

PPP lifetime care plc

1995

REPORT AND ACCOUNTS

Registered in England No. 2561344



Contents

PPP lifetime care plc

	Page
Appointed Actuary's Report	2
Directors' Report	3
Profit and Loss Account	
Technical account - Long term business	5
Non technical account	6
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Notes on the Accounts	10
Statement of Directors' Responsibilities	24
Report of the Auditors	25
Other information	26

Appointed
Actuary's Report

PP lifetime care plc

In my opinion:

- (i) the computation of the long term business provision has been prepared on the basis of recognised actuarial methods and with due regard to the actuarial principles laid down in Council Directive 92/96/EEC; and
- (ii) the long term business provision is sufficient to enable the company to meet any liabilities arising out of insurance contracts as far as can reasonably be foreseen.



P L Gatenby B.Sc., F.I.A.
Appointed Actuary
26th February 1996

Directors' Report

PPP lifetime care plc

The Directors have pleasure in presenting their report together with the audited accounts of PPP lifetime care plc for the year ended 31st December 1995

Principal Activities and Review of Business

The Company was established in order to develop and market long term insurance products. The objective of PPP lifetime care plc is to be the leading specialist company in the marketing, provision and servicing of long term health insurance products which help people to maintain their independence and quality of life throughout life.

During the year the issued share capital was increased to £29.5 million in order to fund future development of the Company.

Charitable and Political Donations

No charitable or political donations were made during the year (1994 £1,409).

Results

During the year £3,907,000 (1994 £1,869,000) was transferred from the Profit and Loss - Non technical account to the Technical account - long term business.

The loss on ordinary activities after tax was £3,630,000 (1994 £2,247,000)

The reported results and the presentation of the report and accounts reflect changes made to implement the Insurance Companies (Accounts and Statements) Regulations 1993. The effect on the reported loss after taxation is explained by notes 1 (Statement of principal accounting policies), 15 (Changes in accounting policy) and 22 (Reconciliation of movement in capital and reserves).

Dividends

The Directors do not recommend the payment of a dividend for the year (1994 £nil).

Directors and their interests

Directors serving during the year were as follows:

P E Owen (Chairman)
B D Wood
D T Flint
P L Gatenby
Dr R H McNeilly
Dr L T Newman
D W W Torrance

D T Flint was appointed as a Director on 24 April 1995

According to the register kept in compliance with section 325 of the Companies Act 1985, no director or his family had any disclosable interest in, shares in, or debentures of, the Company, its holding company or any other subsidiary.

Directors' and Officers' Liability Insurance

The ultimate holding company, Private Patients Plan Limited, has purchased insurance on behalf of the Company's directors and officers against any liability or breach of trust to the company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing the re-appointment of Coopers & Lybrand as auditors to the Company will be put to the General Meeting at which the accompanying accounts are laid before the Company.

On behalf of the Board of Directors.

A T Macallan

Secretary

26th February 1996



Profit and Loss Account

Technical account -

Long term business

for the year ended

31st December 1995

PPP lifetime care plc

	Notes	1995 £'000	1994 as restated £'000
Earned premiums, net of reinsurance			
gross premiums written	2	18,052	10,945
outward reinsurance premiums		<u>(10,690)</u>	<u>(4,074)</u>
		7,362	6,871
Investment Income	4	1,429	914
Net unrealised gains/(losses) on investments		1,111	(333)
Other technical income, net of reinsurance		6	-
Claims incurred, net of reinsurance			
Claims Paid			
gross amount	3	(8,438)	(1,575)
reinsurers' share		<u>1,788</u>	<u>820</u>
net claims paid		(6,650)	(755)
Change in the provision for claims			
gross amount	3	(35)	(76)
reinsurers' share		<u>414</u>	<u>(12)</u>
change in net provision for claims		379	(88)
Claims incurred, net of reinsurance		(6,271)	(843)
Change in other technical provisions, net of reinsurance, not shown under other headings			
Long term business provisions net of reinsurance			
gross amount		(7,720)	(7,105)
reinsurers' share		<u>4,974</u>	<u>1,885</u>
		(2,746)	(5,220)
Net operating expenses	5	(7,969)	(4,335)
Investment expenses and charges	6	(153)	(113)
Tax credit attributable to the long term business	14	3,324	1,190
Balance on the technical account - long term business		<u>(3,907)</u>	<u>(1,869)</u>

