



Winterthur (UK) Holdings Limited
Directors' report and financial statements
31 December 1993
Registered number 1908766

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PROVIDENT LIFE
ASSOCIATION LTD

Winterthur (UK) Holdings Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 3
Statement of directors' responsibilities	4
Auditors' report	5
Consolidated general business revenue account	6
Consolidated long term business revenue account	7
Consolidated profit and loss account	8
Consolidated balance sheet	9
Balance sheet	10
Long term insurance business balance sheet	11
Consolidated cash flow statement	12
Consolidated statement of total recognised gains and losses	13
Reconciliation of movements in shareholders' funds	13
Notes	14 - 31

Winterthur (UK) Holdings Limited

Directors' report

The directors present their annual report and the audited accounts for the year ended 31 December 1993.

Principal activities and business review

The company is a holding company but also invests in listed securities. Its subsidiaries are:

Provident Life Association Limited	-	Long term assurance
Winterthur International Insurance Company (UK) Limited	-	General insurance
Churchill Insurance Company Limited	-	General insurance
Churchill Management Limited	-	Insurance administration and management services
United Standard Insurance Company Limited	-	General insurance
Atropos Management Services Limited	-	Insurance administration
The Vigilant Assurance Company Limited	-	Dormant
Personal Pension Management Limited	-	Provision and administration of personal pension schemes
Provident Life (Pension Trustees) Limited	-	Pension trusteeship
Winterthur Properties Limited (acquired 21 September 1993)	-	Property ownership and management

All of the group's activities are carried out in the United Kingdom.

The gross written premiums were:

	1993 £'000	1992 £'000
General business		
London market and international business	39,914	48,688
Motor and household business	120,329	70,680
	<hr/>	<hr/>
	160,243	119,368
	<hr/>	<hr/>
Long term business	122,310	77,349
	<hr/>	<hr/>

Winterthur (UK) Holdings Limited

Directors' report *(continued)*

Results and dividends

The group results for the year before taxation showed a profit of £601,000 *(1992:loss £3,937,000)*.

No dividend is proposed for the year *(1992:£nil)*.

Directors and directors' interests

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

Kenneth H Williams (Chairman)
Dr Silvio B Caflisch
John W Timmis F.C.A.

According to the Register of Directors' Interests none of the directors had a beneficial interest in the shares of the company or group companies at any time during the year.

Fees amounting to £16,787 *(1992:£10,354)* were paid in respect of an arm's length transaction for accountancy and administrative services provided by a firm in which John W Timmis is a partner.

Employees

The average number of persons employed by the group during the year under contracts of service in each week was 1,181 *(1992:928)* and the aggregate remuneration for the year including social security and pension costs was £26,647,000 *(1992:£17,848,000)*.

It is the group'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 1993 the group continued its policy of employee involvement by providing information on matters of concern to them as employees relating to the financial and economic factors affecting the group's performance.

Political and charitable contributions

The group made no political contributions during the year. Charitable donations amounted to £18,000 *(1992:£15,000)*.

Winterthur (UK) Holdings Limited

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J. W. Timmis

JW Timmis
Secretary

34 Leadenhall Street
London EC3A 1AT

24th October 1994

Winterthur (UK) Holdings Limited

Statement of directors' responsibilities

Company law requires the directors to prepare consolidated financial statements for each financial year which, in respect of the company, show a true and fair view of the state of affairs of the company and in respect of the group, comply with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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;
- 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 maintaining 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 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.

Auditors' report to the members of Winterthur (UK) Holdings Limited

We have audited the financial statements on pages 6 to 31.

Respective responsibilities of directors and auditors

As described on page 4 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 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 of the company give a true and fair view of the state of the company's balance sheet at 31 December 1993 and have been properly prepared in accordance with the Companies Act 1985. In our opinion, the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 applicable to insurance companies.

