

PRIME HEALTH LIMITED

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## REPORT AND ACCOUNTS

*For the year ended*

15 NOVEMBER 1996

SPECIALIST HEALTH INSURER

# Prime Health

A member of the Standard Life Group



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Prime Health Limited  
REPORT AND ACCOUNTS

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**P** rime Health remains at the forefront of health insurance by specialising in the provision of a complete portfolio of healthcare plans designed to help protect its customers physical and financial health. Since its launch Prime Health has consistently been one of the UK's fastest growing health insurers and has regularly received acclaim in the national press.

By focusing on customer needs, providing innovative plans which offer real value for money, backed by efficient claims and administration support, Prime Health's membership has grown to more than 300,000 in just eight years. Prime Health prides itself on its level of customer care, an ongoing commitment reinforced by the achievement of ISO 9002 and membership of the Insurance Ombudsman Bureau.

#### **Private Medical Insurance**

Prime Health's comprehensive range of medical insurance products, including the new low-cost Saver and SuperSaver plans, offers customers reassurance, flexibility and the choice of the right plan to suit their individual needs and budget. Unlike some healthcare providers, we not only work with private hospitals, but also with the NHS and do not restrict access to NHS hospitals.

Primecare, our flagship plan, which we believe to be the best value insurance policy currently available, has been awarded Best Buys by leading national press.

#### **Income Protection**

With a Prime Health income protection plan customers, including the self-employed, can rest assured that if they have to stop work because of illness or injury, they will receive a regular income to supplement their State Benefit and reduce the risk of financial hardship for themselves and their family.

*"Prime Health has consistently been one of the UK's fastest growing health insurers"*

#### **Critical Illness**

Critical illness cover is complementary to any income protection plan and can provide a cash sum to pay off a mortgage or to meet the costs of any nursing care that may be needed. Prime Critical Care is designed to provide financial assistance when it is needed most.

#### **Optional Extra Benefits**

In addition to the range of healthcare plans outlined above, Prime Health also offers a choice of optional extra benefits to cover personal accident, critical illness and major dental expenses, and provide cash sums to cover unexpected stays in hospital.

With a 24 hour, 365 day Helpline service, our customers are further assured that they have safely invested their own and their family's health and security with Prime Health.

Prime Health Limited

REPORT AND ACCOUNTS

**PRIME HEALTH**



Prime Health Limited  
REPORT AND ACCOUNTS

**DIRECTORS AND  
OFFICERS**

**Chairman**

A S Bell FFA FPMI

**Directors**

P J Dalby FCII

S L Evans BSc FIA

S P Gaskin ACII

I C Lumsden MA FFA

R J Roche BA MCIM MIDM

J Stretton BA FFA

**Secretary**

T R Bailey BA ACA

**Registered Office**

Wey House

Farnham Road

Guildford

Surrey

GU1 4XS

**Auditors**

Price Waterhouse

10 Bricket Road

St Albans

Herts

AL1 3JX



A S Bell  
*Chairman*

I am pleased to report that the Company made further significant progress in 1996, with total business in force rising to £102.4 million at 15 November 1996. This represented an increase on the year of some 34%, an excellent achievement in a period of intense competition in the health insurance market.

#### **Staff**

I would like to thank our staff most sincerely for their hard work and loyal support in the further development of the Company over the year.

In particular, I would like to thank all the staff in our Stockport office for their continuing loyalty and commitment following the announcement in August of the Board's decision to centralise the Company's operations in new premises in Guildford.

#### **Board**

I would like to thank and congratulate Peter Dalby, Stephen Evans, Sean Gaskin and Richard Roche for their commitment and successes over the year. Pauline Stoffberg resigned as an Executive Director on 14 November 1996 and she leaves with our thanks for her service.

#### **Future**

1996 was a very challenging year for the Company, and we expect competition in the health insurance market to be just as fierce in 1997. However, I am confident that with our first class products and service to customers we can continue to compete successfully and to increase further our market share.

## **CHAIRMAN'S STATEMENT**

*A. S. Bell*

A S Bell  
*Chairman*  
February 1997

## MANAGING DIRECTOR'S REPORT



Peter Dalby  
Managing Director

I am pleased to report that the Company has continued to enjoy considerable growth through 1996 during a period of intense market competition. Total gross written premiums have risen by 34% in 1996 and by over 80% since our acquisition by Standard Life in 1994.

