

**PRIME HEALTH LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 15 NOVEMBER 1999**  
**(Registered Number: 2123483 England)**

PRIME ANAC COMPTON  
LIMITED DE WARE  
UNDER THE INSURANCE  
ACT 1982

AC 1619



## **Prime Health Limited**

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**Prime Health Limited**

**Directors and Officers**

**Chairman**

A.S. Bell, FFA FPMI DLitt

**Directors**

T.R. Bailey, BA ACA\*

S. Douglas, BSc FFA\*

M.A. Hall, DMS MBA\*

I.C. Lumsden, MA FFA

R.W. Watts\*

P. Wright, BA MCIM\*

**Secretary**

T.R. Bailey, BA ACA\*

**Registered Office**

Wey House

Farnham Road

Guildford

Surrey

GU1 4XS

**Auditors**

PricewaterhouseCoopers

10 Bricket Road

St Albans

Herts

AL1 3JX

\* *Executive Director*

## **Prime Health Limited**

### **Chairman's Statement**

In 1999 there was again very little growth in the overall size of the PMI market, and competition for business remained fierce. However, I am pleased to report that despite this we achieved a similar level of new business to that of 1998, and our in force premium income increased by nearly 10% over the year to some £142m at 15 November 1999. The total policyholder base stands at nearly 128,000 with total lives covered of 353,000.

The Company's underwriting result was again adversely affected by increasing claims costs, which has been a feature of the industry in recent times as more complex and expensive treatments are carried out in the private sector and customers claim more often for all types of treatment.

### **Staff**

I am very grateful to all our staff for enabling us to grow and develop our business and for their determination to continue to improve the quality of service we provide to our customers.

### **Board**

I would like to thank and congratulate Mike Hall and his fellow Executive Directors for their commitment and leadership over the year, and to welcome Philip Wright and thank him for his contribution since he joined the Board on 16 November 1999.

Peter Dalby resigned as a Non-Executive Director on 5 March 1999 and he leaves with our thanks for his service.

### **Future**

In April 2000 the Company will be changing its name from Prime Health to Standard Life Healthcare. This change recognises and embraces health insurance as an integral part of the Standard Life Group's product range and brand image. I confidently expect that our new name, our first class products and our commitment to excellent customer service will enable us to continue to compete successfully in the market.



**A.S. Bell**  
Chairman

## **Prime Health Limited**

### **Managing Director's Report**

#### **Prime Health**

1999 has continued the difficult trading trend for the private medical insurance (PMI) industry and, as a consequence, for Prime Health also. Industry growth overall continues to be static but despite this our intermediary sales channel recorded a continuing strong growth of 20%.

The value of our in-force premium income increased by nearly 10% over 1998 with a total policyholder base remaining at 128,000 and total lives covered increasing to 353,000.

*Quality continues to drive our customer focus and we have continued to make improvements in many of our service delivery areas. I am pleased to report that we continue to achieve our ISO9002 quality standard and we expect to deliver even higher standards over the course of the next year.*

The underlying strength of our business relies on the dedication and commitment of all our staff and I would like to thank them most sincerely for their loyalty and hard work throughout the year.

#### **PMI Market**

Whilst the overall market has continued the trend of minimal growth during the past 12 months, competition among PMI providers remains as fierce as ever. This has tended to keep premium levels somewhat more competitive than the increase in claims experience would suggest.

The long term prospects for PMI growth remain strong, although the short to medium term position will remain depressed. Consolidation will be important over this term with the active management of loss ratios and overall operating expenses being crucial to the improvement of profitability.

#### **Product Strategy**

We have maintained our customer focus in ensuring that our products are simple to understand, offering a range of benefit levels and value for money. Our service continues to achieve 95% satisfaction levels in our surveys of customers and we will seek to build on these significantly over the coming year.

We will be launching new products over the coming months which will complement our existing range whilst offering greater choice, innovation and diversity to customers.

The OFT report has been fully endorsed by the PMI industry and we have been at the forefront of ensuring that improvements in customer understanding, product transparency and competitor comparisons have been implemented.

Our attention to improving our sales compliance was rewarded with the highest grading being awarded by the Association of British Insurers.

