

AC.450

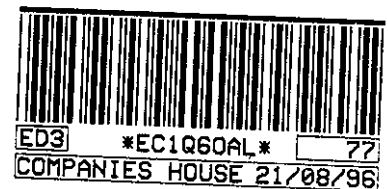
**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Company Number 8870**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 1995**



**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**REPORT AND FINANCIAL STATEMENTS 1995**

**CONTENTS**

	<u>Page</u>
Officers, bankers and auditors	1
Directors' report	2-4
Auditors' report	5
Technical Account - Long-term business	6
Balance sheet	7-8
Notes to the financial statements	9-21

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
(Formerly Provident Mutual Life Assurance Association)

**OFFICERS, BANKERS AND AUDITORS**

Directors	The Rt. Hon. Lord Farnham (Chairman) The Rt. Hon. The Earl of Airlie (appointed 1 January 1996) P. Baring (resigned 4 August 1995) L. Bolton (appointed 1 January 1996) P. N. Buckley (resigned 31 December 1995) M. C. Findlay (resigned 31 December 1995) V. P. Fleming (resigned 31 December 1995) C. E. Hughes (resigned 31 December 1995) W. H. Jack (appointed 1 January 1996) I. A. H. Johnston (appointed 1 January 1996) J. D. Neville (resigned 31 December 1995) B. Richardson S. M. Robertson (resigned 31 December 1995) R. A. Scott (appointed 1 January 1996) M. N. Urmston (appointed 1 January 1996)
Actuary	J. D. Neville MA, FIA (resigned 28 December 1995) M. N. Urmston BA, FIA (appointed 1 January 1996)
Company Secretary	Mrs V. G. C. Steadman LLB, Solicitor
Registered office (until 31 December 1995)	PO Box 568 25-31 Moorgate London EC2R 6BA
(from 1 January 1996)	2 Rougier Street York YO1 1HR
Bankers	Midland Bank plc PO Box 125 27-32 Poultry London EC2P 2BX  Royal Bank of Scotland plc 67 Lombard Street London EC3P 3DL
Auditors	Price Waterhouse Chartered Accountants and Registered Auditors 10 Bricket Road St. Albans Hertfordshire AL1 3JX

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
(Formerly Provident Mutual Life Assurance Association)

**DIRECTORS' REPORT**

The Directors are pleased to present their annual report and the audited financial statements for the year ended 31 December 1995.

**1. Principal activities**

The sole activity of the Association during 1995 has been the transaction of ordinary long term insurance business. The results for the year reflect the impact of lower levels of new business in a difficult market. Funds under management increased during the year largely as a result of improving investment conditions.

Activities of the Association's subsidiary undertakings which are included in the consolidated accounts are set out below.

The main subsidiary is General Accident Managed Pension Funds Limited (formerly Provident Mutual Managed Pension Funds Limited until 2 January 1996) which transacts ordinary long term insurance business of a type known as "managed pension fund".

Other subsidiaries and their principal activities are:

General Accident Trustees Limited (formerly Provident Mutual Trustees Limited until 1 January 1996) offers trustee services to pension schemes.

Provident Mutual Unit Trust Managers Limited currently manages six unit trusts.

Provident Mutual Plan Managers Limited manages personal equity plans.

Provident Mutual Investment Advisors Limited provides strategic investment advice to non-insured pension schemes.

Provident Mutual Nominees Limited holds certain assets on behalf of General Accident Managed Pension Funds Limited and other pension funds administered on a segregated basis.

Provident Mutual Developments Limited and Provident Mutual Stevenage Estates Limited are both engaged in property development and management in the United Kingdom.

The Association had no shareholders during 1995 and the whole of the distributable profits belonged to the participating policyholders.

On 1 January 1996 Provident Mutual Life Assurance Association was acquired by General Accident Linked Life Assurance Limited. The Association's name was consequently changed to Provident Mutual Life Assurance Limited, the company being limited by guarantee.

**2. Summary of Principal Results**

	1995	1994
Provident Mutual Life Assurance Limited	£000	£000
Net new annual premiums	33,898	39,009
Net new single premiums	133,609	163,083
Total	<u>167,507</u>	<u>202,092</u>
General Accident Managed Pension Funds Limited		
Premium income	<u>32,404</u>	<u>46,980</u>
Technical Accounts	Group	Company
	1995	1995
	Restated	Restated
	£000	£000
Net premium income (including single premiums)	406,379	455,073
Benefits paid to policyholders and claimants	764,121	1,310,226
Total funds at the end of the year	6,484,203	5,839,958
		5,459,694
		4,662,275

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
(Formerly Provident Mutual Life Assurance Association)

**DIRECTORS' REPORT (continued)**

**3. Auditors**

As a consequence of the acquisition of Provident Mutual Life Assurance Association by General Accident Linked Life Assurance Limited, Price Waterhouse have tendered their resignation as auditors with effect from 30 June 1996. A resolution to appoint KPMG Audit Plc as auditors will subsequently be proposed at the Annual General Meeting.