(All the above derive from continuing activities)

Profit and Loss Account

Non technical account
for the year ended
31st December 1995

PPP lifetime care plc

	Notes	1995 £'000	1994 as restated £'000
Pre tax loss from long term business			
Balance on the long term business technical account		(3,907)	(1,869)
Tax credit attributable to balance on long term business technical account		(1,924)	(921)
		<u>(5,831)</u>	<u>(2,790)</u>
Investment Income	4	548	162
Net unrealised gains/(losses) on investments		(391)	(19)
Other income	9	505	83
Other charges including value adjustments	7	(385)	(604)
Loss on ordinary activities before tax	-	<u>(5,554)</u>	<u>(3,168)</u>
Tax on loss on ordinary activities		1,924	921
Loss on ordinary activities after tax		<u><u>(3,630)</u></u>	<u><u>(2,247)</u></u>

(All the above derive from continuing activities)

**Statement of Total
Recognised Gains
and Losses**
for the year ended
31st December 1995

PPP lifetime care plc

	Notes	1995 £'000	1994 as restated £'000
Loss after Taxation		(3,630)	<u>(2,247)</u>
Prior period adjustment	22	1,004	
Total gains and losses recognised since last annual report		<u>(2,626)</u>	

Note of historical cost profits and losses

	1995 £'000	1994 as restated £'000
Reported losses on ordinary activities before tax	(5,554)	(3,168)
Difference between the realisation of investments at historical cost and revalued amounts	5	57
Reversal of the movement in net unrealised losses/(gains):		
Long term business technical account	(1,111)	333
Non technical account	<u>391</u>	<u>19</u>
	(6,269)	(2,759)
Reported tax on loss on ordinary activities	<u>1,924</u>	<u>921</u>
	<u>(4,345)</u>	<u>(1,838)</u>

Balance Sheet
at 31st December 1995

PPP lifetime care plc

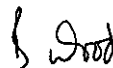

Assets	Note	1995 £'000	1994 as restated £'000
Investments			
Land and buildings	16	1,044	1,696
Other financial investments	17	25,069	11,454
Deposits with ceding undertakings	17	-	4,960
		<u>26,113</u>	<u>18,110</u>
Assets held to cover linked liabilities	17	59	47
Reinsurers' share of technical provisions			
Long term business provision		8,508	3,534
Claims outstanding		<u>474</u>	<u>60</u>
		8,982	3,594
Debtors			
Debtors arising out of direct insurance operations			
Policy holders		373	136
Intermediaries		16	55
Debtors arising out of reinsurance operations		-	71
Other debtors	18	2,482	368
		<u>2,871</u>	<u>630</u>
Other assets			
Tangible assets	16	825	656
Cash at bank and at hand		6,353	3,380
		<u>7,178</u>	<u>4,036</u>
Prepayments and accrued income			
Accrued interest and rent		601	178
Other prepayments and accrued income		<u>29</u>	<u>11</u>
		630	189
		<u><u>45,833</u></u>	<u><u>26,606</u></u>

Balance Sheet
at 31st December 1995
continued

PPP lifetime care plc

	Note	1995 £'000	1994 as restated £'000
Liabilities			
Capital and reserves	22		
Called up share capital and equivalent funds		29,500	14,500
Profit and loss account		(11,728)	(8,098)
		<u>17,772</u>	<u>6,402</u>
Technical provisions			
Long term business provision gross amount	23	23,649	15,941
Claims outstanding gross amount		191	226
Technical provisions for linked liabilities gross amount	23	59	47
Provisions for other risks and charges	19		
provisions for pensions and other similar obligations		168	124
other provisions		18	42
		<u>186</u>	<u>166</u>
Creditors	20		
Creditors arising out of direct insurance operations		163	127
Creditors arising out of reinsurance operations		1,058	597
Amounts owed to credit institutions		1,552	1,484
Other creditors including taxation and social security		1,146	1,222
		<u>3,919</u>	<u>3,430</u>
Accruals and deferred income		57	394
		<u><u>45,833</u></u>	<u><u>26,606</u></u>

The accounts on pages 5 to 23 were approved by the Board of Directors on 26th February 1996 and signed on its behalf by:-


B D Wood
Managing Director

P L Gatenby
Director

PPP lifetime care plc

1. Statement of principal accounting policies

(a) Accounts preparation

The accounts are prepared in accordance with the provisions of The Companies Act 1985 in the form specified by Section 255 and Schedule 9A of The Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations"), applicable UK Accounting Standards and with the ABI Guidance on Accounting for Insurance Business ("the Guidance") issued in 1995.