KPMG Peat Marwick

Chartered Accountants
Registered Auditors

24 October 1994

Winterthur (UK) Holdings Limited

Consolidated general business revenue account
for the year ended 31 December 1993

	Note	1993	1992
		£000	£000
Premiums			
Gross written		160,243	119,368
Reinsurance		(20,003)	(26,250)
Net written		140,240	93,118
Increase in unearned premiums		(26,356)	(24,988)
Net earned		113,884	68,130
Claims incurred			
Gross		(93,851)	(116,437)
Reinsurance	9	(4,063)	55,101
Net		(97,914)	(61,336)
Commission			
Gross		(4,409)	(5,553)
Reinsurance		3,057	3,906
(Decrease)/increase in deferred acquisition costs		(1,352)	(1,647)
Net		(1,631)	(1,472)
Expenses			
Increase in deferred acquisition costs		(34,384)	(21,249)
		3,552	1,924
		(30,832)	(19,235)
Underwriting loss transferred to profit and loss account		(16,493)	(14,003)

The notes on pages 14 to 31 form part of these accounts.

Winterthur (UK) Holdings Limited

Consolidated long term business revenue account for the year ended 31 December 1993

	Note	1993 £000	1992 £000
Premiums	10(a)	122,310	77,349
Investment income		26,195	26,416
Change in value of investments of unit funds (after adjustment for taxation)		27,568	13,001
Transferred from/(to) investment reserve	10(b)	10,358	(485)
Transferred from profit and loss account		1,345	2,000
		<hr/>	<hr/>
		187,776	118,281
Claims incurred			
Death	10(c)	4,452	4,773
Maturity		12,800	11,103
Surrenders		21,108	17,396
Annuities	10(c)	2,575	2,349
Commission		11,086	7,341
Expenses		16,657	16,570
Taxation		610	127
		<hr/>	<hr/>
		68,688	59,659
		<hr/>	<hr/>
Increase in funds during the year		119,088	58,622
Funds at beginning of the year		390,276	331,654
		<hr/>	<hr/>
Funds at end of the year		509,364	390,276
		<hr/>	<hr/>

The notes on pages 14 to 31 form part of these accounts.

Winterthur (UK) Holdings Limited

Consolidated profit and loss account for the year ended 31 December 1993

	Note	1993		1992	
		£000	£000	£000	£000
Investment income (other than long term business):					
- continuing operations		18,448		14,206	
- acquisitions		10		-	
		<u> </u>		<u> </u>	
Commission and fees receivable			18,458		14,206
Profit on exchange			8,682		4,323
Transferred to long-term fund			229		542
Transfer from general business revenue account			(1,345)		(2,000)
Interest payable			(16,493)		(14,003)
Expenses not allocated to revenue account			(3,083)		(3,104)
- continuing operations		(5,513)		(3,901)	
- acquisitions		(334)		-	
		<u> </u>		<u> </u>	
			(5,847)		(3,901)
Profit/(loss) before taxation	2		601		(3,937)
Taxation payable	3		(1,086)		(9)
			<u> </u>		<u> </u>
Loss for the year			(485)		(3,946)

The movement on the profit and loss account is shown in note 12 to the accounts.

The notes on pages 14 to 31 form part of these accounts.

Winterthur (UK) Holdings Limited

Consolidated balance sheet at 31 December 1993

	Note	1993		1992	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	4		32,287		17,300
Investments					
British Government Securities and other public authorities		99,698		73,866	
Other fixed interest securities		20,936		9,525	
Ordinary shares		7,501		333	
Bank deposits	5	55,474		35,086	
Certificates of tax deposit		12,000		10,000	
			<u>195,609</u>		<u>128,810</u>
Current assets	6		64,658		47,269
Liabilities	7		(262,057)		(172,223)
			<u>30,497</u>		<u>21,156</u>
Long term insurance net assets			565,381		418,195
			<u>595,878</u>		<u>439,351</u>
Capital and reserves					
Share capital	11		42,600		42,600
Profit and loss account	12		(28,905)		(28,117)
Investment reserve	13		16,802		6,673
			<u>30,497</u>		<u>21,156</u>
Long term insurance funds			565,381		418,195
			<u>595,878</u>		<u>439,351</u>

These accounts were approved by the board of directors on 24th October 1994 and were signed on its behalf by:

J. W. Timmis

JW Timmis
Director

The notes on pages 14 to 31 form part of these accounts.