**4. Employees**

The average weekly number of employees during the year was 1,286 (1994 - 1,282), and their total remuneration was £26,795,000 (1994 - £26,600,000).

**5. Directors**

The Directors holding office during the year were as shown on page 1.

**6. Directors' interests**

No Director has any beneficial interest in any shares in the Company or its subsidiaries, but certain Directors were during the year or are connected with groups which have companies involved in arranging or advising on insurance contracts as detailed below; policies are placed by these companies with Provident Mutual Life Assurance Limited or other insurers as appropriate.

P. Baring, Barings plc

V. P. Fleming, Robert Fleming Holdings Limited

S. M. Robertson, Kleinwort Benson Group plc

**7. Directors' responsibilities**

The Directors have a legal responsibility to prepare accounts for each financial year in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

The Directors consider that in preparing the accounts on pages 6 to 21, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

**8. Directors' and Officers' Insurance**

The Company has purchased and maintains insurance for its Directors and Officers against liabilities, in accordance with Section 310 (3) (a) of the Companies Act 1985.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**DIRECTORS' REPORT (continued)**

**9. Donations**

Sums given for charitable purposes in 1995 totalled £24,548 (1994 - £33,324).

No donations for political purposes have been made.

**10. Employment of Disabled Persons**

The Company's policy relating to the employment of disabled persons continues to be:

- (a) To give full and fair consideration to any application for employment made by a disabled person on the same basis as other potential employees, having regard to their aptitude and ability to do the work, and any health and safety considerations.
- (b) To retain in employment, wherever possible, any member of staff who becomes disabled during employment, and if necessary to provide appropriate training for alternative work.
- (c) To provide for disabled persons equal opportunity with other staff for training, career development and promotion within their capacity.

**11. Employee Involvement and Training**

During the year the policy of providing employees with information about the group has been continued through meetings to discuss annual results and future prospects. There have also been regular meetings with staff representatives.

The Company remains convinced of the need for sound training, and in particular internal courses are run by a professional training staff of twelve, assisted by specialist tutors from line departments and by consultants.

Approved by the Board on 13 March 1996

B. Richardson  
Director

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF**

### **PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**

**(Formerly Provident Mutual Life Assurance Association)**

We have audited the financial statements on pages 6 to 21 which have been prepared in accordance with the accounting policies set out on pages 9 to 11.

#### **Respective responsibilities of Directors and Auditors**

As described on page 3 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 circumstances of the Group and the Company, 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 give a true and fair view of the state of affairs of the Group and the Company as at 31 December 1995 and of the results of the Group and the Company for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Price Waterhouse  
10 Bricket Road  
St. Albans  
Hertfordshire  
AL1 3JX

Chartered Accountants  
and Registered Auditors  
13 March 1996

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Profit and Loss Account**  
**for the twelve months ended 31 December 1995**

		<b>Group</b>		<b>Company</b>	
<b>Technical Account - Long-term Business</b>		1995	1994	1995	1994
	Note	£000	Restated £000	£000	Restated £000
Gross premiums written	4	409,695	458,444	382,935	416,811
Outward reinsurance premiums		(3,316)	(3,371)	(3,316)	(3,371)
Earned premiums, net of reinsurance		406,379	455,073	379,619	413,440
Investment income	5	471,257	587,544	364,811	294,920
Unrealised gains on investments		615,435	0	520,000	0
<b>Total income</b>		<b>1,493,071</b>	<b>1,042,617</b>	<b>1,264,430</b>	<b>708,360</b>
<b>Claims incurred</b>					
Claims paid					
- gross amount		771,533	1,310,630	393,867	379,794
- reinsurers' share		(1,595)	(2,480)	(1,595)	(2,480)
- net of reinsurance		769,938	1,308,150	392,272	377,314
Change in provision for claims - gross amount		(5,502)	1,450	(5,635)	1,594
- reinsurers' share		(315)	626	(315)	626
- net of reinsurance		(5,817)	2,076	(5,950)	2,220
Claims incurred, net of reinsurance	6	764,121	1,310,226	386,322	379,534
<b>Change in other technical provisions</b>					
Long term business provision					
- gross amount		219,177	(142,927)	219,177	(142,927)
- reinsurers' share		(1,286)	1,452	(1,286)	1,452
- net of reinsurance		217,891	(141,475)	217,891	(141,475)
Technical provision for linked business		301,142	(883,347)	454,316	41,614
		519,033	(1,024,822)	672,207	(99,861)
Net operating expenses	7	64,887	75,069	62,750	72,493
Costs of fundamental restructuring	7	3,600	0	3,600	0
Investment expenses and charges	5	6,541	7,127	5,497	5,678
Unrealised losses on investments	5	0	789,440	0	465,789
Tax attributable to long term business	8	9,677	10,187	8,842	9,337
Transfer to/(from) the fund for future appropriations	9	125,212	(124,610)	125,212	(124,610)
		209,917	757,213	205,901	428,687
<b>Total expenditure</b>		<b>1,493,071</b>	<b>1,042,617</b>	<b>1,264,430</b>	<b>708,360</b>
<b>Balance on the Technical Account</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The notes on pages 9 to 21 are an integral part of these accounts