(b) Changes in accounting policy

The requirements of the Regulations came into effect for accounting periods commencing after 23 December 1994 and have accordingly been applied for the first time in these accounts. Comparative figures for the year ended 31st December 1994 have been restated to reflect the changes in presentation of the accounts introduced by the Regulations and the Guidance.

The Company has changed its accounting policies in respect of :

Realised and unrealised gains/losses. All are now accounted for within the profit and loss account (see note (e) below) rather than taken to reserves.

Deferred acquisition and claims handling costs. Provision is now made for deferred acquisition costs and accrued claims handling costs (see note (d) below).

Dividend income is accounted for on an "ex dividend " rather than due date basis (see note (f) below).

Realised investment gains/losses are calculated by taking the sales proceeds less market value at the beginning of the year (see note (e) below) rather than on the historical book cost.

Technical provision for long term business. The previously stated long term business fund is reallocated between the technical provision for long term business, technical provisions for linked liabilities and shareholder reserves. Together with the deferral of acquisition costs this is known as the "modified statutory" basis of accounting.

The financial effects of the above changes in accounting policy can be found in notes 15 and 22 to the accounts.

(c) Basis of Accounting

The accounts are prepared in accordance with the historical cost convention modified by the revaluation of certain assets as required by the Regulations.

PPP lifetime care plc

(d) Long term business

Premium income

All premiums, other than those in respect of unit linked policies, are accounted for when due for payment. Premiums in respect of unit linked policies are accounted for in the same period as the policy liabilities, resulting from those premiums, are created.

Claims

Claims incurred comprise claims and related expenses charged in the year together with the change in provision for outstanding claims and their related expenses. Death or critical illness claims and surrenders, other than those in respect of unit linked policies are accounted for upon notification, those in respect of unit linked business are accounted for in the same period that the policy ceases to hold units in the fund. Maturities are accounted for from the maturity date and regular healthcare claims from the due date of a particular payment.

Acquisition costs

Acquisition costs comprise direct costs such as initial commissions and other costs of obtaining and processing new business. Such costs are deferred to the extent that they are recoverable from future margins.

At the 31 December 1994 and 1995 the deferred acquisition costs amounted to nil. For regular premium policies this is because the corresponding margins are returned at policy inception in the form of reinsurance commission. In the case of single premium policies all margins available for acquisition costs are contained within the initial margins and therefore returned at policy inception.

Long term business provision

The long term business provision is computed by a Fellow of the Institute of Actuaries having due regard for the actuarial principles laid down in the Life Framework Directive (Council Directive 92/96/EEC).

In general a discounted cash flow method is employed using a multiple state model. This involves estimating the number of lives in each state (eg. healthy, dead, disabled) using transition rates derived from industry or UK data. Each in-force policy is projected using the model and the reserves are set so as to eliminate any negative cash flows. There are also two small classes of business, now closed to new business, for which a net premium valuation is employed.

PPP lifetime care plc

The valuation interest rate used is based on the yield of invested assets adjusted in accordance with the Insurance Companies Regulations 1994, together with prudent assessment of future experience of morbidity, mortality, and expense inflation.

Actual renewal expenses currently exceed the assumptions used in assessing the long term business provision. The assumptions are based upon a long term assessment of direct and overhead renewal costs. Allowance is made for future inflation.

(e) Investments

- i) Deposits with ceding undertakings are in respect of single premium business for which the Company is required to maintain a deposited reserve with a major reinsurer.
- ii) For long term business all realised and unrealised gains and losses are recognised in the Technical account - Long term business.
- iii) For Shareholders' investments all realised and unrealised gains and losses are recognised in the Non Technical account.
- iv) All investments are stated at market value.

(f) Investment Income

Income is included from investments on an accruals basis. Account is taken of dividend income when the related investment goes "ex dividend".

(g) Depreciation

The cost or valuation of tangible assets is written off on the straight line basis over their estimated useful lives at the following rates:

	%
Investments:	
Freehold land & Freehold buildings	Nil
Fixed plant	10
Tangible assets:	
Motor vehicles	25
Office equipment, furniture and computers.	10 to 33

It is the company's practice in general, to maintain its freehold property in a continual state of sound repair and accordingly the Directors consider that the life of this asset is so long and the anticipated residual value, based on prices prevailing at the time of acquisition, is such that the depreciation of freehold property is insignificant.