Winterthur (UK) Holdings Limited

Balance sheet
at 31 December 1993

	Note	1993 £000	1992 £000
Fixed assets			
Investment in subsidiaries	14	112,730	89,730
British Government securities		108	108
		<u>112,838</u>	<u>89,838</u>
Current assets			
Debtors	15	445	1,433
Bank deposit		389	466
Cash at bank and in hand		3	4
		<u>837</u>	<u>1,903</u>
Creditors: amounts falling due within one year	16	(46,431)	(23,430)
Net current liabilities		<u>(45,594)</u>	<u>(21,527)</u>
Total assets less current liabilities		<u>67,244</u>	<u>68,311</u>
Creditors: amounts falling due after more than one year	17	(26,000)	(26,000)
		<u>41,244</u>	<u>42,311</u>
Capital and reserves			
Called up share capital	11	42,600	42,600
Profit and loss account		(1,356)	(289)
		<u>41,244</u>	<u>42,311</u>

These accounts were approved by the board of directors on 26th October 1994 and were signed on its behalf by:

J. W. Timmis

JW Timmis
Director

The notes on pages 14 to 31 form part of these accounts.

Winterthur (UK) Holdings Limited

Long term insurance business balance sheet at 31 December 1993

	Note	1993 £000	1992 £000
Funds			
Long term insurance funds		509,364	390,276
Investment reserve		<u>56,017</u>	<u>27,919</u>
		<u>565,381</u>	<u>418,195</u>
Investments			
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
Property		<u>38,515</u>	<u>30,017</u>
		564,068	407,081
Other assets			
Current assets	6	<u>18,229</u>	<u>19,116</u>
		582,297	426,197
Other liabilities			
Current liabilities	7	<u>(16,916)</u>	<u>(8,002)</u>
		<u>565,381</u>	<u>418,195</u>

The notes on pages 14 to 31 form part of these accounts.

Winterthur (UK) Holdings Limited

Consolidated cash flow statement for the year ended 31 December 1993

	Note	1993		1992	
		£000	£000	£000	£000
Operating activities					
Premiums received		158,844		107,584	
Reinsurance premiums paid		(29,063)		(27,022)	
Claims paid		(94,970)		(48,905)	
Reinsurance receipts in respect of claims		39,790		13,263	
Cash received/(paid) to long term fund		908		(1,900)	
Interest received from investments		12,071		9,975	
Fees received		8,662		4,194	
Interest paid		(2,825)		(2,859)	
Other operating cash payments and receipts		(49,819)		(17,158)	
Net cash inflow from operating activities	22		43,598		37,172
Taxation					
Taxation (paid)/recovered			(642)		37
Investing activities					
Purchases of investments		(308,813)		(244,630)	
Sale proceeds of investments		277,515		204,767	
Purchase of fixed assets		(22,259)		(4,245)	
Sale proceeds of fixed assets		4,038		241	
Net cash outflow from investing activities			(49,519)		(43,867)
Net cash outflow before financing			(6,563)		(6,658)
Financing					
Increase in loans	25		25,521		6,172
Increase/(decrease) in cash and cash equivalents	23		18,958		(486)

Winterthur (UK) Holdings Limited

Consolidated statement of total recognised gains and losses for the year ended 31 December 1993

	1993 £000	1992 £000
Loss for the financial year	(485)	(3,946)
Unrealised gains on investments	4,165	2,205
Realised gains on investments	6,006	3,254
(Loss)/profit on exchange	(42)	268
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	<u>9,644</u>	<u>1,781</u>

Reconciliation of movements in shareholders' funds for the year ended 31 December 1993