A final measure of our commitment to providing our customers with excellent products was the award of the "best individual PMI provider" at the Health Insurance awards.

**Managing Director's Report (continued)**

**Development**

A result of our revised 5-year strategy has been the development during the year of a more focussed set of key performance indicators that will drive business improvement.

It is expected that our new claims system will commence implementation at the beginning of the second quarter of 2000.

Our "Year 2000" project arising from the potential difficulties with the "millennium bug" was fully implemented on time. Over three million lines of computer code were checked along with numerous other items of hardware and software.

Our spend on investing in the future of the business amounted to £7.9 million. We remain committed to ensuring that appropriate investment continues to be made in the future success of our business.

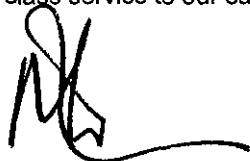
**Staff**

We have continued to invest significantly in our staff during the year.

Our Customer Service Excellence Programme is now entering its fourth module and a full management development programme has been successfully run throughout the business.

Our internal communications initiatives have now been fully implemented to ensure that our staff have every opportunity to actively participate in, and contribute to, the business. These include formal quarterly presentations, informal coffee mornings, team briefings and a revised suggestion system.

The importance of our staff is paramount in ensuring we fully achieve our aspirations for world class service to our customers, together with sustained profitability.

A handwritten signature in black ink, appearing to be 'M.A. Hall', with a long horizontal flourish extending to the right.

**M.A. Hall**  
**Managing Director**

## **Prime Health Limited**

### **Report by the Directors**

The directors present their Report and the Accounts for the year ended 15 November 1999.

#### ***Principal activity and business review***

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

In 1999 the Company continued to grow strongly. The amount of the Company's portfolio increased from £129.0 million to £141.6 million. The loss for the year was £22.2 million before tax, including special project expenses of £7.9 million. These include an investment of £5.7 million in new computer systems, and £0.8 million in respect of Year 2000 systems conversion.

The underwriting result was adversely affected by the special project expenses and by increasing claims costs. Claims costs rose as a result of both higher treatment costs and an increase in frequency of claims, and the directors are taking steps to reduce the ratio of claims to premiums in the longer term.

The directors intend to continue to invest in new computer systems during 2000, and in order to support this expenditure as well as the Company's growth plans its parent, The Standard Life Assurance Company, subscribed for an additional 27 million ordinary shares of £1 each at par during the year. The consideration for the shares was satisfied by the transfer to the Company of £27.0 million of cash.

#### **Results and transfers to reserves**

The results for the year are set out on pages 10 and 11.

#### **Directors**

The names of the current directors are listed on page 2.

Mr P Wright was appointed as a Director on 16 November 1999. Mr P J Dalby resigned on 5 March 1999.

The appointment of directors is not subject to retirement by rotation. None of the directors has a beneficial interest in the shares of the company, which is a wholly owned subsidiary of The Standard Life Assurance Company.

#### **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.

**Prime Health Limited**

**Report by the Directors (continued)**

**Employee Involvement**

It is the Company's policy to have effective communication and consultation with staff. Staff involvement is achieved through meetings, briefings and newsletters which help to ensure that staff are fully aware of the organisation's goals and results. 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. Minutes of these meetings are made available to staff.

**Year 2000 systems conversion**

The overall cost of Year 2000 systems conversion to the Company was £1.3 million of which £0.8 million was incurred in the current financial year (1998: £0.5 million). All such costs have been included in net operating expenses.

**Supplier payment policy**

It is the Company's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers, where goods and services have been supplied to specification, payment is made in accordance with the terms offered by the supplier.


**Charitable and political donations**

During the year the Company donated £500 for charitable purposes. No contributions were made for political purposes.

**Auditors**

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

On behalf of the Board of Directors.

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**T.R. Bailey**  
**Secretary**  
**8 March 2000**



## **Prime Health Limited**

### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare accounts for each financial year which comply with the Companies Act 1985 and give a true and fair view of the state of affairs of the Company and of the results of the Company for that period. In addition, the directors should take all reasonable steps to ensure that adequate accounting records are maintained, that the assets of the Company are safeguarded and that fraud and other irregularities are prevented or detected.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts of the Company for the year ended 15 November 1999. The directors also confirm that the accounts have been appropriately prepared on a going concern basis and that applicable accounting standards have been followed as described in the Accounting Policies.