By the calendar year end our total premiums in force had increased to over £104m making us the fourth largest insurer, measured by Annual Premium Income, in the medical expenses market. This is particularly gratifying given that we have not actively competed in the large corporate sector which accounts for 30% of the private medical insurance (PMI) market.

During 1996 we successfully enhanced our sales potential through further integrating our marketing and advertising activity to support not only our Call Centre but also to provide branding support for the Direct Sales Force and our Intermediary division. In addition, 1996 saw an increase in sales through Standard Life IFAs and this, coupled with plans to introduce PMI through their Direct Customer Division, augurs well for the future growth of medical insurance sales within the Group.

Regulation and increased consumer protection have become major issues for the medical expenses market and we believe that Prime Health, as part of the Standard Life Group, is very well placed to meet any requirements which may be introduced.

### OFT Report

1996 saw the Director General of the Office of Fair Trading undertaking an investigation into the workings of the PMI industry.

Prime Health remains at the forefront of the industry in working alongside the OFT to provide a fair and equitable

*"The Company has  
reaffirmed its  
commitment to  
providing the best  
possible customer  
service"*

resolution to both consumer and industry concerns within the PMI market. We continue to support the OFT view regarding openness and honesty at point of sale. However, we remain of the opinion that the use of the moratorium approach to acceptance of new applicants is in the best interest of consumers.

We strongly support the recommendation in the OFT report to make all products clear and simple so that our customers are fully aware of the level of cover they have purchased.

### Customer Service

In March 1996 the Company successfully achieved ISO 9002 accreditation for Customer Care. This, along with the Clear English Standard award for clarity and simplicity on our policies, plus our membership of the Insurance Ombudsman Bureau, clearly demonstrates our commitment to the highest level of customer service.

The Company has reaffirmed its commitment to providing the best possible customer service by announcing the centralisation of our administration offices in the Guildford area and I would like to reiterate our Chairman's thanks for the continued support given to us by our staff in Stockport. They, along with staff at our other sites, have continued to provide a high level of service to our customers.

### Product Development

Our Primecare plan remains an industry leader for its clarity and simplicity by providing full cover for all eligible bills with no upper limits to any of the principal benefits. We have used Primecare as a benchmark for all our mainstream products. In November 1996 we introduced two upgrade options which enable customers to purchase enhanced benefits and 1997 will see the introduction of two lower cost options which offer discounts of 16% and 40% respectively.

Our unique approach means that all customers purchasing lower cost plans within the Primecare range will be fully aware of the benefit restrictions at the point of sale.

### Competition

There has been an increase in the number of new entrants coming into the market even though there has been little or no growth since 1990. This, coupled with the record levels of new business achieved by the Company during the year, has led to significantly increased sales acquisition costs.

Along with an increase in the level of claims frequency this has resulted in short-term losses. However, I am satisfied that the business written will generate substantial long-term profits. This is reflected in the investment by Standard Life of a further £15m at the end of 1996 and an increase of £35m in the authorised capital. This will help fund our continued expansion, the cost of moving to new premises, the introduction of a new state-of-the-art IT system and the continued development of our Call Centre and sales force.

1997 will again be a challenging year for the Company with competition increasing in a broadly static market. Prime Health is, I believe, well placed

to take advantage of growth in the personal and small business sectors of the market and to continue to increase our market share.