**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Balance Sheet**

**as at 31 December 1995**

		<b>1995</b>	<b>Group</b>	<b>1995</b>	<b>Company</b>
			<b>1994</b>		<b>1994</b>
	<b>Notes</b>	<b>£000</b>	<b>Restated</b>	<b>£000</b>	<b>Restated</b>
			<b>£000</b>		<b>£000</b>
<b>Assets</b>					
<b>Investments</b>	10				
Land and buildings		271,036	378,672	263,891	368,705
Investments in Group companies	11	0	0	13,109	15,104
Other financial investments		2,623,120	2,197,624	2,622,977	2,196,799
		<u>2,894,156</u>	<u>2,576,296</u>	<u>2,899,977</u>	<u>2,580,608</u>
 <b>Assets held to cover linked liabilities</b>	12	 <u>3,474,695</u>	 <u>3,162,516</u>	 <u>2,459,496</u>	 <u>1,989,912</u>
<b>Debtors</b>					
Debtors arising out of direct insurance operations					
- Policyholders		7,639	11,734	7,468	11,674
- Intermediaries		6,931	7,671	6,931	7,671
Amounts due for investments sold		15,076	19,662	6,920	10,476
Other debtors including taxation	13	37,236	39,034	31,947	32,559
		<u>66,882</u>	<u>78,101</u>	<u>53,266</u>	<u>62,380</u>
 <b>Other assets</b>					
Tangible assets	14	6,774	6,721	6,763	6,703
Cash at bank and in hand		18,654	10,650	13,555	7,735
		<u>25,428</u>	<u>17,371</u>	<u>20,318</u>	<u>14,438</u>
 <b>Prepayments and accrued income</b>					
Accrued interest and rent		33,851	42,508	29,713	35,461
Deferred acquisition costs		52,556	50,161	52,556	50,161
Other prepayments and accrued income		2,254	1,108	2,095	908
		<u>88,661</u>	<u>93,777</u>	<u>84,364</u>	<u>86,530</u>
 <b>Total Assets</b>		 <u>6,549,822</u>	 <u>5,928,061</u>	 <u>5,517,421</u>	 <u>4,733,868</u>

The notes on pages 9 to 21 are an integral part of these accounts

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Balance Sheet**

**as at 31 December 1995**

		1995	Group 1994 Restated	1995	Company 1994 Restated
	Notes	£000	£000	£000	£000
<b>Liabilities</b>					
<b>Fund for future appropriations</b>	9	<u>273,349</u>	<u>148,137</u>	<u>273,349</u>	<u>148,137</u>
<b>Technical provisions</b>					
Long term business provision - gross amount		2,770,000	2,550,823	2,770,000	2,550,823
- reinsurance amount		(14,046)	(12,760)	(14,046)	(12,760)
- net amount	15	<u>2,755,954</u>	<u>2,538,063</u>	<u>2,755,954</u>	<u>2,538,063</u>
Claims outstanding - gross amount		28,245	33,747	28,084	33,719
- reinsurance amount		(526)	(211)	(526)	(211)
- net amount		<u>27,719</u>	<u>33,536</u>	<u>27,558</u>	<u>33,508</u>
<b>Technical provisions for linked liabilities</b>		<u>3,454,900</u>	<u>3,153,758</u>	<u>2,430,391</u>	<u>1,976,075</u>
<b>Provisions for other risks and charges</b>					
Deferred taxation	16	<u>1,577</u>	<u>2,174</u>	<u>1,577</u>	<u>2,174</u>
<b>Creditors</b>					
Creditors arising out of direct insurance operations		1,182	1,226	1,176	1,222
Amounts due for investments purchased		11,684	29,544	8,184	15,450
Reinsurance premiums due		120	470	120	470
Other creditors including taxation and social security		18,578	15,973	15,548	15,800
		<u>31,564</u>	<u>47,213</u>	<u>25,028</u>	<u>32,942</u>
<b>Accruals and deferred income</b>		<u>4,759</u>	<u>5,180</u>	<u>3,564</u>	<u>2,969</u>
<b>Total Liabilities</b>		<u><u>6,549,822</u></u>	<u><u>5,928,061</u></u>	<u><u>5,517,421</u></u>	<u><u>4,733,868</u></u>

The financial statements on pages 6 to 21 were approved by the Board of Directors on 13 March 1996.

B. Richardson  
Director

The notes on pages 9 to 21 are an integral part of these accounts

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**1. ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The accounts have been prepared under the historical cost convention, as modified by the revaluation of investments and certain fixed assets, in accordance with applicable accounting standards and section 255A of, and Schedule 9A to, the Companies Act 1985. A new Schedule 9A has been incorporated in the Act by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 following the implementation into UK law of the European Union Council Directive on the Annual and Consolidated Accounts of Insurance Undertakings. The accounts have been drawn up in accordance with the new Schedule 9A, and the figures relating to prior years have been restated accordingly.