	Group		Company	
	1993 £000	1992 £000	1993 £000	1992 £000
Loss for the year	(485)	(3,946)	(1,067)	(1,205)
Other recognised gains and losses	10,129	5,727	-	-
Goodwill arising on acquisition	(303)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	9,341	1,781	(1,067)	(1,205)
Opening shareholders' funds	21,156	19,375	42,311	43,516
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<u>30,497</u>	<u>21,156</u>	<u>41,244</u>	<u>42,311</u>

Winterthur (UK) Holdings Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The group accounts have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985 applicable to insurance groups and the balance sheet of the holding company has been prepared in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985. Advantage has been taken of the dispensation under Section 230 of the Companies Act 1985 from presenting the profit and loss account of the holding company.

The accounts have been prepared in accordance with applicable accounting standards and with the statement of recommended practice issued by the Association of British Insurers in May 1990.

Basis of consolidation

The consolidated accounts of the group include the accounts of all the subsidiary companies, all of which are made up to 31 December.

Fixed assets and depreciation

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

Freehold property	-	50 years
Leasehold land and buildings	-	life of lease
Other fixed assets	-	3 to 5 years

Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

Winterthur (UK) Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated at the rates ruling at the end of the year. Revenue transactions have been translated at average rates prevailing during the year for some subsidiaries and actual rates for the others. Exchange differences relating to investments are dealt with in the investment reserve.

In respect of London Market business transacted in US dollars only, revenue transactions are translated at the rates ruling at the end of the year and exchange differences are dealt with in the profit and loss account for the year.

Goodwill

Goodwill relating to business purchased by the company, is written off immediately against reserves.

Deferred taxation

Deferred taxation is provided on the liability basis on all material timing differences which are expected to crystallise in the foreseeable future.

Investments

Listed securities have been valued at middle market value less accrued interest. The value of unlisted securities have been estimated by the directors.

Mortgages and other loans are included at the amounts advanced.

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 the year end, the directors consider the value at which they are included in the accounts to be fair.

Investments in subsidiaries are stated at cost unless there is a permanent diminution in value in which case they are written down.

Investment income

Investment income comprises dividends received 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.

Winterthur (UK) Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Outstanding claims

General insurance business:

Provision is made for the estimated costs, less reinsurance recoverable, of all claims notified but not settled at the date of the balance sheet, on the basis of information available at the time. Provision is also made for the cost of claims incurred but not reported at 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 provisions and settlements are included in the revenue account in the year of revision or settlement.

Long term assurance business:

A valuation of long term insurance liabilities is made annually. The directors of the life insurance subsidiary, with advice from the Actuary, determine the proportion of the surplus attributable to the shareholders to be transferred to the profit and loss account.

Premiums

Premiums are recognised for accounting purposes as they fall due.

Premiums relate to business incepted during the year and, in the case of London Market business, include an estimate of pipeline premiums being premiums for business written up to the year end but not yet booked, less an allowance for cancellations.

Unearned premiums

The provisions for unearned premiums are calculated on the following bases:

Motor business	-	24ths method
London Market business	-	365ths method

Winterthur (UK) Holdings Limited

Notes (continued)

1 Accounting policies (continued)

Deferred acquisition costs

Acquisition costs, which represent commissions and marketing and sales costs are deferred in the same proportion as unearned premiums to written premium.

Investment reserve

General business:

The investment reserve includes the net unrealised appreciation of investments over cost at the year end and the profits and losses realised on the sale of investments (adjusted where appropriate for taxation thereon). Any shortfall in the reserve is met by a transfer from the profit and loss account.

Life business:

The following items are dealt with through the investment reserves:

The net unrealised appreciation and depreciation of the value of investments during the year and the profits and losses realised on the sale of investments (adjusted where appropriate for taxation thereon).

The cost of dealing in investments.

Expenditure in the life assurance subsidiary on computer equipment, office furniture, additional motor cars, restructuring and certain other items. Amounts equal to this expenditure 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

Pension schemes

Pension costs in respect of defined contribution pension schemes are charged to the profit and loss account as incurred.