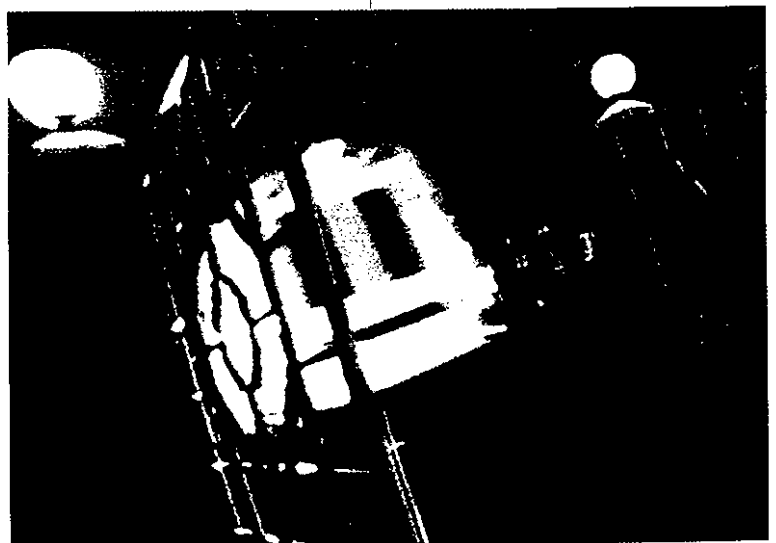


P J Dalby  
*Managing Director*  
*February 1997*

Prime Health Limited

REPORT AND ACCOUNTS

## MANAGING DIRECTOR'S REPORT



## REPORT BY THE DIRECTORS

**T**he directors present their Report and the Accounts for the year ended 15 November 1996.

### Principal activity and business review

The principal activity of the Company is the undertaking of general insurance business in the United Kingdom, and the provision and administration of medical and other health insurance products.

In 1995 the Company achieved a substantial growth rate and this has been successfully maintained in the year to 15 November 1996, with the amount of the Company's portfolio increasing from £76.2 million to £102.4 million.

To support this growth considerable investments have been made in premises, systems and staff. The additional costs of this investment, together with an increase in the frequency of claims, have resulted in a loss for the year of £7.8 million.

Despite these short-term losses, the Board is confident that the business the Company has written will generate long-term profits. This confidence is reflected in the continuing investment in the Company by its parent, The Standard Life Assurance Company, which subscribed for an additional 15 million ordinary shares of £1 each at par on 14 November 1996. The consideration for the shares was satisfied by the transfer to the Company of £15.0 million of government stock. This additional capital will support the Company's growth plans and allow further investments to be made in the Company's infrastructure.

### Results and transfers to reserves

The results for the year are set out on pages 12 and 13.

### Fixed assets

Changes in fixed assets during the year are summarised in note 10 to the accounts.

### Directors

The names of the current directors are listed on page 4.

Mrs P J Stoffberg resigned on 14 November 1996.

### Directors' and officers' liability insurance

During the year the Company maintained liability insurance cover for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

### Charitable and political donations

During the year the Company made donations for charitable purposes of £125. No contributions were made for political purposes.

### Employees

The Company is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, sex, marital status or disablement. The Company will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate.

### Employee involvement

The Company keeps staff informed of progress and policies through line



management channels, training courses, conferences and an Internal Communication Programme, which covers various house publications and briefing seminars with staff.

In addition, staff representatives are elected to the Staff Consultative Committee which meets four times a year with management to discuss formally matters of general staff concern.

#### **Auditors**

The auditors Price Waterhouse, Chartered Accountants, are willing to continue in office.

On behalf of the Board of Directors.

**T R Bailey**

*Secretary*

*Guildford*

*26 February 1997*

Prime Health Limited

REPORT AND ACCOUNTS

## **REPORT BY THE DIRECTORS**



**STATEMENT OF  
DIRECTORS'  
RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- d. prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**W**e have audited the accounts on pages 12 to 23 which have been prepared in accordance with the accounting policies set out on pages 17 and 18.

**Respective responsibilities of directors and auditors**

As described on page 10, the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

**Opinion**

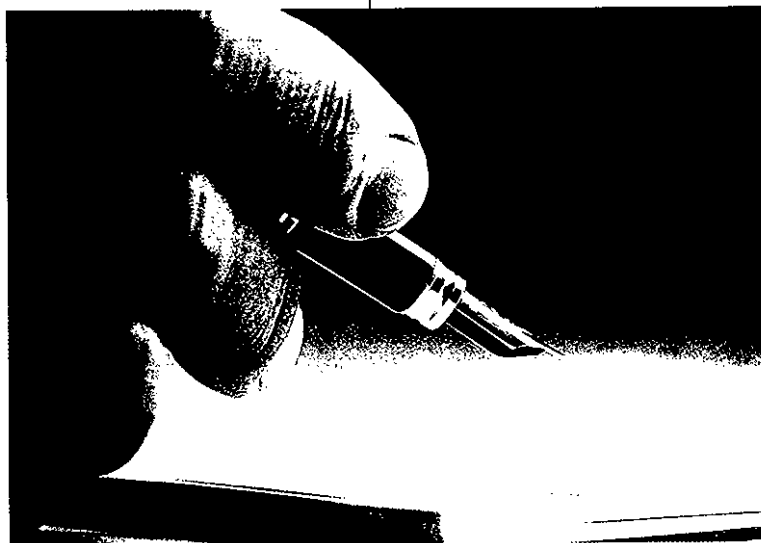
In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 15 November 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

