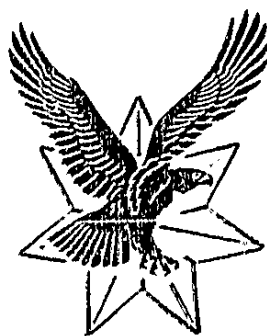


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# Eagle Star

## 1982

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**Eagle Star Holdings PLC • Report & Accounts 1982**



# BOARD OF DIRECTORS

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**Chairman and Managing Director**  
Sir Denis Mountain Bt

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**Deputy Chairmen**  
David R. Colville  
J. P. C. Danny  
David C. G. Jessel  
Duncan Mackinnon

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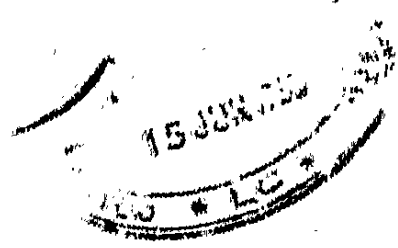
The Earl Cadogan MC, DL  
Sir Robert Clark BSC, DSc  
John Clement  
Russell W. Evans MC, LLB  
Sir Robert Hunt CBE, DL, DSc, CEng, Hon FRCS, FCASI  
The Marquess of Linlithgow MC  
Sir Michael Palliser GCMG  
A. R. N. Ratcliff FIA  
John F. Robinson CBE, TD, DL  
Evelyn de Rothschild  
G. R. Seymour  
Sir Iain Stewart LLB, DSc

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**Secretary**  
R. W. Durant FCS

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**Registrar**  
Lloyds Bank Plc  
Registrar's Department, Coning-by-Sea, Worthing, West Sussex  
**Auditors**  
Price Waterhouse  
Southwark Towers, 32 London Bridge Street, London SE1  
**Solicitors**  
Simmons & Simmons  
14 Dominion Street, London EC2



# NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Eagle Star Holdings PLC will be held at 22 Arlington Street, London SW1 on Friday 6th May 1983 at 12 noon for the following purposes:

To receive and consider the company's accounts for the year ended 31st December 1982 and the reports of the directors and auditors thereon

To declare a dividend

To re-appoint Price Waterhouse, chartered accountants, as auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company and to authorise the directors to fix their remuneration

To elect directors in the place of those retiring

*A member who is entitled to attend and vote at the meeting may appoint one or more proxies (whether a member or not) to attend and, on a poll, to vote on his behalf. A form of proxy is enclosed and this must be lodged at the office of the company's registrar not less than 48 hours before the time appointed for the meeting.*

By order of the Board  
R. W. Durant  
Secretary

Registered Office:  
1 Threadneedle Street  
London EC2

8th April 1983

## Information available for inspection

Copies of service contracts of directors with the company or with any of its subsidiaries (unless expiring or determinable within one year, without payment of compensation) will be available for inspection at the registered office of the company during the usual business hours from the date of this notice until the date of the annual general meeting and at 22 Arlington Street, London SW1 on 6th May 1983 from 11.45 a.m. until the conclusion of the annual general meeting.

## Dividend Information

The final dividend for 1982 will be payable on 15th July 1983 to shareholders on the register at the close of business on 17th June 1983.

## Finance Act 1985

For the purposes of capital gains tax, the deemed market value of the company's shares on 6th April 1985 (adjusted for relevant capitalisation issues and for rights issues) was 77p (for ex-Groewood ordinary shareholders 31.278p).

## Income and Corporation Taxes Act 1970

The close company provisions of the above Act do not apply to the company and there has been no change in this respect since the end of the financial year.

# CHAIRMAN'S STATEMENT



## Results and dividends

The surplus for the year before tax and minority interests was £68.0m (1981: £73.8m). Investment income was £100.3m (1981: £88.3m) and £17.2m (1981: £14.3m) was transferred from the long term funds after grossing-up for income tax and corporation tax. General insurance underwriting resulted in a loss of £63.7m (1981: £42.7m).

