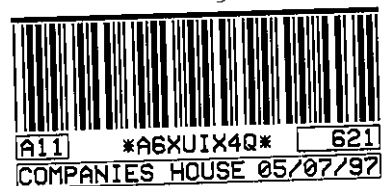


PPP lifetime care plc

1996

REPORT AND ACCOUNTS

Registered in England No. 2561344



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PPP lifetime care plc

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Appointed
Actuary's Report

PPP 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
3rd March 1997

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 1996.

Principal Activities and Development of the 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 1996 the Long Term Employee Healthcare product was launched which has had a major impact on the results of the company. This class of business represents 79% of regular premium income received in the year and 49% of gross long term technical provisions at 31st December 1996.

During the year the issued share capital was increased to £39.5 million in order to fund future development of the Company within its current areas of operation.

Research and Development

The Company is committed to the research and development of innovative new means for the funding and distribution of long term health insurance products.

Charitable and Political Donations

Charitable donations made during the year amounted to £13,222 (1995 £nil). No political donations were made (1995 £nil).

Results

During the year £7,398,000 (1995 £3,907,000) 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 £6,317,000 (1995 £3,630,000)

Payment Policy

For all trade creditors it is the Company's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment, and pay in accordance with its contractual and other legal obligations.

Dividends

The Directors do not recommend the payment of a dividend for the year (1995 £nil).

Directors' Report (Continued)

PPP lifetime care plc

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 - resigned 5/6/96
D W W Torrance

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

Insurance has been purchased on behalf of the Company's directors and officers against any liability or breach of trust to the company. The insurance was purchased by PPP healthcare group plc which is the ultimate holding company of PPP lifetime care plc.

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.



B A Reilly
Secretary
3rd March 1997

Profit and Loss Account

Technical account -

Long term business
for the year ended
31st December 1996

PPP lifetime care plc

	Notes	1996 £'000	1995 £'000
Earned premiums, net of reinsurance			
gross premiums written	2	70,589	18,052
outward reinsurance premiums		<u>(19,174)</u>	<u>(10,690)</u>
		51,415	7,362
Investment Income	4	2,143	1,429
Net unrealised gains on investments		1,083	1,111
Other technical income, net of reinsurance		9	6
Claims incurred, net of reinsurance			
Claims Paid			
gross amount	3	(22,291)	(8,438)
reinsurers' share		<u>1,875</u>	<u>1,788</u>
net claims paid		<u>(20,416)</u>	<u>(6,650)</u>
Change in the provision for claims			
gross amount	3	148	(35)
reinsurers' share		<u>(188)</u>	<u>414</u>
change in net provision for claims		<u>(40)</u>	<u>379</u>
Claims incurred, net of reinsurance		(20,456)	(6,271)
Change in other technical provisions, net of reinsurance, not shown under other headings			
Long term business provisions net of reinsurance			
gross amount		(45,869)	(7,720)
reinsurers' share		<u>13,488</u>	<u>4,974</u>
		(32,381)	(2,746)
Net operating expenses	5	(12,556)	(7,969)
Investment expenses and charges	6	(198)	(153)
Tax credit attributable to the long term business	14	3,543	3,324
Balance on the technical account - long term business		<u>(7,398)</u>	<u>(3,907)</u>

(All the above derive from continuing activities)

Profit and Loss Account

Non technical account
for the year ended
31st December 1996

PPP lifetime care plc

	Notes	1996 £'000	1995 £'000
Pre tax loss from long term business			
Balance on the long term business technical account		(7,398)	(3,907)
Tax credit attributable to balance on long term business technical account		(3,644)	(1,924)
		<u>(11,042)</u>	<u>(5,831)</u>
Investment Income	4	983	548
Net unrealised gains/(losses) on investments		180	(391)
Other income	9	519	505
Other charges including value adjustments	7	(601)	(385)
Loss on ordinary activities before tax		<u>(9,961)</u>	<u>(5,554)</u>
Tax on loss on ordinary activities		3,644	1,924
Loss on ordinary activities after tax		<u>(6,317)</u>	<u>(3,630)</u>
(All the above derive from continuing activities)			

Statement of Total Recognised Gains and Losses

for the year ended
31st December 1996

PPP lifetime care plc

		1996	1995
	Notes	£'000	£'000
Loss after Taxation		(6,317)	(3,630)
Prior period adjustment	22	-	1,004
Total gains and losses recognised since last annual report		<u>(6,317)</u>	<u>(2,626)</u>