Pension costs in respect of defined benefit pension schemes are charged to the profit and loss account so as to spread the cost over employees' working lives with the group.

Winterthur (UK) Holdings Limited

Notes (continued)

2 Profit/(loss) before taxation

Profit/(loss) on ordinary activities before taxation is stated after charging the following:

	1993 £000	1992 £000
Depreciation of tangible fixed assets		
In respect of:		
Assets acquired under finance leases	35	6
Other assets	3,265	2,142
Auditors' remuneration and expenses in respect of:		
Audit fees	202	163
Other services	56	30
Directors' emoluments	3	3
Operating lease rentals	12	31
Profit on sale of fixed assets	3	22
	<u> </u>	<u> </u>

Excluding pension contributions, the emoluments of the chairman, and the highest paid director, were £1,550 (1992:£1,450). The emoluments of the directors excluding pension contributions were within the following ranges:

	1993	1992
£0 - £5,000	<u>3</u>	<u>3</u>

3 Taxation

	1993 £000	1992 £000
UK corporation tax	1,086	-
Tax on franked investment income	-	9
	<u> </u>	<u> </u>
Tax payable	<u>1,086</u>	<u>9</u>

Winterthur (UK) Holdings Limited

Notes (continued)

4 Tangible fixed assets - Group

	Freehold buildings	Leasehold buildings	Office furniture and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January	11,535	385	9,235	939	22,094
Additions	11,455	-	6,435	436	18,326
Disposals	-	-	(30)	(96)	(126)
Balance at 31 December	22,990	385	15,640	1,279	40,294
Depreciation					
Balance at 1 January	647	31	3,653	463	4,794
Charge for the year	269	5	2,764	262	3,300
Eliminated on disposal	-	-	(3)	(84)	(87)
Balance at 31 December	916	36	6,414	641	8,007
Net book value					
At 31 December 1993	22,074	349	9,226	638	32,287
At 31 December 1992	10,888	354	5,582	476	17,300

Included within office furniture and equipment are assets acquired under finance leases having a net book value of £75,000 (1992:£110,000).

5 Collateral deposit

Included in deposits is an amount of £110,697 (1992:£96,051) which has been deposited by a subsidiary with third parties to secure certain overseas liabilities.

Winterthur (UK) Holdings Limited

Notes (continued)

6	Current assets - Group (excluding long term fund)	1993 £000	1992 £000
	Due from reinsurers and intermediaries	9,719	13,867
	Taxation recoverable	4,157	1,637
	Accrued investment income	1,479	749
	Debtors	6,113	1,663
	Balances at bank	3,121	4,323
	Premiums receivable	39,223	24,424
	Amounts due from group undertakings	810	606
	Deferred tax	36	-
		64,658	47,269
	 Long term fund	1993 £000	1992 £000
	Sundry debtors	2,606	5,397
	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	-	102
	Ultimate holding company	38	-
		18,229	19,116
7	Liabilities - Group (excluding long term fund) <i>Creditors: Amounts falling due within one year</i>	1993 £000	1992 £000
	Due to reinsurers and intermediaries	1,190	9,342
	Due to ultimate holding company	37,310	7,148
	Due to other group undertakings	3,104	5,104
	Creditors	10,588	6,311
	Deferred commission income	-	1,007
	Due to long term fund	3,037	147
	Bank overdraft	163	-
	Taxation	941	291
	Due to associated company	11,293	13,533
	Obligations under finance leases	21	23
	Provision for cancellations	686	-
		68,333	42,906

Winterthur (UK) Holdings Limited

Notes (continued)

7 Liabilities (continued)

Creditors: Amounts falling due after more than one year

	1993 £000	1992 £000
Due to ultimate holding company	26,784	27,232
Obligations under finance leases payable within 2-5 years	57	93
	<u>26,841</u>	<u>27,325</u>

General insurance funds

	1993 £000	1992 £000
Outstanding claims	166,244	157,798
Reinsurance recoverable	66,888	100,250
	<u>99,356</u>	<u>57,548</u>
Unearned premium provision	75,194	48,838
Deferred acquisition costs	(7,667)	(4,394)
	<u>166,883</u>	<u>101,992</u>
Total liabilities	<u>262,057</u>	<u>172,223</u>