The profits of Grovewood Securities were once again at a record level amounting to £17.0m (1981: £15.8m) and after tax an 1 minority interests £9.2m (1981: £7.5m) was taken into group surplus.

General business premium income amounted to £521.7m (1981: £477.3m), the increase arising entirely in respect of overseas and international business.

Your Directors are proposing the appropriation of £2.2m at a cost of £1.1m after tax to be used in paying up shares to be distributed to employees under the staff profit sharing scheme. Under the scheme 693,462 shares were issued to eligible employees in 1982. Shareholders will be asked to approve an amendment to the scheme at an extraordinary general meeting to be held immediately after the annual general meeting.

A final dividend of 10p per share is being recommended by your Directors which with the interim dividend of 7p per share amounts to a total dividend for the year of 17p per share (1981: 15p). Although there is a small reduction in the surplus for the year I am satisfied that we can increase the dividend, particularly in view of the strength of our free reserves. The total cost of these dividends is £23.4m.

The balance for the year after taxation, minority interests, dividends and the provision for the share distribution to employees was £111.0m (1981: £16.7m).

## General comments

Against the background of a worldwide recession and with the rate cutting that has taken place the world over 1982 has, as I predicted last year, been most difficult. We decided that we were prepared to lose market share rather than underwrite risks at premiums we consider to be totally inadequate for the risks insured against. As a result our premium growth is small. However, I do believe that when soundness in underwriting returns we will benefit more quickly than those who have been underwriting for premium income.

In the light of the situation in the market it is not surprising that pre-tax profits are 8 per cent below those of the record year 1981 but they are still the second highest in the history of the group.

The exceptional claim payments following the bad winter weather at the start of the year and the reduced level of premium income throughout the year have had an inevitable impact on our cash flow in the shareholders' funds. The reduction in new money available for investment together with falling interest rates has resulted in a lower rate of growth in investment income.

## Investments

Investment income increased by 13.6 per cent to £100.3m. The underlying increase was 12 per cent before currency movements. Including the profits of Grovewood Securities and associated companies total investment earnings amounted to £117.3m (1981: £104.2m).

Special attention was given to increasing the overseas content of our investment portfolios. Additions to British Government securities were financed to a considerable extent by maturities of other fixed interest securities. Overseas the following companies became subsidiaries: Mollers' Insurance Agents (Hong Kong) Limited, L'Indépendance SA in France and Caribbean Star Assurance Company, now known as Eagle Star Insurance Company of Puerto Rico.

During 1982 the long term funds continued to invest in first class properties in the United Kingdom and also acquired property in the USA, including 30 Wall Street in New York and property in Washington for development in the near future. Several developments are continuing in the Greater London area. The shareholders' funds have also purchased the part of the freehold which we did not own of our head office building at 1 Threadneedle Street.

Eagle Star Properties has continued to develop and improve its properties and has acted as property manager for the group on new developments and other portfolio properties. Ashdale Land and Property Company Limited has again been active, mainly in house building, and has made a further contribution to group profit. The annual valuations of the property portfolios of both shareholders' and long term funds showed a small increase over those of the preceding year which is satisfactory.

The free reserves of the group, including £377m (1981: £226m) in respect of gross capital appreciation on investments but excluding the value of the shareholders' equity in the life funds, amounted to 130 per cent of the general insurance business premium income compared with 87 per cent at the end of 1981. The increase is almost wholly due to the substantial unrealised appreciation in market values of investments during 1982.

Any international insurance group carrying a multiplicity of risks and exposed to currency and stock market fluctuations must have available a substantial margin of free reserves over and above its claims provisions which, in our case, amount to over £500m, to cover exceptional claims experience. In the nature of our business risks emerge from time to time which could not reasonably have been foreseen; an old adage is just one example from the past, at the present time we are having to deal with industrial diseases and tomorrow it may be something quite different. Eagle Star specialises in liability business both at home and overseas and the very long term nature of the exposure predicates that we hold a considerably greater margin than some of our competitors. I am satisfied that we should continue to hold free reserves on this scale.