Note of historical cost profits and losses

	1996	1995
	£'000	£'000
Reported losses on ordinary activities before tax	(9,961)	(5,554)
Difference between the realisation of investments at historical cost and revalued amounts	13	5
Reversal of the movement in net unrealised losses/(gains):		
Long term business technical account	(1,083)	(1,111)
Non technical account	<u>(180)</u>	<u>391</u>
	(11,211)	(6,269)
Reported tax on loss on ordinary activities	<u>3,644</u>	<u>1,924</u>
	<u>(7,567)</u>	<u>(4,345)</u>

Balance Sheet
at 31st December 1996

PPP lifetime care plc

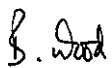
Assets	Note	1996 £'000	1995 £'000
Investments			
Land and buildings	15/16	1,108	1,044
Other financial investments	16	51,976	25,069
		<u>53,084</u>	<u>26,113</u>
Assets held to cover linked liabilities	16	668	59
Reinsurers' share of technical provisions			
Long term business provision		21,998	8,508
Claims outstanding		<u>286</u>	<u>474</u>
		22,284	8,982
Debtors			
Debtors arising out of direct insurance operations			
Policyholders		10,286	373
Intermediaries		9	16
Debtors arising out of reinsurance operations		2,305	1,009
Other debtors	17	<u>4,222</u>	<u>2,482</u>
		16,822	3,880
Other assets			
Tangible assets	15	1,515	825
Cash at bank and at hand		<u>9,817</u>	<u>6,353</u>
		11,332	7,178
Prepayments and accrued income			
Accrued interest and rent		1,089	601
Other prepayments and accrued income		<u>16</u>	<u>29</u>
		1,105	630
		<u><u>105,295</u></u>	<u><u>46,842</u></u>

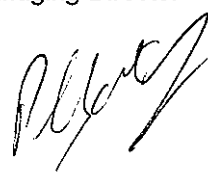
Balance Sheet
at 31st December 1996
continued

PPP lifetime care plc

	Note	1996	1995
		£'000	£'000
Liabilities			
Capital and reserves	20/21		
Called up share capital and equivalent funds		39,500	29,500
Profit and loss account		(18,045)	(11,728)
		<u>21,455</u>	<u>17,772</u>
Technical provisions			
Long term business provision	23		
gross amount		69,011	23,649
Claims outstanding			
gross amount		43	191
Technical provisions for linked liabilities			
gross amount	23	568	59
Provisions for other risks and charges	18		
provisions for pensions and other similar obligations		214	168
other provisions		12	18
		<u>226</u>	<u>186</u>
Creditors	19		
Creditors arising out of direct insurance operations		674	163
Creditors arising out of reinsurance operations		3,080	2,067
Amounts owed to credit institutions		1,599	1,552
Other creditors including taxation and social security		8,171	1,146
		<u>13,524</u>	<u>4,928</u>
Accruals and deferred income		468	57
		<u>105,295</u>	<u>46,842</u>

The accounts on pages 5 to 22 were approved by the Board of Directors on 3rd March 1997 and signed on its behalf by:-


B D Wood
Managing Director


P L Gatenby
Director

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 to The Companies Act 1985, as amended by 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 and amended in 1996.

(b) Changes in accounting policy

No changes in accounting policy took place within the financial year, however debtors and creditors arising out of reinsurance operations have been grossed up in accordance with FRS 5 - "Reporting the substance of transactions".

(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.

(d) Long term business

Premium income

All premiums, other than those in respect of unit linked policies, are accounted for when due. 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. Medical insurance claims are accounted for from admittance; provision for claims notified but not yet admitted is held within the long term business provisions.

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 31st December 1995 and 1996 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.

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The Lifetime Care Bond, launched in 1996, also requires no deferred acquisition cost. This is because acquisition costs allowances are recovered at policy issue.

A long term employee healthcare (LTEH) product was launched in 1996, providing group PMI cover for employees. It would be inappropriate to defer acquisition costs for the LTEH product, as the component of premium payable in respect of acquisition costs is due at scheme 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 persons insured 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.