The financial statements have been prepared in accordance with applicable accounting standards and with the British Insurers' Guidance on Accounting for Insurance Business (ABI Guidance) issued on 19 December 1995. Compliance with Statement of Accounting Practice ("SSAP") No. 19 - Accounting for Investment Properties - requires departure from the requirements of the Companies Act 1985 relating to depreciation, and an explanation of the departure is given in the accounting policy note relating to investments below.

The Consolidated Profit and Loss Account and Consolidated Balance Sheet include the income and expenditure and the assets and liabilities of the Company and its subsidiaries.

**(b) Fixed Assets and Depreciation**

Fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful lives of the assets which range between four years and seven years.

**(c) Investments**

Investments are stated as follows:

**(i) Quoted fixed-interest and equity investments**

Company - closing mid-market prices on 31 December 1995.

General Accident Managed Pension Funds Limited - market bid prices on 3 January 1996.

**(ii) Property**

Investment properties are valued on an open-market basis less estimated expenses of sale. Office premises owned and occupied by the Group are valued on an open-market basis assuming vacant possession less estimated expenses of sale and are included in property.

Under the Companies Act 1985, land and buildings are required to be depreciated over their expected useful economic lives.

In respect of investment properties, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19, that no depreciation be provided in respect of such investments.

The directors consider that to depreciate the investment properties would not give a true and fair view and accordingly the provisions of SSAP 19 have been adopted.

In respect of the freehold properties occupied by the Company, it is the practice to maintain them in a continual state of sound repair. Accordingly the directors consider that the lives of these assets and their residual values (based on prices prevailing at the time of acquisition or subsequent valuation) are such that their depreciation is insignificant and is thus not provided.

**(iii) Mortgages**

Current capital value outstanding.

**(iv) Gains or Losses**

Realised and unrealised gains or losses on investments are dealt with in the Technical Account.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**1. ACCOUNTING POLICIES (continued)**

**(d) Income**

Premiums are brought into account when receivable for the Company, but on a received basis for General Accident Managed Pension Funds Limited. Interest is included on an accrued basis, as are rents and other income. Dividends are brought into account when receivable.

**(e) Claims**

Claims are recognised as they fall due, except that death and disability claims are accounted for when notified.

**(f) Long-term Business Provision**

The long term business provision is determined by the Company's Appointed Actuary following his annual investigation of the long term business, and is calculated initially on a statutory solvency basis to comply with the reporting requirements of the Insurance Companies Act 1982. The calculation includes explicit provision for declared bonuses (including those declared following the current valuation), and an explicit allowance for future reversionary bonuses on with profit life assurance contracts. Implicit provision is made for future reversionary bonuses on with profit annuity contracts by means of a reduction in the valuation rate of interest. The valuation is then modified to remove certain contingency reserves required by insurance company regulations and additional reserves for future bonuses.

**(g) Fund for Future Appropriations**

Surpluses arising from participating, non-participating and linked long term business, as a result of the annual actuarial valuation of the Company's assets and liabilities, are appropriated by the Directors to participating policyholders by way of bonuses. Any unappropriated surplus is carried forward in the fund for future appropriations.

**(h) Deferred Acquisition Costs**

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs comprise the costs of acquiring insurance policies which are incurred during a financial year but are to be recovered in a subsequent year.

An explicit deferred acquisition cost asset has been established in the balance sheet.

Deferred acquisition costs are amortised out of available margins arising in respect of the related policies. Deferral of costs has been limited to the extent that there are expected to be available margins. Costs have not been deferred where they are not expected to be recoverable.

**(i) Foreign Currencies**

Assets and liabilities in foreign currencies have been translated to Sterling at the rates prevailing at the balance sheet date. Gains and losses arising from foreign currency transactions have been included in the Profit and Loss Account at the rates prevailing at the time.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**1. ACCOUNTING POLICIES (continued)**

**(j) Bank Balances**

Bank balances are included at the amounts stated on the bank statements; unpresented cheques are included under current liabilities.

**(k) Deferred Taxation**

Deferred taxation is accounted for to the extent that it is probable that a liability or asset will crystallise. No provision has been made for any additional tax which would become payable if all the investments and properties were realised at the value shown in the balance sheet.

**(l) Pension costs**

Charges in respect of employer's contributions are calculated on a basis which spreads the costs over the service lives of scheme members.

**2. PENSION TRANSFER AND OPT-OUT PROVISION**

The long term business provision includes a provision in respect of potential compensation payments arising from the review of the advice given to all customers who purchased personal pensions from company representatives, together with the costs associated with the review.

A contingent liability exists in respect of future levies under the Investors Compensation Scheme in so far as they relate to defaults arising from the mis-selling of personal pensions by independent intermediaries. There is no basis at the present time for assessing the likely extent of any such levy.

**3. PARENT UNDERTAKING**

On 1 January 1996, Provident Mutual Life Assurance Association was acquired by General Accident Linked Life Assurance Limited. Consequently the Association's name was changed to Provident Mutual Life Assurance Limited, the company being limited by guarantee.