Long term fund

	1993 £000	1992 £000
<i>Outstanding claims and annuities</i>		
Net	288	1,215
Reassurance	1,037	764
	<u>1,325</u>	<u>1,979</u>
Gross	1,325	1,979
Sundry creditors	15,486	5,621
Ultimate holding company	-	402
Group companies	105	-
	<u>16,916</u>	<u>8,002</u>

Winterthur (UK) Holdings Limited

Notes (continued)

8 Outstanding claims

Included in the outstanding claims figure for a subsidiary at the year end is a provision in respect of that company's potential liability on claims arising mainly from industrial diseases and pollution under insurances accepted between 20 and 40 years ago. The provision has been based on 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 31 December 1984, being US\$4,169,379 (equivalent at that date to £3,594,292), on claims arising primarily from the industrial diseases and pollution referred to above, under policies written before 1970. The maximum liability of the reinsurer under the policy is US\$25,000,000 (1992: US\$25,000,000).

9 Reinsurance recoveries

During the year a subsidiary arranged the commutation of a large reinsurance coverage with Vitodurum Insurance, a fellow subsidiary of the Winterthur Swiss Insurance Company. This involved the refund of a £2,000,000 reinsurance premium and the cancellation of £12,276,723 reinsurance coverage.

10 Long term business

(a) Premiums

(i) Analysis of gross premiums:

	1993 £000	1992 £000
Gross premiums receivable	123,719	79,010
Reassurance ceded	(1,409)	(1,661)
Net premiums receivable	<u>122,310</u>	<u>77,349</u>

All premium income arises from the transactions of insurance business within the United Kingdom.

(ii) Analysis by class business:

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

Winterthur (UK) Holdings Limited

Notes (continued)

10 Long term business (continued)

(iii) Analysis of annualized new business premiums:

Individual

		1993		1992	
		Annual premiums £000	Single premiums £000	Annual premiums £000	Single premiums £000
Life	:non-linked	750	-	445	-
	:linked	10,063	238	7,774	225
Annuity Pensions	:non-linked	-	46	-	74
	:linked	24	5,974	164	5,353
Permanent health	:non-linked	1,620	67,279	1,232	28,266
	:linked	287	-	145	-
		<u>12,744</u>	<u>73,537</u>	<u>9,760</u>	<u>33,918</u>
Group pensions	:non-linked	1	-	80	1
	:linked	-	18	44	1,396
		<u>1</u>	<u>18</u>	<u>124</u>	<u>1,397</u>
		<u>12,745</u>	<u>73,555</u>	<u>9,884</u>	<u>35,315</u>

(b) Transfer from/(to) investment reserves

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

	1993 £000	1992 £000
Gross transfer	11,827	1,641
Expenses written off	(1,469)	(2,126)
	<u>10,358</u>	<u>(485)</u>

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

Winterthur (UK) Holdings Limited

Notes (continued)

10 Long term business (continued)

(c) Reassurance

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

	1993 £000	1992 £000
(i) Death claims:		
Gross death claims payable	5,632	5,719
Reassurance recoveries	(1,180)	(946)
Net death claims payable	<u>4,452</u>	<u>4,773</u>

	1993 £000	1992 £000
(ii) Annuities:		
Gross annuities payable	2,645	2,443
Reassurance recoveries	(70)	(94)
Net annuities payable	<u>2,575</u>	<u>2,349</u>

(iii) Other payments

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

Winterthur (UK) Holdings Limited

Notes (continued)

11 Share capital

	Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
<i>Authorised</i>				
100m (1992:100m) ordinary shares of £1 each	100,000	100,000	100,000	100,000
<i>Allotted, called up and fully paid</i>				
42,600,000 ordinary shares of £1 each	42,600	42,600	42,600	42,600

12 Profit and loss account

The movement on the profit and loss account is as follows:

	1993	1992
	£000	£000
Balance at 1 January	(28,117)	(24,171)
Goodwill arising on consolidation	(303)	-
Loss for the year	(485)	(3,946)
Balance at 31 December	(28,905)	(28,117)

Of the consolidated loss of £485,000 (1992:£3,946,000) a loss of £1,067,000 (1992:loss £1,205,000) has been dealt with in the accounts of the company. Advantage has been taken of the dispensation under S230 of the Companies Act 1985 from presenting the profit and loss account of the holding company.