A long term employee healthcare (LTEH) product was launched in 1996, providing group PMI cover for employees. Premium rates are not guaranteed, though expense charges are guaranteed for 3 years. Provisions for this product comprise principally a provision for outstanding claims and a reserve for the unearned premium. Margins are included in the valuation basis to allow for the risks associated with the business.

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 on a long term assessment of direct and overhead renewal costs. Allowance is made for future inflation.

(e) Investments

- i) For long term business all realised and unrealised gains and losses are recognised in the Technical account - Long term business.
- ii) For Shareholders' investments all realised and unrealised gains and losses are recognised in the Non Technical account.
- iii) All investments are stated at market value.

PPP lifetime care plc

(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 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, fixtures and carpets, plant in rented accommodation 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.

(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.

(l) FRS8 Related party transactions

The company is a wholly owned subsidiary and advantage has been taken of the exemption in FRS8 - "Related party disclosures" not to disclose related party transactions with group companies.

PPP lifetime care plc

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.

	1996 £'000	1995 £'000
Direct Business		
Group business - periodic premiums		
Long Term Employee Healthcare	33,488	-
Other	2,548	2,848
Individual business:		
Single premiums	28,250	10,971
Periodic premiums	6,303	4,233
Total direct premiums written	<u>70,589</u>	<u>18,052</u>

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

	1996 £'000	1995 £'000
Periodic premiums		
Direct Business		
Group business		
Long Term Employee Healthcare	49,817	-
Other	439	883
Individual business	2,707	1,949
	<u>52,963</u>	<u>2,832</u>
Single Premiums		
Direct Business		
Individual business	28,250	10,971
	<u>28,250</u>	<u>10,971</u>

3. Claims incurred gross

	1996 £'000	1995 £'000
Death Claims	2,274	3,108
Health and Disability Claims		
Long Term Employee Healthcare	19,004	-
Other	735	336
Surrenders and Maturities	130	5,029
Gross Claims	<u>22,143</u>	<u>8,473</u>

Notes on the Accounts
31st December 1996
(Continued)

PPP lifetime care plc

4. Investment Income

	1996 £'000	1995 £'000
Technical account - Long term business		
Income from other investments	2,143	1,410
Net gains on realisation of investments	-	19
	<u>2,143</u>	<u>1,429</u>
The above figures include:		
Income from listed investments	<u>1,957</u>	<u>804</u>
Non technical account		
Income from other investments	747	361
Net gains on realisation of investments	236	187
	<u>983</u>	<u>548</u>
The above figures include:		
Income from listed investments	<u>694</u>	<u>375</u>

5. Net Operating Expenses

	1996 £'000	1995 £'000
Technical account - long term business		
Acquisition costs	18,574	8,460
Administrative expenses	1,696	3,925
	<u>20,270</u>	<u>12,385</u>
Reinsurance commissions	7,714	4,416
Net operating expenses	<u>12,556</u>	<u>7,969</u>
	1996 £'000	1995 £'000
Operating lease rentals		
Motor Vehicles and Office Equipment	689	359
Land and Buildings	43	-
Auditors' remuneration		
Audit Fees	46	29
Other Services	29	47
Commissions for direct insurance business		
Initial and renewal commission	4,180	1,694

Notes on the Accounts
31st December 1996
(Continued)

PPP lifetime care plc

6. Investment expenses and charges	1996	1995
	£'000	£'000
Technical account - long term business		
Investment management expenses, including interest:		
Investment management expenses	(83)	(51)
Interest	(106)	(102)
Losses on the realisation of investments	(9)	-
	<u>(198)</u>	<u>(153)</u>
The interest relates to a floating rate bank loan wholly repayable within two years, by instalments.		
7. Other charges including value adjustments	1996	1995
	£'000	£'000
Depreciation	609	419
(Profit) on disposal of motor vehicles, and other tangible assets	(8)	(34)
	<u>601</u>	<u>385</u>
8. Investment activity account	1996	1995
	£'000	£'000
Technical account - Long term business		
Investment income	2,143	1,410
Investment management charges, including interest	(189)	(153)
	<u>1,954</u>	<u>1,257</u>
Realised investment gains & (losses)	(9)	19
Movement in unrealised investment gains	1,083	1,111
	<u>1,074</u>	<u>1,130</u>
Net investment return - long term business	<u>3,028</u>	<u>2,387</u>
Non technical account		
Investment Income	747	361
	<u>747</u>	<u>361</u>
Realised investment gains and (losses)	236	187
Movement in unrealised investment gains and (losses)	180	(391)
	<u>416</u>	<u>(204)</u>
Net investment return - shareholders	<u>1,163</u>	<u>157</u>
Total investment return	<u>4,191</u>	<u>2,544</u>

PPP lifetime care plc

9. Other income (from non insurance activities)

Other income represents charges made to policyholders of £519,000 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 241 (1995 157) of whom 5 (1995 5) were part-time.