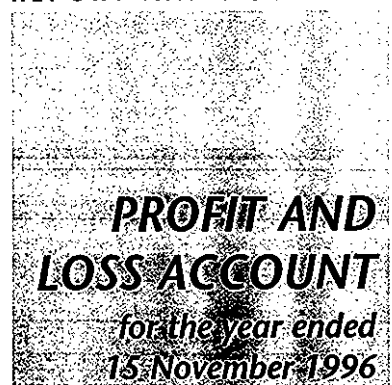
**Price Waterhouse**  
*Chartered Accountants and  
Registered Auditors*  
St Albans  
26 February 1997

Prime Health Limited

REPORT AND ACCOUNTS

**REPORT OF  
THE AUDITORS**  
*to the members of  
Prime Health Limited*





## TECHNICAL ACCOUNT - GENERAL BUSINESS

	Notes	1996 £'000	1 Jan to 15 Nov 1995 £'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2	101,898	67,930
Outward reinsurance premiums		(21,579)	(17,865)
		<u>80,319</u>	<u>50,065</u>
Change in the provision for unearned premiums - gross amount		(12,006)	(7,765)
- reinsurers' share		464	(1,284)
		<u>68,777</u>	<u>41,016</u>
<b>Claims incurred, net of reinsurance</b>			
Claims paid - gross amount		63,879	41,206
- reinsurers' share		(16,689)	(14,334)
		<u>47,190</u>	<u>26,872</u>
Change in the provision for claims - gross amount		1,748	1,357
- reinsurers' share		295	(186)
		<u>2,043</u>	<u>1,171</u>
		<u>49,233</u>	<u>28,043</u>
Net operating expenses	3	<u>29,272</u>	<u>15,458</u>
<b>Balance on the technical account for general business</b>		<u>(9,728)</u>	<u>(2,485)</u>

*All of the amounts above are in respect of continuing operations.*

*The accounting policies and notes on pages 17 to 23 form an integral part of these accounts.*

Prime Health Limited  
REPORT AND ACCOUNTS

**PROFIT AND  
LOSS ACCOUNT**  
for the year ended  
15 November 1996

NON-TECHNICAL ACCOUNT

		1996	1 Jan to 15 Nov 1995
	Notes	£'000	£'000
Balance on the general business technical account		(9,728)	(2,485)
Investment income	4	1,871	1,771
Unrealised profit on investments	4	95	739
Other income		586	424
Other charges		(577)	(403)
(Loss)/profit on ordinary activities before tax		(7,753)	46
Tax on (loss)/profit on ordinary activities		-	-
(Loss)/profit for the year	12	(7,753)	46

All of the amounts above are in respect of continuing operations.

The Company has no recognised gains or losses other than the loss for the period.

The accounting policies and notes on pages 17 to 23 form an integral part of these accounts.

**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
for the year ended 15 November 1996**

		1996	1 Jan to 15 Nov 1995
	Notes	£'000	£'000
Reported (loss)/profit on ordinary activities before tax		(7,753)	46
Unrealised gains recognised in the year	4	(95)	(739)
Historical cost loss on ordinary activities before tax		(7,848)	(693)
Historical cost loss for the year after tax		(7,848)	(693)