Last year I said that our net asset value was substantially in excess of 450p per share and since then there has been a significant increase in the value of our investments in both shareholders' and long term funds.

Capital appreciation on the life funds amounted to £519m (1981: £273m).

## General insurance

The overall underwriting result is analysed by territories in the table on page 6 which includes an estimate of that part of investment income which arises from the insurance funds.

## United Kingdom

Premium income continues to be depressed with excessive competition particularly for industrial and commercial business and amounted to £247.6m, a reduction of 2.7 per cent. There was an underwriting loss of £38.3m (1981: £26.2m) but after taking investment income in the funds into account there was a surplus of £10.4m (1981: £18.9m). It is estimated that the severe weather of the 1981/1982 winter cost us £26m, £15m of which was included in the 1981 accounts and the balance of £11m in 1982.

	Amounts in £m			1982 Total	1981 Total
	Premium income	Under- writing result	Investment income less expenses		
United Kingdom and the Republic of Ireland*	372.1	(47.9)**	60.6	12.7	28.6
Australia	31.1	(4.6)	3.0	(1.6)	(5.6)
Belgium	26.5	(4.0)	3.7	(0.3)	0.7
South Africa	61.0	0.2	3.7	3.9	0.7
USA	15.3	(2.5)	1.1	(1.4)	0.2
Other territories	15.7	(5.4)	2.1	(3.3)	0.1
Change in provision for unexpired risks (overseas business)		0.5		0.5	(1.2)
	<u>521.7</u>	<u>(63.7)</u>	<u>74.2</u>	<u>10.5</u>	<u>23.5</u>
Attributable to shareholders' funds			<u>40.3</u>	<u>40.3</u>	<u>36.0</u>
		<u>(63.7)</u>	<u>114.5</u>	<u>50.8</u>	<u>59.5</u>

\*including reinsurance and worldwide marine and aviation.  
\*\*after transfer from catastrophe reserve.

We continue to provide for all claims on a prudent basis but there are times when the factors affecting the level of provisions, inflation in particular, prove to be more favourable than anticipated. This was so in respect of motor claims from earlier years settled in 1982 and the surplus on these settlements has helped to reduce the underwriting loss we are currently experiencing in the motor account to £1.9m (1981: £6.5m). The market for motor business remains highly competitive and with claims frequency increasing in 1982 the prospects for current trading are not encouraging.

In the liability account the factors which gave rise to the favourable settlement pattern in motor have been counteracted by increasing trends in respect of the rising potential cost of both claims reported but not yet settled and those not yet reported (ENRs) but for which we have to make provision. Overall there was a loss of £13.0m (1981: £9.6m) after allowing for the strengthening of provisions for industrial disease claims as foreshadowed in the interim statement.

The industrial fire account made a loss of £6.0m (1981: £2.1m). Apart from claims arising from the bad weather at the beginning of the year there has been an increase in the number and cost of large fire claims.

Premium income in the "all-in" account, benefiting from index-linking, showed an increase of 10 per cent. The severe weather at the beginning of the year and the continuing heavy cost of theft claims have been the main contributors to the increased loss of £12.2m (1981: £5.9m).

There was an increased loss of £2.4m (1981: £0.4m) in the engineering account mainly arising from inspection work. Whilst we continue to maintain a field force of highly trained surveyors well equipped to provide the service industry requires the number of units of plant for inspection throughout the United Kingdom has reduced and it is not possible to obtain adequate inspection fees for the available business.

#### Republic of Ireland

In the Republic of Ireland where conditions are as difficult as in the United Kingdom there was an underwriting loss of £3.0m and a return to sensible underwriting is a prerequisite of a return to profitability.

#### Overseas

Premium income increased by 33 per cent with an underlying increase of 27 per cent after adjusting for exchange rate fluctuations. There was an overall loss, after attributable investment income of £2.2m (1981: £5.1m).

In Australia there were signs of improvement. Controlled premium growth has been achieved for the first time in recent years. This has been assisted by hardening of market attitudes which is long overdue and it is hoped that the improving trend will continue.