The ultimate holding company is subsequently General Accident plc, a company registered in Scotland.

Copies of the Group accounts may be obtained from the Company Secretary, General Accident plc, Pitheavlis, Perth, Scotland PH2 0NH.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**4. PREMIUM ANALYSIS**

All business is transacted in the United Kingdom in respect of continuing operations.

	1995	Group	1995	Company
a) Gross Premiums written	£000	1994 £000	1995 £000	1994 £000
Life business	82,535	97,727	82,535	97,727
Pension and General Annuity business	325,951	359,552	299,191	317,919
Permanent Health Contracts	1,209	1,165	1,209	1,165
Total premiums	<u>409,695</u>	<u>458,444</u>	<u>382,935</u>	<u>416,811</u>
With profit and non-profit contracts	128,704	134,821	128,704	134,821
Linked contracts	280,991	323,623	254,231	281,990
Total premiums	<u>409,695</u>	<u>458,444</u>	<u>382,935</u>	<u>416,811</u>
Individual premiums	281,984	309,856	281,984	309,856
Group premiums	127,711	148,588	100,951	106,955
Total premiums	<u>409,695</u>	<u>458,444</u>	<u>382,935</u>	<u>416,811</u>
Regular premiums	249,326	253,728	249,326	253,728
Single premiums	160,369	204,716	133,609	163,083
Total premiums	<u>409,695</u>	<u>458,444</u>	<u>382,935</u>	<u>416,811</u>
b) Gross new premiums (annualised if periodic)				
Life business	14,343	27,917	14,343	27,917
Pension and General Annuity business	180,090	215,966	153,330	174,333
Permanent Health Contracts	54	105	54	105
Total premiums	<u>194,487</u>	<u>243,988</u>	<u>167,727</u>	<u>202,355</u>
With profit and non-profit contracts	30,124	31,494	30,124	31,494
Linked contracts	164,363	212,494	137,603	170,861
Total premiums	<u>194,487</u>	<u>243,988</u>	<u>167,727</u>	<u>202,355</u>
Individual premiums	143,970	175,317	143,970	175,317
Group premiums	50,517	68,671	23,757	27,038
Total premiums	<u>194,487</u>	<u>243,988</u>	<u>167,727</u>	<u>202,355</u>
Regular premiums	34,118	39,272	34,118	39,272
Single premiums	160,369	204,716	133,609	163,083
Total premiums	<u>194,487</u>	<u>243,988</u>	<u>167,727</u>	<u>202,355</u>

Non-participating non-linked contracts are not separately identified as they are not materially significant. Periodic premiums for participating contracts include recurrent single premiums designated as likely to result in regular premium payments at the time such contracts are written. Thereafter, only increases in premiums originally designated as such are treated as new business.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**5. INVESTMENT ACTIVITY ACCOUNT**

	<b>Group</b>		<b>Company</b>	
	<b>1995</b>	<b>1994</b>	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
(a) Investment income:				
Income from land and buildings	40,132	50,620	33,825	39,130
Income from listed investments	262,869	242,255	219,006	197,315
Group undertakings	0	0	403	0
Income from other investments	28,694	20,395	16,982	10,672
	<u>331,695</u>	<u>313,270</u>	<u>270,216</u>	<u>247,117</u>
Gain on the realisation of investments	139,562	274,274	94,595	47,803
Total investment income	<u>471,257</u>	<u>587,544</u>	<u>364,811</u>	<u>294,920</u>
(b) Investment expenses and charges:				
Investment management expenses	(6,541)	(7,127)	(5,497)	(5,678)
(c) Unrealised gains on investments	615,435	0	520,000	0
(d) Unrealised losses on investments	0	(789,440)	0	(465,789)
Total investment return for the year	<u>1,093,233</u>	<u>(209,023)</u>	<u>890,308</u>	<u>(176,547)</u>

**6. NET CLAIMS INCURRED**

	<b>Group</b>		<b>Company</b>	
	<b>1995</b>	<b>1994</b>	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross claims paid	771,533	1,310,630	393,867	379,794
Change in outstanding claims	(5,502)	1,450	(5,635)	1,594
Less reinsurance	(1,910)	(1,854)	(1,910)	(1,854)
Net claims paid	<u>764,121</u>	<u>1,310,226</u>	<u>386,322</u>	<u>379,534</u>
Analysed by type of benefit:				
Deaths	21,769	23,079	21,769	23,079
Maturities	114,073	81,138	114,073	81,138
Disabilities	2,248	2,319	2,248	2,319
Surrenders, including group withdrawals	560,288	1,143,287	182,489	212,595
Annuities	65,743	60,403	65,743	60,403
Net claims paid	<u>764,121</u>	<u>1,310,226</u>	<u>386,322</u>	<u>379,534</u>

Included in the Company's surrenders are transfers to General Accident Managed Pension Funds Limited, which are excluded from the consolidated figures. Included in the consolidated figures are transfers to segregated funds.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