Cumulative goodwill written-off in the profit and loss account amounts to £9,936,000 (1992: £9,633,000).

Winterthur (UK) Holdings Limited

Notes (continued)

13 Investment reserve

The movement on the investment reserve is as follows:

	1993 £000	1992 £000
Balance at 1 January 1993		
Unrealised profit on investments	6,673	946
Realised profit on investments	4,165	2,205
(Loss)/profit on exchange	6,006 (42)	3,254 268
	<hr/>	<hr/>
Balance at 31 December 1993	<u>16,802</u>	<u>6,673</u>

14 Subsidiary companies

The company owns the whole of the issued ordinary shares of the following subsidiaries all of which are incorporated in Great Britain and registered in England and Wales.

Name	Nature of business
Provident Life Association Limited	- Long term assurance
Winterthur International Insurance Company (UK) Limited	- General insurance
Churchill Insurance Company Limited	- General insurance
Churchill Management Limited	- Insurance administration and management services
United Standard Insurance Company Limited	- General insurance
Atropos Limited	- Insurance administration
The Vigilant Assurance Company Limited	- Dormant
Personal Pension Management Limited	- Provision and administration of personal pension schemes
Provident Life (Pension Trustees) Limited	- Pension Trusteeship ownership
Winterthur Properties Limited (acquired 21 September 1993)	- Property administration and management

The results of Personal Pension Management Limited and Provident Life (Pension Trustees) Limited have been consolidated this year. Previously the investment in these companies was included in the consolidated balance sheet at cost. The comparative figures for 1992 have not been restated as the amounts are not considered material.

Winterthur (UK) Holdings Limited

Notes (continued)

15 Debtors - Company

	1993 £000	1992 £000
Due from subsidiary undertakings	438	1,426
Other debtors	2	2
Prepayments and accrued income	5	5
	<u>445</u>	<u>1,433</u>

16 Creditors - Amounts falling due within one year - company

	1993 £000	1992 £000
Amounts owed to group companies:		
Holding company	32,707	7,467
Subsidiary companies	2,172	2,172
Accruals and deferred income	9	8
Amounts owed to associated company	11,293	13,533
Taxation	250	250
	<u>46,431</u>	<u>23,430</u>

17 Creditors - Amounts falling due after more than one year - company

	1993 £000	1992 £000
Amount due to holding company loans repayable:		
In June 1999, carrying interest at 12% per annum	16,000	16,000
In January 2002, carrying interest at 10% per annum	10,000	10,000
	<u>26,000</u>	<u>26,000</u>

Winterthur (UK) Holdings Limited

Notes (continued)

18 Capital commitments

Capital commitments at 31 December, 1993 for which no provision has been made in these accounts, were as follows:

	1993 £000	1992 £000
Contracted but not yet provided for	<u>42</u>	<u>138</u>

19 Contingent liabilities

- (ii) As part of certain arrangements with a number of tied estate agencies, a subsidiary 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 subsidiary company for the full duration of their terms) was as shown below. To date, the subsidiary company has incurred no actual liability in respect of these guarantees.

	1993 £000	1992 £000
Maximum potential liabilities (before tax) under rent guarantees	<u>21,697</u>	<u>23,855</u>

- (ii) An industry study commissioned by the Securities and Investments Board revealed instances of inadequate documentation which may eventually indicate that there have been costs of mis-selling of certain pension policies by a subsidiary company. 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.