Prime Health Limited  
REPORT AND ACCOUNTS

**BALANCE SHEET**

as at  
15 November 1996

	Notes	1996 £'000	1995 £'000
<b>ASSETS</b>			
Investments	9	25,609	10,537
Reinsurers' share of technical provisions			
Provision for unearned premiums		11,162	10,698
Claims outstanding		2,757	3,052
		13,919	13,750
Debtors			
Debtors arising out of direct insurance operations - policyholders		39,284	29,466
Other debtors		365	351
		39,649	29,817
Other assets			
Tangible assets	10	2,749	1,608
Cash at bank and in hand		11,042	18,143
		13,791	19,751
Prepayments and accrued income			
Accrued interest and rent		566	210
Deferred acquisition costs		8,675	7,844
Other prepayments and accrued income		596	780
		9,837	8,834
<b>TOTAL ASSETS</b>		<b>102,805</b>	<b>82,689</b>

**BALANCE SHEET***as at*  
**15 November 1996**

	Notes	1996 £'000	1995 £'000
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	11	40,000	25,000
Profit and loss account	12	(10,441)	(2,688)
		<hr/>	<hr/>
<b>Shareholder's funds - equity interests</b>		29,559	22,312
		<hr/>	<hr/>
<b>Technical provisions</b>			
Provision for unearned premiums		52,322	40,316
Claims outstanding	13	10,843	8,995
		<hr/>	<hr/>
		63,165	49,311
		<hr/>	<hr/>
<b>Provisions for other risks and charges</b>			
Provision for pensions and similar obligations		125	81
Policyholders Protection Board levy provision		654	453
		<hr/>	<hr/>
		779	534
		<hr/>	<hr/>
<b>Creditors</b>			
Creditors arising out of reinsurance operations		5,093	6,574
Other creditors including taxation and social security	14	2,967	3,242
		<hr/>	<hr/>
		8,060	9,816
		<hr/>	<hr/>
<b>Accruals and deferred income</b>		1,242	716
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		102,805	82,689
		<hr/>	<hr/>

*The accounting policies and notes on pages 17 to 23 form an integral part of these accounts.*  
*On behalf of the Board of Directors.*

A S Bell  
Chairman  
Guildford  
26 February 1997

Prime Health Limited  
REPORT AND ACCOUNTS

**CASH FLOW  
STATEMENT**  
for the year ended  
15 November 1996

	Notes	1996 £'000	1 Jan to 15 Nov 1995 £'000
<b>Operating activities</b>			
Net cash inflow from operating activities	16	(6,452)	(1,191)
<b>Returns on investments and servicing of finance</b>			
Interest received		1,538	1,949
<b>Investing activities</b>			
Purchase of tangible assets		(2,268)	(1,091)
Sale of tangible assets		81	64
		<u>(2,187)</u>	<u>(1,027)</u>
<b>Decrease in cash and cash equivalents</b>	16	<u>(7,101)</u>	<u>(269)</u>

*The accounting policies and notes on pages 17 to 23 form an integral part of these accounts.*



## NOTES TO THE ACCOUNTS

### 1. Accounting policies

#### (a) Basis of presentation

The accounts have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985, which cover the disclosures applicable to insurance companies, and in accordance with applicable accounting standards and with the Association of British Insurers' Guidance on Accounting for Insurance Business.

#### (b) Technical account

Premiums due on monthly paid policies, together with the related commission, are accounted for on an annual premium income basis.

Unearned premiums represent that proportion of premiums accounted for in periods up to the accounting date which is attributable to subsequent periods.

Commission is deferred on the same basis as unearned premiums and is dealt with in the revenue account within acquisition costs and in the balance sheet within deferred acquisition costs.

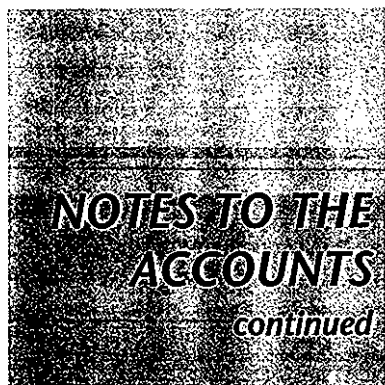
Costs, other than commission, attributable to the acquisition and processing of new and renewal business have been deferred on the same basis as commission.

The deferral of expenses is reviewed annually by the directors and any provision for recoverability is reviewed in the context of the unexpired risk provision. No unexpired risk provision was considered necessary in 1996.