<b>7. NET OPERATING EXPENSES</b>	<b>1995</b>	<b>Group</b>	<b>1995</b>	<b>Company</b>
	<b>£000</b>	<b>1994</b>	<b>£000</b>	<b>1994</b>
		<b>£000</b>		<b>£000</b>
Acquisition costs incurred	38,814	40,238	38,814	40,238
Change in deferred acquisition costs	(2,395)	4,189	(2,395)	4,189
Administrative expenses	28,104	30,331	25,967	27,755
Reinsurance commission	364	311	364	311
<b>Total</b>	<b>64,887</b>	<b>75,069</b>	<b>62,750</b>	<b>72,493</b>

Administration expenses also include:

Operating lease rentals - land and buildings	3,954	4,172	5,189	5,240
- other	257	257	257	257

Auditors' remuneration in respect of audit services for the group amounted to £152,000 (1994 - £146,000).

The auditors also received £333,000 (1994 - £162,000) in respect of non-audit services, of which £238,000 is included in the costs of fundamental restructuring described below.

Costs of fundamental restructuring of £3,600,000 are in connection with the negotiations with General Accident Linked Life Assurance Limited prior to the acquisition of Provident Mutual Life Assurance Association.

<b>8. TAXATION</b>	<b>1995</b>	<b>Group</b>	<b>1995</b>	<b>Company</b>
	<b>£000</b>	<b>1994</b>	<b>£000</b>	<b>1994</b>
		<b>£000</b>		<b>£000</b>
<b>Long term business technical account</b>				
UK corporation tax	7,399	8,594	7,278	8,558
Less: double taxation relief	(319)	(664)	(319)	(664)
	<u>7,080</u>	<u>7,930</u>	<u>6,959</u>	<u>7,894</u>
Tax on franked investment income	3,705	2,989	3,703	2,989
Overseas tax	2,215	2,665	1,489	1,851
Deferred tax	(597)	(358)	(597)	(358)
	<u>12,403</u>	<u>13,226</u>	<u>11,554</u>	<u>12,376</u>
Adjustments in respect of previous years	(2,726)	(3,039)	(2,712)	(3,039)
	<u>9,677</u>	<u>10,187</u>	<u>8,842</u>	<u>9,337</u>

UK corporation tax in respect of assessable profits and income is chargeable at the rate of 25% (1994 - 25%), with the exception of permanent health insurance business which is taxable at 33% (1994 - 33%).

No specific provision has been made in respect of any liability to tax on chargeable gains that may arise on the unrealised appreciation of the investments at the year end. The amount of tax which would have become payable had the investments been realised on 31 December at the values included in the balance sheet of the Group and of the Company would be £22,365,000 (1994 - £1,081,000).

<b>9. FUND FOR FUTURE APPROPRIATIONS</b>	<b>1995</b>	<b>Group</b>	<b>1995</b>	<b>Company</b>
	<b>£000</b>	<b>1994</b>	<b>£000</b>	<b>1994</b>
		<b>£000</b>		<b>£000</b>
Balance at 1 January	148,137	272,747	148,137	272,747
Transfer from/(to) profit and loss account	125,212	(124,610)	125,212	(124,610)
<b>Balance at 31 December</b>	<b>273,349</b>	<b>148,137</b>	<b>273,349</b>	<b>148,137</b>



**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

10. INVESTMENTS	Current Value		Historical Cost	
	1995	1994	1995	1994
	£000	£000	£000	£000
<b>a) Group</b>				
Land and buildings				
Properties occupied by the Group	12,629	14,473	17,799	17,775
Other investment properties	258,407	364,199	246,509	317,318
	<u>271,036</u>	<u>378,672</u>	<u>264,308</u>	<u>335,093</u>
Other financial investments	1,137,892	1,146,450	1,125,879	1,211,349
Shares and other variable yield securities:				
- UK	1,117,253	839,510	819,074	703,818
- Overseas	216,759	138,484	182,957	133,566
	<u>2,471,904</u>	<u>2,124,444</u>	<u>2,127,910</u>	<u>2,048,733</u>
Short-term deposits	<u>139,449</u>	<u>60,327</u>	<u>139,449</u>	<u>60,327</u>
Loans secured by mortgages	3,804	4,897	3,804	4,897
Loans secured by policies	7,963	7,956	7,963	7,956
	<u>11,767</u>	<u>12,853</u>	<u>11,767</u>	<u>12,853</u>
Total investments	<u>2,894,156</u>	<u>2,576,296</u>	<u>2,543,434</u>	<u>2,457,006</u>
<b>b) Company</b>				
Land and buildings				
Properties occupied by the Company	5,600	6,477	4,587	4,587
Other investment properties	258,291	362,228	246,331	317,140
	<u>263,891</u>	<u>368,705</u>	<u>250,918</u>	<u>321,727</u>
Other financial investments	1,137,834	1,146,398	1,125,821	1,211,297
Investments in Group companies	13,109	15,104	13,908	15,556
Shares and other variable yield securities:				
- UK	1,117,253	839,510	819,074	703,818
- Overseas	216,759	138,484	182,957	133,566
	<u>2,484,955</u>	<u>2,139,496</u>	<u>2,141,760</u>	<u>2,064,237</u>
Short-term deposits	<u>139,364</u>	<u>59,554</u>	<u>139,364</u>	<u>59,554</u>
Loans secured by mortgages	3,804	4,897	3,804	4,897
Loans secured by policies	7,963	7,956	7,963	7,956
	<u>11,767</u>	<u>12,853</u>	<u>11,767</u>	<u>12,853</u>
Total investments	<u>2,899,977</u>	<u>2,580,608</u>	<u>2,543,809</u>	<u>2,458,371</u>
<b>c) Listed Investments (included in current value)</b>		<b>Group</b>		<b>Company</b>
	1995	1994	1995	1994
	£000	£000	£000	£000
Listed in the U.K.	1,115,600	838,348	1,115,600	838,348
Listed on overseas stock exchanges	211,462	133,050	211,462	133,050
All UK listed equity shares are listed on a recognised investment exchange.				