**Prime Health Limited**

**Auditor's Report to the members of Prime Health Limited**

We have audited the financial statements on pages 10 to 20 which have been prepared in accordance with the accounting policies set out on pages 14 and 15.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 8, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

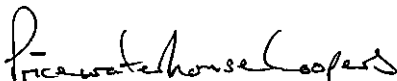
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 15 November 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
**St Albans**  
**8 March 2000**

**Prime Health Limited**

**Profit and Loss Account for the year ended 15 November 1999**

**Technical Account - General Business**

		<b>1999</b>	<b>1998</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	2	139,029	127,886
Outward reinsurance premiums		(16,380)	(23,145)
		<hr/>	<hr/>
		122,649	104,741
Change in the provision for unearned premiums - gross amount		(5,349)	(6,144)
- reinsurers' share		(5,672)	403
		<hr/>	<hr/>
		111,628	99,000
		<hr/>	<hr/>
<b>Claims incurred, net of reinsurance</b>			
Claims paid - gross amount		99,470	93,630
- reinsurers' share		(19,100)	(19,227)
		<hr/>	<hr/>
		80,370	74,403
		<hr/>	<hr/>
Change in the provision for claims - gross amount		17,323	9,917
- reinsurers' share		(1,888)	(1,804)
		<hr/>	<hr/>
		15,435	8,113
		<hr/>	<hr/>
		95,805	82,516
		<hr/>	<hr/>
Change in other technical provision		800	-
Net operating expenses	3	39,765	34,913
		<hr/>	<hr/>
<b>Balance on the technical account for general business</b>		<b>(24,742)</b>	<b>(18,429)</b>
		<hr/>	<hr/>

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

**Prime Health Limited**

**Profit and Loss Account for the year ended 15 November 1999**

**Non-Technical Account**

		<b>1999</b>	<b>1998</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Balance on the general business technical account		(24,742)	(18,429)
Investment income	4	4,293	4,043
Unrealised (loss) / profit on investments	4	(1,694)	2,718
Other (expenses) / income		(59)	89
<b>Loss on ordinary activities before tax</b>		<b>(22,202)</b>	<b>(11,579)</b>
Tax on loss on ordinary activities	5	773	984
<b>Loss for the year</b>		<b>(21,429)</b>	<b>(10,595)</b>

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 year.

**Prime Health Limited**

**Balance Sheet as at 15 November 1999**

		<b>1999</b>	<b>1998</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
<b>ASSETS</b>			
Investments	9	46,329	48,023
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums		5,852	11,524
Claims outstanding		7,609	5,721
		13,461	17,245
<b>Debtors</b>			
Debtors arising out of direct insurance operations			
- policyholders		49,590	44,494
Other debtors	10	1,882	1,930
		51,472	46,424
<b>Other assets</b>			
Tangible assets	11	5,617	3,799
Cash at bank and in hand		36,167	13,720
		41,784	17,519
<b>Prepayments and accrued income</b>			
Accrued interest and rent		788	776
Deferred acquisition costs		9,362	8,055
Other prepayments and accrued income		641	672
		10,791	9,503
<b>TOTAL ASSETS</b>		<b>163,837</b>	<b>138,714</b>

Prime Health Limited

Balance Sheet as at 15 November 1999

		1999	1998
	Notes	£'000	£'000
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	12	92,000	65,000
Profit and loss account	13	(49,891)	(28,462)
<b>Shareholder's funds - equity interests</b>		<u>42,109</u>	<u>36,538</u>
<b>Technical provisions</b>			
Provision for unearned premiums		69,281	63,932
Claims outstanding	14	44,192	26,519
Other provisions - unexpired risks		800	-
		<u>114,273</u>	<u>90,451</u>
<b>Provisions for other risks and charges</b>			
Policyholders Protection Board levy provision	15	<u>304</u>	<u>703</u>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		183	5,106
Other creditors including taxation and social security	17	<u>4,107</u>	<u>4,000</u>
		<u>4,290</u>	<u>9,106</u>
<b>Accruals and deferred income</b>		<u>2,861</u>	<u>1,916</u>
<b>TOTAL LIABILITIES</b>		<u><u>163,837</u></u>	<u><u>138,714</u></u>

On behalf of the Board of Directors.