Winterthur (UK) Holdings Limited

Notes (continued)

20 Pension schemes

Until 30 June 1993, two subsidiaries operated funded pension schemes providing benefits based on final pensionable salary. On 1 July 1993 one of these subsidiaries amended its scheme and from then has operated a defined contribution scheme. Two other subsidiaries operate defined contribution pension schemes. The assets of all these schemes are held separately from those of the company in independently administered funds.

Total contributions for the year amounted to £2,151,000 (1992:£1,974,000), of which £113,000 (1992:£47,000) was payable to the defined contribution fund at the balance sheet date.

The contributions to the final salary schemes are charged to the revenue accounts so as to spread the cost over employees' working lives with the companies. The contributions are determined by a qualified actuary, who is an employee of the group, on the basis of annual valuations using the projected unit method; the most recent having been carried out at 1 October 1992 for one scheme and 31 December, 1991 for the other scheme. The actuarial valuations showed that the market value of the scheme's assets were £44,151,000 and £1,183,000 and that these values represented 136% and 95% respectively of the benefits that had accrued to members after allowing for expected future increases in earnings. The surplus on the former scheme will be spread over the weighted average remaining service lives of current employees. It was assumed that investment returns for the former scheme would be 9%, that general increases would average 7% per annum and that present and future pensions would increase at the rate of 6% per annum. For the latter scheme, it was assumed that the relevant percentages would be 9%, 8% and 5% respectively.

21 Ultimate holding company

The parent undertaking of the company which heads the smallest higher group of undertakings and the largest higher group of undertakings for which group financial statements are drawn up and is the ultimate holding company is Winterthur Swiss Insurance Company, a company incorporated and registered in Switzerland. Copies of the Report and Accounts of the ultimate holding company are available from Winterthur Swiss Insurance, General Guisan-Strasse 40, Postfach 357, 8401 Winterthur, Switzerland.

Winterthur (UK) Holdings Limited

Notes (continued)

22 Reconciliation of operating loss to net cash from operating activities - Group

	1993 £000	1992 £000
Operating profit/(loss)	601	(3,937)
Depreciation charge	3,283	2,148
(Loss)/profit on sale of fixed assets	(18)	22
Increase in debtors	(18,467)	(19,065)
(Decrease)/increase in creditors	(6,749)	10,296
Increase in insurance funds	64,892	49,556
Exchange movements included within operating income	(175)	(768)
Tax on investment income included within operating income	(3)	(1,080)
Tax on interest paid	234	-
	<u>43,598</u>	<u>37,172</u>
Net cash inflow from operating activities		

23 Analysis of the balances of cash and cash equivalents and other liquid investments as shown in the balance sheet - Group

	1993 £000	1992 £000	Exchange movement £000	Change in year £000
Cash at bank	58,432	39,409	65	18,958
Other liquid investments	140,135	93,474	140	46,521
	<u>198,567</u>	<u>132,883</u>	<u>205</u>	<u>65,479</u>

Winterthur (UK) Holdings Limited

Notes (continued)

24 Analysis of changes in cash and cash equivalents

	Cash and cash equivalent £000	Other liquid investments £000	Total £000
Balance as at 1 January 1993	39,409	93,474	132,883
Net cash inflow	18,958	-	18,958
Purchase of investments	-	313,917	313,917
Sale of investments	-	(277,515)	(277,515)
Change in market value	-	4,113	4,113
Exchange gain in cash	65	140	205
Realised gains on investments	-	6,006	6,006
	<u>58,432</u>	<u>140,135</u>	<u>198,567</u>
Balance as at 31 December 1993	<u>58,432</u>	<u>140,135</u>	<u>198,567</u>

25 Analysis of changes in financing during the year

	Share capital £000	Loans £000	Total £000
Financing at 1 January 1993	42,600	48,680	91,280
Cash inflow from financing	-	25,521	25,521
	<u>42,600</u>	<u>74,201</u>	<u>116,801</u>
Financing at 31 December 1993	<u>42,600</u>	<u>74,201</u>	<u>116,801</u>