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**10. INVESTMENTS continued**

**d) Land and Buildings**

Land and buildings were valued on an open market existing use basis on 29 December 1995 by St. Quintin, Chartered Surveyors. The historical cost of such properties included above is as follows:

(i) Group	Properties occupied by the Group	Freehold	Other investment properties		Total
	£000	£000	Long leasehold £000	Short leasehold £000	
Cost at 1 January 1995	17,775	238,228	58,190	20,900	335,093
Additions at cost	24	104	12,248	9,079	21,455
Disposals at cost	0	(45,966)	(36,455)	(9,819)	(92,240)
<b>Cost at 31 December 1995</b>	<b>17,799</b>	<b>192,366</b>	<b>33,983</b>	<b>20,160</b>	<b>264,308</b>

Properties occupied by the Group are held on short leaseholds, or owned by the Group and included as investments.

(ii) Company	Properties occupied by the Company	Freehold	Other investment properties		Total
	£000	£000	Long leasehold £000	Short leasehold £000	
Cost at 1 January 1995	4,587	238,050	58,190	20,900	321,727
Additions at cost	0	104	12,248	9,079	21,431
Disposals at cost	0	(45,966)	(36,455)	(9,819)	(92,240)
<b>Cost at 31 December 1995</b>	<b>4,587</b>	<b>192,188</b>	<b>33,983</b>	<b>20,160</b>	<b>250,918</b>

Properties occupied by the Company are owned by the Company and included as investments.

**11. INVESTMENTS IN GROUP COMPANIES**

	1995 £000	Company 1994 £000
Shares at net asset value	10,757	12,928
Other indebtedness	2,352	2,176
	<b>13,109</b>	<b>15,104</b>

The Company has the following wholly-owned subsidiary undertakings, all registered in England:-

General Accident Managed Pension Funds Limited (formerly Provident Mutual Managed Pension Funds Limited).

General Accident Trustees Limited (formerly Provident Mutual Trustees Limited).

Provident Mutual Nominees Limited.

Provident Mutual Plan Managers Limited.

Provident Mutual Unit Trust Managers Limited.

Provident Mutual Stevenage Estates Limited.

The Company and General Accident Managed Pension Funds Limited together own the whole of the share capital of Provident Mutual Developments Limited, registered in England.

Promus Inc., incorporated in the United States of America, was disposed of during 1995.

General Accident Managed Pension Funds Limited has a wholly-owned subsidiary undertaking, registered in England:

Provident Mutual Investment Advisors Limited.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

Notes to and forming part of the financial statements  
for the year ended 31 December 1995

**12. ASSETS HELD TO COVER LINKED LIABILITIES**

	1995 £000	Group 1994 £000	1995 £000	Company 1994 £000
Current Value	<u>3,474,695</u>	<u>3,162,516</u>	<u>2,459,496</u>	<u>1,989,912</u>
At Cost	<u>3,076,278</u>	<u>3,150,245</u>	<u>2,205,103</u>	<u>2,027,855</u>

**13. DEBTORS AND TAXATION RECOVERABLE**

	1995 £000	Group 1994 £000	1995 £000	Company 1994 £000
Taxation recoverable	34,862	33,802	29,656	27,488
Other debtors	<u>2,374</u>	<u>5,232</u>	<u>2,291</u>	<u>5,071</u>
	<u>37,236</u>	<u>39,034</u>	<u>31,947</u>	<u>32,559</u>