A.S. Bell  
Chairman  
8 March 2000

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' Statement of Recommended Practice on Accounting for Insurance Business issued in December 1998.

(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.

Claims incurred comprise claims paid in the year and changes in the provision for outstanding claims, including provision for claims incurred but not reported together with any other adjustments to claims from previous years. Where applicable, deductions are made for reinsurance and other recoveries.

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.

A provision has been created for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses. The expected claims are calculated having regard to forecast claims incidence and cost.

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.

(d) Pension costs

The Company is a member of the parent undertaking's defined benefit scheme.

Pensions costs are included in administration expenses in such a way as to spread the costs of pensions over the employees' and directors' working lives with the Company (see note 16)

**Prime Health Limited**

**Notes to the Accounts (continued)**

**1 Accounting policies (continued)**

**(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	between 10% and 20%
Motor vehicles	25.0%

**(f) Operating leases**

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

**(g) Deferred Tax**

Deferred tax is provided using the liability method on all material timing differences where it is probable that a liability or asset will crystallise in the foreseeable future.

**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**

	1999 £'000	1998 £'000
Charge / (credit) in the year:		
Acquisition costs	16,447	16,286
Change in deferred acquisition costs	(1,307)	(547)
Administration expenses	27,800	23,181
Policyholders Protection Board levy	(399)	(124)
Reinsurance commission	(2,776)	(3,883)
	<u>39,765</u>	<u>34,913</u>

Administration expenses for 1999 include £5.7 million (1998: £5.8 million) in respect of new computer systems and £0.8 million (1998: £0.5 million) on Year 2000 systems conversion. The prior year figure includes a release of £0.7 million in respect of redundancy and office closure costs.

	1999 £'000	1998 £'000
The loss is stated after charging:		
Depreciation	2,180	1,787
Other operating leases	1,854	1,302

The remuneration and expenses of the auditors for the audit of the accounts was £34,000 (1998: £33,250). Their remuneration in respect of other work was £4,000 (1998: £7,050). The prior year has been restated to include VAT at 17.5%, which the Company is unable to recover.



Prime Health Limited

Notes to the Accounts (continued)

4 Investment return summary

	1999 £'000	1998 £'000
Investment income:		
Income from other investments - listed	3,232	2,817
- deposits	1,061	1,226
	<u>4,293</u>	<u>4,043</u>
Unrealised (loss) / profit on investments	<u>(1,694)</u>	<u>2,718</u>
Total investment return	<u>2,599</u>	<u>6,761</u>

5 Tax on loss on ordinary activities

	1999 £'000	1998 £'000
Group tax relief	852	984
Group tax relief - previous year adjustment	<u>(79)</u>	<u>-</u>
	<u>773</u>	<u>984</u>

A potential deferred tax asset of £11.7 million (1998: £6.0 million), arising from Corporation Tax losses, has not been recognised.

6 Staff costs

	1999 £'000	1998 £'000
Wages and salaries	11,600	10,082
Social security costs	926	853
Other pension costs	<u>1,542</u>	<u>1,305</u>
	<u>14,068</u>	<u>12,240</u>

The average number of employees during the year was as follows:

	1999 No.	1998 No.
Administration	340	303
Claims	69	55
Sales and marketing	<u>128</u>	<u>125</u>
	<u>537</u>	<u>483</u>

**Prime Health Limited**

**Notes to the Accounts (continued)**

**7 Commissions**

*Total commissions accounted for by the Company during the year, excluding payments to employees, amounted to £8,637,000 (1998: £8,696,000).*

**8 Directors' emoluments**

	1999 £'000	1998 £'000
Fees to non-executive directors	3	1
Other emoluments	461	544
Compensation for loss of office	-	114
	<u>464</u>	<u>659</u>

Retirement benefits are accruing to four directors under a defined benefit scheme operated by the parent undertaking. Contributions in respect of non-executive directors of the company are met by the parent undertaking.