(h) Deferred taxation

Provision is made for deferred taxation, using the liability method, only for those timing differences when it is considered likely that a liability will arise in the foreseeable future. Timing differences arise where either income or expenditure is accounted for in different years from those used for taxation purposes.

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

(i) Leases

Rental costs under operating leases are charged to the Profit and Loss account - Technical account as incurred over the lease term.

(j) Pensions costs

Pension costs are charged to the long term business technical account so that the costs are allocated over the expected remaining service lives of current employees.

(k) Cash flow statement

The Company is a wholly owned subsidiary of an EC company which publishes consolidated financial statements that include a consolidated cash flow statement and therefore the Company is not required to produce a cash flow statement.

2. Premium income

All premiums are in respect of business written in the United Kingdom and relate to non-participating contracts. There was no inwards reinsurance business.

	1995 £'000	1994 £'000
Direct Business		
Group business - periodic premiums	2,848	2,286
Individual business:		
Single premiums	10,971	5,883
Periodic premiums	4,233	2,776
Total direct premiums written	<u>18,052</u>	<u>10,945</u>

The gross annualised value of new annual premiums and the amount of new single premiums are as follows:

	1995 £'000	1994 £'000
Periodic premiums		
Direct Business		
Group business	883	705
Individual business	1,949	1,944
	<u>2,832</u>	<u>2,649</u>
Single Premiums		
Direct Business		
Group business	-	-
Individual business	10,971	5,935
	<u>10,971</u>	<u>5,935</u>

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

3. Claims incurred gross	1995	1994
	£'000	£'000
Death Claims	3,108	1,160
Health and Disability Claims	336	35
Surrenders and Maturities	5,029	456
Gross Claims	<u>8,473</u>	<u>1,651</u>
4. Investment Income	1995	1994
	£'000	£'000
Technical account - Long term business		
Income from other investments	1,410	909
Net gains on realisation of investments	19	5
	<u>1,429</u>	<u>914</u>
The above figures include:		
Income from listed investments	<u>804</u>	<u>386</u>
Non technical account		
Income from other investments	361	138
Net gains on realisation of investments	187	24
	<u>548</u>	<u>162</u>
The above figures include:		
Income from listed investments	<u>375</u>	<u>59</u>
5. Net Operating Expenses	1995	1994
	£'000	£'000
Technical account - long term business		
Acquisition costs	8,460	4,853
Administrative expenses	3,925	2,111
	<u>12,385</u>	<u>6,964</u>
Reinsurance commissions	4,416	2,629
Net operating expenses	<u>7,969</u>	<u>4,335</u>
	1995	1994
	£'000	£'000
Operating lease rentals		
Motor Vehicles and Office Equipment	359	93
Auditors' remuneration		
Audit Fees	29	22
Other Services	47	57

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

	1995 £'000	1994 £'000
Commissions for direct insurance business		
Initial and renewal commission	1,694	1,275
6. Investment expenses and charges	1995 £'000	1994 £'000
Technical account - long term business		
Investment management expenses, including interest:		
Investment management expenses	(51)	(24)
Interest	(102)	(89)
	<u>(153)</u>	<u>(113)</u>
The interest relates to a floating rate bank loan wholly repayable within five years, by instalments.		
7. Other charges including value adjustments	1995 £'000	1994 £'000
Depreciation	419	599
(Profit)/Loss on disposal of motor vehicles, and other tangible assets	(34)	5
	<u>385</u>	<u>604</u>
8. Investment activity account	1995 £'000	1994 £'000
Technical account - Long term business		
Investment income	1,410	909
Investment management charges, including interest	(153)	(113)
	<u>1,257</u>	<u>796</u>
Realised investment gains & losses	19	5
Movement in unrealised investment gains and (losses)	1,111	(333)
	<u>1,130</u>	<u>(328)</u>
Net investment return - long term business	<u>2,387</u>	<u>468</u>

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

	1995 £'000	1994 £'000
Non technical account		
Investment Income	1,429	138
	<u>1,429</u>	<u>138</u>
Realised investment gains and (losses)	187	24
Movement in unrealised investment gains and (losses)	(391)	(19)
	<u>(204)</u>	<u>5</u>
Net investment return - shareholders	<u>1,225</u>	<u>143</u>
Total investment return	<u>3,612</u>	<u>611</u>

9. Other income (from non insurance activities)

Other income represents royalty payments received in respect of sales of administrative software developed by the Company of £20,000 and charges made to policyholders of £485,000 in respect of the use of assets owned by the shareholders.