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

	1996 £'000	1995 £'000
Wages and salaries	5,210	3,633
Social security costs	452	328
Other pension costs	526	307
	<u>6,188</u>	<u>4,268</u>

11. Directors' emoluments

The emoluments of the highest paid director, excluding pension contributions, amounted to £123,349 (1995 £152,579).

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

	1996 Number	1995 Number
£5,001 - £10,000	1	1
£10,001 - £70,000	-	-
£70,001 - £75,000	1	-
£75,001 - £95,000	-	-
£95,001 - £100,000	-	1
£100,001 - £120,000	-	-
£120,001 - £125,000	1	-
£125,001 - £150,000	-	-
£150,001 - £155,000	-	1

No payments were made to former directors as compensation for loss of office (1995 £nil)

The Chairman and other directors of PPP lifetime care plc are also directors of PPP Healthcare Group plc. 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.

PPP lifetime care plc

12. Directors' transactions

At 31st December 1996 there was an outstanding loan to P L Gatenby of £11,458 (1995 £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 (although a further valuation as at 31st December 1996 is currently in the course of preparation). 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 £44.0 million 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 15% from 14% in January 1996 and then decreased to 14% on 1st July 1996.

On 1st October 1996 the PPP healthcare group extended the scheme by introducing a supplementary pension scheme for employees who joined the group after 30th September 1996. The new scheme is a combination of the defined benefit and defined contribution type. The employer's cash contribution is 17% for the defined contribution and is up to 2% for employees aged below 30 years, or 5% for employees aged 30 years and above, for the defined benefit. The new scheme has not had an actuarial valuation but the amounts at 31st December 1996 are immaterial.

Certain employees have their pensions arrangements restricted by the Earnings Cap imposed by the Finance Act 1989. Benefits for these employees are provided on a defined contribution basis, and individual contribution rates are agreed for each member. The amounts involved are not material.

The total pension cost for PPP lifetime care plc was £525,686 (1995 £307,413). A provision of £213,585 (1995 £168,383) 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 (£3,201,000) and previous years (£342,000), (1995 £1,950,000).

PPP lifetime care plc

15. 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 1996	2,362	1,150	3,512
Additions	1,257	109	1,366
Disposals	(148)	-	(148)
Adjustment arising on revaluation	-	(31)	(31)
31st December 1996	<u>3,471</u>	<u>1,228</u>	<u>4,699</u>
At Cost	-	1,983	
At Valuation	-	1,108	
Depreciation			
1st January 1996	1,537	106	1,643
Eliminated in respect of disposals	(146)	-	(146)
Charge for the year	565	44	609
Adjustment arising on revaluation	-	(30)	(30)
31st December 1996	<u>1,956</u>	<u>120</u>	<u>2,076</u>
Net book value			
31st December 1996	<u>1,515</u>	<u>1,108</u>	<u>2,623</u>
Net book value			
31st December 1995	<u>825</u>	<u>1,044</u>	<u>1,869</u>

Electrical Equipment and Plant and Machinery relating to buildings rented under operating leases is included within Tangible Assets.

16. Investments

Land and Buildings

Land and Buildings represents two freehold properties, comprising of an office block and a piece of land, both of which are occupied by the company for its own activities. The office block was valued as at 31st December 1996 on an existing use value basis and the piece of land was valued on an open market value basis. Both properties were valued by DTZ Debenham Thorpe, Surveyors and Commercial Property Advisers.

Other Financial Investments	1996 £'000 MV	1996 £'000 Cost	1995 £'000 MV	1995 £'000 Cost
Shares and other variable-yield securities and units in unit trusts: listed in UK	1,689	1,355	1,660	1,461
Debt securities and other fixed income securities listed in UK	47,014	45,400	21,704	20,858
Deposits with credit institutions	1,765	1,765	407	407
Other: unlisted in UK	1,508	982	1,298	982
	<u>51,976</u>	<u>49,502</u>	<u>25,069</u>	<u>23,708</u>

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Assets held to cover linked liabilities

These consist of quoted authorised UK unit trusts.

