consolidated financial statements including a cashflow statement dealing with the cash flows of the group

---

# Report of the Auditors

## Report of the Auditors to the members of Provident Life Association Limited

■ We have audited the financial statements set out on pages 16 to 27.

### Respective responsibilities of Directors and Auditors

■ As described on page 13 the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you

### Basis of opinion

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

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

### Opinion

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

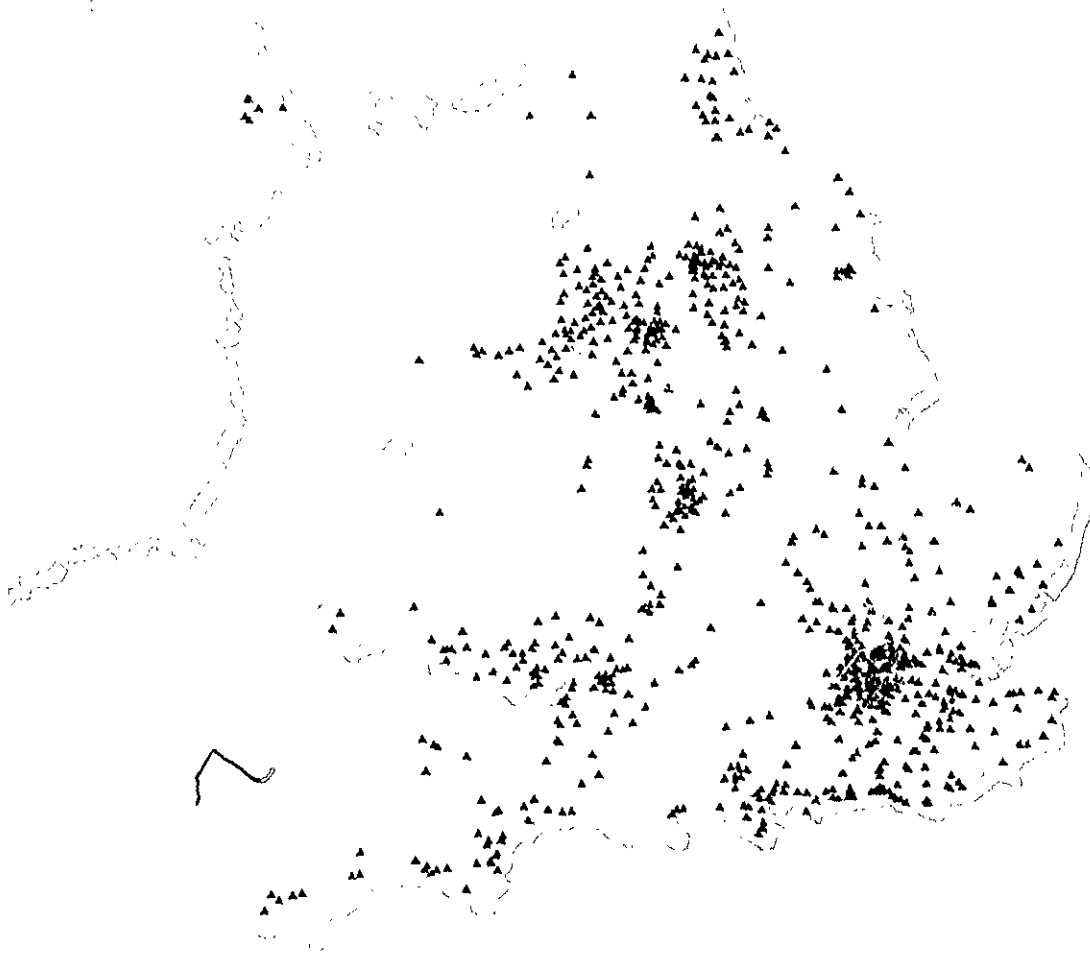
*KPMG Peat Marwick*

KPMG Peat Marwick  
Chartered Accountants  
Registered Auditors

London  
20 April 1994

# Provident Life Serving the UK

---



■ *Provident Life is a truly national company with an international group*

*Our Professional Advisers Division has regional offices serving advisers and intermediaries nationwide*

*Our Appointed Representatives Division services the largest independent network of estate agents in the country*