10. Particulars of staff

The average number of persons employed in the United Kingdom by the company in the financial year was 157 (1994 105) of whom 5 (1994 3) were part-time.

The aggregate costs charged to the technical account long term business amounted to:

	1995 £'000	1994 £'000
Wages and salaries	3,633	2,319
Social security costs	328	253
Other pension costs	307	192
	<u>4,268</u>	<u>2,764</u>

11. Directors' emoluments

The emoluments of the highest paid director, excluding pension contributions, amounted to £152,579 (1994 £20,821 - part year only).

The emoluments, excluding pension contributions, of the directors employed directly by the Company fall within the following bands:

	1995 Number	1994 Number
£5,001 - £10,000	1	2
£10,001 - £15,000	-	-
£15,001 - £20,000	-	1
£20,001 - £25,000	-	1
£25,001 - £95,000	-	-
£95,001 - £100,000	1	-
£100,001 - £150,000	-	-
£150,001 - £155,000	1	-

PPP lifetime care plc

No payments were made to former directors as compensation for loss of office (1994 payments amounting to £153,553 were made to two former directors).

The Chairman and other directors of PPP lifetime care plc are also directors of Private Patients Plan Limited. Details of emoluments relating to these directors are disclosed in the Group accounts. No remuneration was paid to these directors in respect of work done on behalf of PPP lifetime care plc.

12. Directors' transactions

At 31st December 1995 there was an outstanding loan to P L Gatenby of £11,458 (1994 £11,458). Interest is payable on the loan at a variable rate, currently 8.75%. The loan was made on 3rd August 1992, prior to P L Gatenby's appointment as a director.

During the year there were no other transactions that would require to be disclosed under provisions of the Companies Act 1985, section 232.

13. Staff pension scheme

The PPP healthcare group operates a pension scheme of the defined benefit type, the assets of the scheme being held separately from those of the Company in a trustee administered fund. The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The most recent full actuarial valuation of the scheme was as at 31st December 1993. The assumptions which have the most significant effect on the results of the valuation are those relating to the long term rate of interest, increase in equity dividends and increases in earnings and pensions. It was assumed that the long term rate of interest would be 8.5% per annum, that increases in equity dividends would be 4% per annum, that earnings would rise by 6% per annum and pension increases would be granted at a compound annual rate of 4% on the amount in excess of the guaranteed minimum pension.

At the date of the latest full actuarial valuation, the market value of the assets of the scheme was £44,000,000 and the actuarial value of the assets represented 115% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the employer increased to 14% from 12% in January 1995.

The total pension cost for PPP lifetime care plc was £307,413 (1994 £191,704). A provision of £168,383 (1994 £123,993) is included in creditors, this being the excess of pension cost over the amount funded. These amounts are shown in the balance sheet under the heading of "Provisions for pensions and other similar obligations".

14. Taxation

The tax credit in the Profit and Loss account - technical account represents group relief recoveries in respect of the current year (£1,950,000) and previous years (£1,374,000), (1994 £1,190,000 all relating to previous years).

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

15. Changes in accounting policy

The effect of the changes on the 1995 loss before taxation

	1995 £'000
To gross up the balance on the long term fund by the tax attributable to long term business	(1,924)
Net unrealised investment losses taken to the profit and loss account	720
Net realised investment losses taken to the profit and loss account	206
Claims handling costs provided within the claims provision	(2)
Accrued dividend income on change to "Ex dividend" basis	(1)
Restatement of the technical provision for long term business	(526)
	<u>(1,527)</u>

The effect of the changes in accounting policy on the comparative 1994 loss before taxation

	1994 £'000
Loss before taxation as previously stated	(2,768)
To gross up the balance on the long term fund by the tax attributable to long term business	(921)
Net unrealised investment losses taken to the profit and loss account	(57)
Net realised investment losses taken to the profit and loss account	24
Claims handling costs provided within the claims provision	(1)
Accrued dividend income on change to "Ex dividend" basis	14
Restatement of the technical provision for long term business	541
Loss before tax as restated	<u>(3,168)</u>