Outstanding claims represent claims and associated handling expenses arising from incidents prior to the balance sheet date, but not settled at that date and include provision for the probable cost of claims incurred, but not reported by that date.

#### (c) Investment income and investments

Investment income consists of interest on deposits and fixed interest securities and is accounted for on an accruals basis. Realised gains and losses on investments are calculated as the difference between net sales proceeds and their original cost. Both realised and unrealised gains and losses are taken to the non-technical account. Listed investments are included in the balance sheet at mid-market value.



1. Accounting policies (continued)

(d) Pension costs

The Company operates a defined benefit scheme.

Pensions costs are included in administration expenses in such a way as to spread the cost of pensions over the employees' and directors' working lives with the Company (see note 15).

(e) Tangible assets

Tangible assets are stated at cost less depreciation calculated on a straight line basis at rates anticipated to write off the assets over their estimated useful lives. The depreciation rates used are:

Computer equipment	33.3%
Fixtures and fittings	20.0%
Motor vehicles	25.0%

2. Segmental analysis

There is only one business segment, that of accident and health general insurance. The business and net assets of the Company are located in the United Kingdom.

3. Net operating expenses

	1996	1 Jan to 15 Nov 1995
	£'000	£'000
Acquisition costs	20,909	13,559
Change in deferred acquisition costs	(831)	(3,919)
Administration expenses	12,615	8,532
Policyholders Protection Board levy	211	204
Reinsurance commission	(3,632)	(2,918)
	<hr/> 29,272	<hr/> 15,458

**NOTES TO THE  
ACCOUNTS***continued*

4. Investment return summary	1996	1 Jan to 15 Nov 1995
	£'000	£'000
Investment income:		
Income from other investments - listed	756	663
- deposits	1,115	1,108
	<hr/> 1,871	<hr/> 1,771
Unrealised profit on investments	95	739
	<hr/> 1,966	<hr/> 2,510
5. Staff costs	1996	1 Jan to 15 Nov 1995
	£'000	£'000
Wages and salaries	8,499	5,480
Social security costs	655	412
Other pension costs	861	631
	<hr/> 10,015	<hr/> 6,523
The average number of employees during the year was as follows:	1996	1 Jan to 15 Nov 1995
	No.	No.
Administration	256	193
Claims	32	54
Sales and marketing	144	122
	<hr/> 432	<hr/> 369

# NOTES TO THE ACCOUNTS

*continued*

## 6. Auditors' remuneration

The remuneration and expenses of the auditors for the audit of the accounts was £24,000 (1995: £24,000). Their remuneration in respect of other work was £6,000 (1995: £5,000).

## 7. Commissions

Total commissions accounted for by the Company during the year, excluding payments to employees, amounted to £7,892,000 (1995: £5,612,000).

## 8. Directors' emoluments

	1996	1 Jan to 15 Nov 1995
	£'000	£'000
Fees to non-executive directors	-	-
Other emoluments	492	227
Pension contributions	57	27
Compensation for loss of office	100	-
	<hr/> 649	<hr/> 254

	1996	1 Jan to 15 Nov 1995
	£'000	£'000
Individual emoluments (excluding pension contributions):		
The Chairman	-	-
The highest paid director	170	150

The number of directors who received emoluments (excluding pension contributions) in the following ranges were:

	Number	Number
Nil	3	4
£75,001 to £80,000	1	1
£80,001 to £85,000	1	-
£90,001 to £95,000	1	-
£145,001 to £150,000	-	1
£165,001 to £170,000	2	-

**NOTES TO THE  
ACCOUNTS***continued***9. Investments** **£'000**Fixed income securities, at cost, listed on  
UK stock exchangeBeginning of year 9,905Acquisitions 14,977End of year 24,882

Market value of listed investments is £25,609,000 (1995: £10,537,000).