**14. TANGIBLE ASSETS**

	Computer equipment £000	Motor vehicles £000	Fixtures, fittings and office equipment £000	Group Total £000
Cost:				
At 1 January 1995	15,628	4,079	4,165	23,872
Additions	1,615	1,408	115	3,138
Disposals	<u>(29)</u>	<u>(1,277)</u>	<u>(4)</u>	<u>(1,310)</u>
At 31 December 1995	<u>17,214</u>	<u>4,210</u>	<u>4,276</u>	<u>25,700</u>
Depreciation:				
At 1 January 1995	12,766	2,001	2,384	17,151
Provided in the year	1,280	1,015	563	2,858
Disposals	<u>(28)</u>	<u>(1,053)</u>	<u>(2)</u>	<u>(1,083)</u>
At 31 December 1995	<u>14,018</u>	<u>1,963</u>	<u>2,945</u>	<u>18,926</u>
Net book value:				
At 31 December 1995	<u>3,196</u>	<u>2,247</u>	<u>1,331</u>	<u>6,774</u>
At 1 January 1995	<u>2,862</u>	<u>2,078</u>	<u>1,781</u>	<u>6,721</u>

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

**15. LONG TERM BUSINESS PROVISION**

The long term business provision has been calculated by the Appointed Actuary using the following principal assumptions for the main classes of business:

Valuation rates of interest	1995	1994
Assurances with profits ( with explicit allowance for 1.69% p.a. future reversionary bonuses)	5.0%	5.0%
Annuities with profits	4.0%	4.0%
Immediate annuities without profits	7.0%	8.5%
Deferred annuities without profits	6.0%	6.0%
Mortality		
Assurances	A1967-70	A1967-70
Annuities in deferment	50% of A1967-70	50% of A1967-70
Annuities in possession: individual contracts	IM80/IF80 (C=2000)	a(90) - 2 years
group contracts	PMA80/PFA80 (C=2010)	PA (90) - 3 years

**16. PROVISIONS FOR OTHER RISKS AND CHARGES**

	1995	Group	1995	Company
	£000	1994	£000	1994
Deferred taxation		£000		£000
Accelerated capital allowances	0	(415)	0	(415)
Deemed disposal of unit trust holdings	488	288	488	288
Other short term timing differences	1,089	2,301	1,089	2,301
	<u>1,577</u>	<u>2,174</u>	<u>1,577</u>	<u>2,174</u>

**17. DIRECTORS AND EMPLOYEES**

	1995	Group
	£000	1994
(a) Staff costs comprise		£000
Salaries and wages	26,795	26,600
Social security costs	2,465	2,422
Other pension costs	3,903	4,680
Total	<u>33,163</u>	<u>33,702</u>

The average weekly number of employees of the Group and the Company, including executive directors, during the year was as follows:

	1995	1994
	No.	No.
Administration	793	802
Marketing	389	382
Investment	104	98
	<u>1,286</u>	<u>1,282</u>

As a mutual company, there was no employee share scheme in force during the year.

**PROVIDENT MUTUAL LIFE ASSURANCE LIMITED**  
**(Formerly Provident Mutual Life Assurance Association)**

**Notes to and forming part of the financial statements**  
**for the year ended 31 December 1995**

		<b>Group</b>
<b>17. DIRECTORS AND EMPLOYEES ( continued)</b>	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>
(b) The aggregate amount of Directors' emoluments, including pension scheme contributions, was as follows:		
Non-executive Directors' fees	104	113
Executive Directors' salaries and benefits	490	480
Executive Directors' bonus based on investment performance	0	26
Executive Directors' pension contributions	68	86
Total	<u>662</u>	<u>705</u>
	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
Chairman: Non-executive Director's fees	<u>27,500</u>	<u>27,500</u>
Highest paid Director:		
Salary and benefits	186,840	184,328
Pension contributions	25,900	32,775
Total	<u>212,740</u>	<u>217,103</u>
The emoluments of the Directors, excluding pension scheme contributions, fell into the following bands:	<b>1995</b>	<b>1994</b>
	<b>No.</b>	<b>No.</b>
£10,001 - £15,000	3	2
£15,001 - £20,000	2	2
£20,001 - £25,000	0	1
£25,001 - £30,000	1	1
£145,001 - £150,000	0	1
£150,001 - £155,000	2	0
£175,001 - £180,000	0	1
£180,001 - £185,000	0	1
£185,001 - £190,000	1	0

In addition, as a consequence of the acquisition of Provident Mutual Life Assurance Association by General Accident Linked Life Assurance Limited, two Directors received severance payments amounting to £537,806 in total during 1995. General Accident Linked Life Assurance Limited has borne the statutory and contractual elements of these payments, amounting to £234,802.

**18. LOANS TO DIRECTORS AND OFFICERS**

The following loans to Directors subsisted throughout the periods stated below.  
These amounts were not exceeded at any time during the year.

	<b>Amount of loan</b>		<b>Average rate of interest</b>	
	<b>1995</b>	<b>1994</b>	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>	<b>%</b>	<b>%</b>
B.Richardson, at 1 January	23,000	23,000	6.0	6.0
B.Richardson, at 31 December	11,200	23,000	6.0	6.0
J.D.Neville, at 1 January and 31 December	21,500	21,500	5.8	5.8

The loans were under the Company's staff house purchase arrangements, as was a loan to one officer of the Company totalling £25,000 at 1 January 1995 and 31 December 1995. In all cases repayment is effected by endowment assurance policies (maturing not later than the 60th birthday) charged as collateral security.