PPP lifetime care plc

16. Tangible Assets and Investments

	Tangible Assets Office equipment furniture, computers motor vehicles and fixtures and carpets	Investments Freehold Land and Buildings	Total
	£'000	£'000	£'000
Cost or Valuation			
1st January 1995	1,998	1,768	3,766
Additions	606	103	709
Disposals	(242)	-	(242)
Adjustment arising on revaluation	-	(721)	(721)
31st December 1995	<u>2,362</u>	<u>1,150</u>	<u>3,512</u>
At Cost	-	1,871	
At Valuation	-	1,044	
Depreciation			
1st January 1995	1,342	72	1,414
Eliminated in respect of disposals	(190)	-	(190)
Charge for the year	385	34	419
Adjustment arising on revaluation	-	-	-
31st December 1995	<u>1,537</u>	<u>106</u>	<u>1,643</u>
Net book value			
31st December 1995	<u>825</u>	<u>1,044</u>	<u>1,869</u>
Net book value			
31st December 1994	<u>656</u>	<u>1,696</u>	<u>2,352</u>

17. Investments

Land and Buildings

Land and Buildings represents a single freehold property occupied by the company for its own activities. It was valued by DTZ Debenham Thorpe, Surveyors and Commercial Property Advisers as at 31st December 1995 on an existing use value basis.

Other Financial Investments	1995 £'000 MV	1995 £'000 Cost	1994 £'000 MV	1994 £'000 Cost
Shares and other variable-yield securities and units in unit trusts: listed in UK	1,660	1,461	1,308	1,328
Debt securities and other fixed income securities listed in UK	21,704	20,858	8,587	8,791
Deposits with credit institutions	407	407	546	546
Other: unlisted in UK	1,298	982	1,013	982
	<u>25,069</u>	<u>23,708</u>	<u>11,454</u>	<u>11,647</u>

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

Assets held to cover linked liabilities

These consist of quoted authorised UK unit trusts

18. Other debtors

Other debtors include amounts due from Group companies of £2,112,089 (1994 nil)

19. Provisions for risks and charges

Provisions for pensions and other similar obligations

The provision relates solely to pension schemes, note 13 provides full details.

Other provisions	£'000
Balance as at 31st December 1994	42
Increases in provisions	-
Payments made	24
Balance as at 31st December 1995	<u>18</u>

20. Creditors

With the exception of amounts due to credit institutions all amounts within creditors fall due within one year.

Creditors arising out of direct insurance operations

	1995 £'000	1994 £'000
Include the following:		
amounts due to Group companies	39	41

Amounts owed to credit institutions

Consists of a floating rate bank loan of £1,552,182 (1994 £1,484,249) repayable within 5 years. Interest is payable at LIBOR.

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

21. Called up Share Capital	1995 £	1994 £
Ordinary shares £1 each		
Authorised		
65,000,000 shares (1994 15,000,000)	<u>65,000,000</u>	<u>15,000,000</u>
Alotted, called up and fully paid		
29,500,000 shares (1994 14,500,000)	<u>29,500,000</u>	<u>14,500,000</u>

On 5th July 1995 the authorised share capital was increased to £65,000,000 by the creation of 50,000,000 ordinary shares of £1 each.

On 5th July 1995 15,000,000 ordinary shares were issued at £1 each to Priplan Investments Limited.

22. Reconciliation of movement in Capital and Reserves

	Long Term Business Insurance Fund £'000	Investment Reserve £'000	Long Term Business Provisions £'000	Share Capital £'000	Profit and Loss Account £'000	Revaluation Reserve £'000	Total £'000
1st January 1995 as previously stated	13,280	45	-	14,500	(9,102)	120	18,843
Prior period adjustments:							-
Accrued dividend income					14		14
Claims handling costs					(1)		(1)
Provision for long term business	(12,407)		12,407				-
Provision of linked liabilities	(47)		47				-
Allocation to shareholders reserves	(826)				826		-
Elimination of investment reserve		(45)			45		-
Transfer of revaluation reserve					120	(120)	-
Sub-total	(13,280)	(45)	12,454	-	1,004	(120)	13
1st January 1995 as restated	-	-	12,454	14,500	(8,098)	-	18,856
Net movement in the year			2,746	15,000	(3,630)		14,116
31st December 1995	-	-	15,200	29,500	(11,728)	-	32,972

PPP lifetime care plc

23. Long term business provision - Key assumptions

A summary of the Principal assumptions underlying the long term business provision is given below.