In order to facilitate the management of unit linked funds, assets are held in excess of policyholder linked liabilities.

17. Other debtors

Other debtors include amounts due from Group companies of £3,445,326 (1995: £2,112,089)

18. 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 1995	18
Increases in provisions	-
Payments made	6
Balance as at 31st December 1996	<u>12</u>

19. 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

	1996 £'000	1995 £'000
Include the following:		
amounts due to Group companies	39	39

Amounts owed to credit institutions

Consists of a floating rate bank loan of £1,599,425 repayable within 2 years. (1995 £1,552,182 repayable within 5 years). Interest is payable at LIBOR.

Other Creditors including taxation and social security

	1996 £'000	1995 £'000
Include the following:		
amounts due to Group companies	6,506	-

Notes on the Accounts
31st December 1996
(Continued)

PPP lifetime care plc

20. Called up Share Capital	1996 £	1995 £
Ordinary shares £1 each		
Authorised		
65,000,000 shares (1995: 65,000,000)	<u>65,000,000</u>	<u>65,000,000</u>
Allotted, called up and fully paid		
39,500,000 shares (1995: 29,500,000)	<u>39,500,000</u>	<u>29,500,000</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 26 September 1996 10,000,000 ordinary shares were issued at £1 each to Priplan Investments Limited.

21. Reconciliation of movement in Capital and Reserves

	Long Term Business Provisions £'000	Share Capital £'000	Profit and Loss Account £'000	Total £'000
1st January 1996 as restated	15,200	29,500	(11,728)	32,972
Net movement in the year	<u>32,381</u>	<u>10,000</u>	<u>(6,317)</u>	<u>36,064</u>
31st December 1996	<u>47,581</u>	<u>39,500</u>	<u>(18,045)</u>	<u>69,036</u>

22. Prior year adjustment

The prior year adjustment in 1995 arose from the implementation of the revised Schedule 9A to the Companies Act 1985, providing Insurance Company accounts subject to the true and fair requirement.

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 31st 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
Expenses - renewal	£28.33pa average
- inflation	5%

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

Assumptions as at 31st December 1996

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	6.25%- regular premiums 7.50% - single premiums
Renewal Expenses	
- in deferment	£29.75pa average
- inflation	5%

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

Notes on the Accounts
31st December 1996
(Continued)

PPP lifetime care plc

24. Assets supporting the long term business fund	1996 £'000	1995 £'000
Long term business assets		
Investments		
Other financial investments	41,774	16,801
Assets held to cover linked liabilities	668	59
Reinsurers' share of technical provisions	22,284	8,982
Debtors	16,681	3,283
Cash at bank and at hand	5,051	525
Prepayments and accrued income	976	456
	<u>87,434</u>	<u>30,106</u>

25. Capital Expenditure commitments

At 31st December 1996 no capital expenditure commitments had been made. (1995: £120,000).

26. Commitments under operating leases

At the 31st December 1996 the Company had annual commitments under operating leases expiring:

	1996 £'000		1995 £'000	
	Motor Vehicles and Office Equipment	Land and Buildings	Motor Vehicles and Office Equipment	Land and Buildings
Within one year	8	-	15	-
Between two and five years	603	33	827	-

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.

28. Ultimate Holding Company

The Company's immediate parent company is Priplan Investments Limited.

The Company's ultimate holding company is PPP healthcare foundation 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 1996

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 24, 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 1996

PPP lifetime care plc

To the members of PPP lifetime care plc

We have audited the financial statements on pages 5 to 22

Respective responsibilities of directors and auditors

As described on page 23 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 31st December 1996 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
3rd March 1997

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.
D W W Torrance, LL.B., C.A., M.C.T.

Appointed Actuary: P L Gatenby B.Sc., F.I.A.

Secretary: B A Reilly

Auditors: Coopers & Lybrand
Chartered Accountants
1 Embankment Place
London
WC2N 6NN

Bankers: Barclays Bank Plc
150 The Parade
Leamington Spa
Warwickshire
CV32 4AZ

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