<b>10. Tangible assets</b>	<b>Computer equipment £'000</b>	<b>Fixtures &amp; fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 16 November 1995	2,119	671	662	3,452
Additions	1,429	203	636	2,268
Disposals	(13)	(325)	(162)	(500)
At 15 November 1996	3,535	549	1,136	5,220
<b>Depreciation</b>				
At 16 November 1995	1,277	398	169	1,844
Charge for period	658	87	274	1,019
Disposals	(12)	(309)	(71)	(392)
At 15 November 1996	1,923	176	372	2,471
<b>Net book amount</b>				
At 15 November 1996	1,612	373	764	2,749
At 15 November 1995	842	273	493	1,608

**NOTES TO THE  
ACCOUNTS**  
*continued*

11. Share capital	1996 £'000	1995 £'000
Authorised, allotted, called up and fully paid 40,000,000 ordinary shares of £1 each (1995: 25,000,000)	40,000	25,000

15 million ordinary shares of £1 each were issued to The Standard Life Assurance Company at par during the year. The consideration for this was £15 million 7% government stock, including accrued interest of £23,000. At the same time the authorised share capital was increased from 25 million to 60 million ordinary shares of £1 each.

12. Profit and loss account	£'000
At 16 November 1995	(2,688)
Loss for the year	(7,753)
At 15 November 1996	(10,441)

13. Claims outstanding	1996 £'000	1995 £'000
Gross claims outstanding	10,443	8,695
Claims handling provision	400	300
	10,843	8,995

14. Creditors	1996 £'000	1995 £'000
Other creditors including taxation and social security:		
Amounts owed to parent undertaking	99	260
Trade creditors	859	1,538
Insurance Premium Tax	716	298
Commission payable	1,293	934
Other	-	212
	2,967	3,242

All creditors are payable within a period of five years.

**15. Pensions**

The parent undertaking operates a pension scheme for its employees and those of its subsidiaries providing benefits based on final pensionable pay. The contributions to the scheme are determined by qualified actuaries employed by the parent undertaking using the projected unit credit method.

The scheme is valued on a triennial basis with the most recent valuation at 15 November 1994. On that date, the market value of the assets held in a separate trustee administered fund was £320 million. For the purpose of the valuation it was assumed that the investment return would exceed the rate of increase in salaries by 1.5% per annum and the rate of increase in present and future pension by 4% per annum. The actuarial value of the scheme's assets represented 118.6% of the benefits which had accrued to members, after allowing for expected future increases in earnings and pensions. The actuary recommended future contributions be increased from 12.3% to 14.6% of total pensionable pay.

Pension costs of £861,000 (1995: £631,000) were charged in the accounts.

**16. Cash flow statement**

	1996	1 Jan to 15 Nov 1995
	£'000	£'000
i) Reconciliation of operating loss to net cash flow from operating activities		
Operating loss excluding interest	(9,719)	(2,464)
Depreciation charges	1,019	509
Loss/(profit) on sale of tangible assets	27	(19)
Increase in provisions	13,099	6,269
Increase in outstanding premiums	(9,818)	(5,833)
Decrease/(increase) in other debtors	170	(358)
(Decrease)/increase in creditors	(1,230)	705
	<u>(6,452)</u>	<u>(1,191)</u>

	1996	1 Jan to 15 Nov 1995
	£'000	£'000
ii) Analysis of balances of cash and cash equivalents as shown in balance sheet		
Cash at bank and in hand	(2,958)	(857)
Short-term deposits with credit institutions	14,000	19,000
	<u>11,042</u>	<u>18,143</u>

	1996	1995
	£'000	£'000
17. Reconciliation of movements in shareholder's funds		
Opening shareholder's funds	22,312	22,266
(Loss)/profit for the year	(7,753)	46
Shares issued during the year	15,000	-
Closing shareholder's funds	<u>29,559</u>	<u>22,312</u>

**18. Parent undertaking**

The Company is a wholly owned subsidiary of The Standard Life Assurance Company.

Copies of the accounts of the parent undertaking can be obtained at 30 Lothian Road, Edinburgh EH1 2DH

## NOTES TO THE ACCOUNTS

*continued*



# Prime Health

A member of the Standard Life Group

*Prime Health Limited is a wholly owned subsidiary of The Standard Life Assurance Company, which is the largest mutual life assurance company in Europe.*

## **Prime Health Limited**

*Registered Office:*

Wey House

Farnham Road

Guildford

Surrey GU1 4XS

*Telephone:* 01483 440550

*Fax:* 01483 440660

<http://www.primehealth.co.uk>

*Registered in England No:* 2123483