Lifetime care plan

Assumptions as at 31 December 1994

Morbidity - inception rates	Internal table based on OPCS data
- termination rates	Based on PML80/PFL80 with additions for disabled lives
Mortality	Based on PML80/PFL80 with additions for disabled lives
Valuation rate of interest	6.8%- regular premiums 8.0% - single premiums
Expenses - renewal	£23.10pa average
- inflation	5%

Further provision has been made for guarantees (where appropriate) and claims expenses.

Assumptions as at 31 December 1995

Morbidity - inception rates	Internal table based on OPCS data
- termination rates	Based on PML80/PFL80 with additions for disabled lives
Mortality	Based on PML80/PFL80 with additions for disabled lives
Valuation rate of interest	6.5%- regular premiums 7.75% - single premiums
Renewal Expenses	
- in deferment	£28.33pa average
- inflation	5%

Further provision has been made for guarantees (where appropriate) and claims expenses.

Notes on the Accounts
31st December 1995
(Continued)

PPP lifetime care plc

24. Assets supporting the long term business fund	1995	1994
	£'000	£'000
Long term business assets		
Investments		
Other financial investments	16,801	9,644
Deposits with ceding undertakings	-	4,960
Assets held to cover linked liabilities	59	47
Reinsurers' share of technical provisions	8,982	3,594
Debtors	3,283	330
Cash at bank and at hand	525	1,410
Prepayments and accrued income	456	170
	<u>30,106</u>	<u>20,155</u>

25. Capital Expenditure commitments

At 31st December 1995 capital expenditure on land amounting to £120,000 (1994 nil) had been authorised and a contract entered into conditional upon obtaining detailed planning consent.

26. Commitments under operating leases

At the 31st December 1995 the Company had annual commitments under operating leases expiring:

	1995	1994
	£'000	£'000
	Motor Vehicles and Office Equipment	Motor Vehicles and Office Equipment
Within one year	15	-
Between two and five years	827	158

27. Commitment by Holding Company

The Company's ultimate holding company has committed to provide additional capital to the extent necessary to ensure that the Company will continue to meet its solvency requirements as it develops.

27. Ultimate Holding Company

The Company's ultimate holding company is Private Patients Plan Limited, a company incorporated in England.

Copies of their accounts may be obtained from PPP House, Vale Road, Tunbridge Wells, Kent, TN1 1BJ.

Statement of Directors'
Responsibilities
For the year ended
31st December 1995

PPP lifetime care plc

Directors' responsibilities in respect of the preparation of financial statements

The following statement, which should be read in conjunction with the Auditors' statement of auditors' responsibilities set on page 25, is made for the purpose of clarifying the respective responsibilities of the Directors and the Auditors in the preparation of the accounts.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period. In preparing these 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 which 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 prevention and detection of fraud and other irregularities.

**Report of the
Auditors
For the year ended
31st December 1995**

PPP lifetime care plc

To the members of PPP lifetime care plc

We have audited the financial statements on pages 5 to 23

Respective responsibilities of directors and auditors

As described on page 24 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1995 and of its loss, total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London
26th February 1996

Other
Information

PPP lifetime care plc

Directors:	P E Owen M.A., M.Sc. (Chairman) B D Wood B.Sc., F.F.A (Managing Director) D T Flint B.A., A.C.I.I., A.C.I.S. P L Gatenby B.Sc., F.I.A. Dr R H McNeilly, M.D., M.Sc., F.F.Ph.M. Dr L T Newman, O.B.E., B.Sc., M.B.B.S., L.R. M.R.C.S., F.R.C.G D W W Torrance, LL.B., C.A., M.C.T.
Appointed Actuary:	P L Gatenby B.Sc., F.I.A.
Secretary:	A T Macallan B.Sc., A.C.A.
Auditors:	Coopers & Lybrand Chartered Accountants 1 Embankment Place London WC2N 6NN
Bankers:	Barclays Bank Plc Market Cross Stratford upon Avon Warwickshire CV37 6AP
Chief Office:	Elm Court Stratford upon Avon Warwickshire CV37 6PA
Registered Office:	PPP House Vale Road Tunbridge Wells Kent TN1 1BJ
Registered Number:	2561344

Regulated by the Personal Investment Authority for Investment Business