The emoluments of the highest paid director (excluding pension contributions) were £195,000 (1998: £175,000)

The accrued pension at the end of the year for the highest paid director was £8,725 (1998: £3,800)

**9 Investments**

	1999 £'000	1998 £'000
<i>Debt securities and other fixed income securities, all listed on the UK Stock Exchange</i>		
Market value	<u>46,329</u>	<u>48,023</u>
Cost	<u>44,328</u>	<u>44,328</u>

**10 Other debtors**

	1999 £'000	1998 £'000
Amount due from parent undertaking	804	984
Other debtors	<u>1,078</u>	<u>946</u>
	<u>1,882</u>	<u>1,930</u>

Prime Health Limited

Notes to the Accounts (continued)

11 Tangible assets

Cost	Computer equipment £'000	Fixtures & fittings £'000	Motor vehicles £'000	Total £'000
At 16 November 1998	5,715	530	706	6,951
Additions	3,614	334	197	4,145
Disposals	(1,541)	0	(190)	(1,731)
At 15 November 1999	7,788	864	713	9,365
Depreciation				
At 16 November 1998	2,757	202	193	3,152
Charge for year	1,898	125	157	2,180
Disposals	(1,461)	0	(123)	(1,584)
At 15 November 1999	3,194	327	227	3,748
Net book amount				
At 15 November 1999	4,594	537	486	5,617
At 15 November 1998	2,958	328	513	3,799

12 Share capital

	1999 £'000	1998 £'000
Authorised	100,000	65,000
Allotted, called up and fully paid		
92,000,000 ordinary shares of £1 each (1998: 65,000,000)	92,000	65,000

27 million ordinary shares of £1 each were issued to The Standard Life Assurance Company at par during the year. The consideration for this was £27.0 million cash.

13 Profit and loss account

	£'000
At 16 November 1998	(28,462)
Loss for the year	(21,429)
At 15 November 1999	(49,891)

Prime Health Limited

Notes to the Accounts (continued)

14 Claims outstanding

	1999 £'000	1998 £'000
Gross claims outstanding	43,192	25,869
Claims handling provision	1,000	650
	<u>44,192</u>	<u>26,519</u>

15 Provisions for liabilities and charges

	PPB Levy £'000	Total £'000
Beginning of year	703	703
Credit for year	(399)	(399)
Utilised during year	-	-
End of year	<u>304</u>	<u>304</u>

16 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 1997. On that date, the market value of the assets held in a separate trustee administered fund was £497.0m. 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 would exceed the rate of increase in present and future pensions by 4% per annum.

The actuarial value of the scheme's assets represented 104.9% 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 14.6% to 16.4% of total pensionable pay.

Pension costs of £1,542,000 (1998: £1,305,000) were charged in the accounts.

17 Other creditors including taxation and social security

	1999 £'000	1998 £'000
Amounts owed to fellow subsidiary	17	-
Trade creditors	1,110	1,413
Insurance premium tax	1,837	1,350
Other creditors	<u>1,143</u>	<u>1,237</u>
	<u>4,107</u>	<u>4,000</u>

All creditors are payable within a period of one year.

Notes to the Accounts (continued)

**18 Obligations under operating leases**

At 15 November 1999 the Company had annual commitments under operating leases as set out below:

	Land and buildings £'000	Other £'000
Operating leases which expire:		
Within one year	-	15
In the second to fifth years inclusive	83	586
Over five years	1,251	-
	<u>1,334</u>	<u>601</u>

**19 Reconciliation of movements in shareholder's funds**

	1999 £'000	1998 £'000
Opening shareholder's funds	36,538	32,133
Loss for the year	(21,429)	(10,595)
Shares issued during the year	27,000	15,000
Closing shareholder's funds	<u>42,109</u>	<u>36,538</u>

**20 Cashflow Statement**

A Cashflow Statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) "Cashflow Statements" as consolidated accounts in which the Company is included are available.

**21 Related party transactions**

The Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other undertakings of the Standard Life Group.

**22 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.