1982 saw a welcome turn round in our South African underwriting results and this is a most encouraging development. The improvement mainly arose in the private motor and the simple risks accounts where we are in a position to take positive independent action. There is no sign yet of a real upturn in the industrial fire market.

In the USA there was a substantial increase in premium income following our decision to expand our branch network into areas away from metropolitan New York. Our increased underwriting loss reflects the deterioration which has affected the US market.

In Europe, results in Belgium were adversely affected by the extreme weather conditions in the early part of the year. In France the results of L'Indépendance in which we acquired a controlling interest early in 1982 have turned out to be worse than anticipated but we are hopeful that the measures being undertaken will lead to the elimination of those sections of the business causing substantial losses and thus bring about an improvement.

Elsewhere, another hurricane-free year in Jamaica has resulted in an underwriting profit. In the Far East our subsidiary based in Hong Kong continues to expand and to consolidate its position in the market.

# CHAIRMAN'S STATEMENT

## London International Market

Premium income earned on reinsurance and foreign risks underwritten in London increased by 22 per cent, partly resulting from movements in exchange rates. There was an underwriting loss of £5.7m (1981: £0.5m) reflecting worldwide levels of competition. There are signs of a hardening in attitude of reinsurers worldwide which is long overdue. Since the end of the year we have been notified of an exceptional amount of industrial disease claims under reinsurance contracts relating to 1965 and prior years. The balance of the catastrophe reserve, which is no longer required for the purpose for which it was set up, has been transferred to the reinsurance fund to strengthen the provisions for these outstanding claims.

The 1979 marine and aviation account was closed at the end of the year and resulted in a loss which has already been provided for out of provisions for earlier years no longer required. The later underwriting accounts are developing unfavourably and we have strengthened the marine and aviation fund by a transfer of £1m from profit and loss account. The fund at the end of the year amounted to 133 per cent of premium income which should prove adequate.

## Life assurance

Worldwide new business produced new annual premiums of £42.3m (1981: £39.7m) and single premiums and considerations for immediate annuities amounted to £159.7m (1981: £120.0m). The new sums assured by these premiums amounted to £2,784m (1981: £3,335m).

In the United Kingdom there was a slight reduction in new annual premiums, but single premiums and considerations for annuities increased by over 50 per cent. Good new business growth was achieved on individual life policies; in particular there was a substantial increase in low cost endowment assurance associated with mortgages. Group life and pension business, on the other hand, had another disappointing year reflecting the economic recession. Results on individual pension benefits were more encouraging, and the single premiums received on the sale of bonds and annuities were at a record level.

The annual valuation has again enabled us to increase bonuses to policyholders. Profits transferred to the shareholders' account were £9.4m (1981: £8.1m) net of tax, with a grossed-up value of £16.8m (1981: £14.4m).

At the end of 1982 the Life Offices Association's Commission Agreement was terminated and each member office is now free to pay commission at whatever levels it considers appropriate which will inevitably lead to increased costs. We believe there should be an orderly market and it is our philosophy properly to reward those intermediaries who support us with good quality business. We therefore regret moves in the market to increase commission for intermediaries irrespective of the quantity and quality of business produced.

Overseas, 1982 saw the launch of life business in France and Hong Kong as well as the creation of Eagle Star (International Life) Limited in the Isle of Man to develop and direct life insurance internationally through a range of multi-currency contracts.

New business continues to be buoyant in Australia, the Republic of Ireland and the other territories in which we operate.

Transfers were made from the Australian life fund of £0.5m (1981: £0.1m) and the Belgium life fund of £0.3m (1981: £0.3m). A transfer to the Republic of Ireland Shield life fund of £0.4m (1981: £0.4m) was necessary to finance the continuing rapid growth of this fund.

## Groveswood Securities Limited

Groveswood Securities under the chairmanship of Mr John Danny has for the fifteenth consecutive year shown an increased profit at a new record of £17.0m (1981: £15.8m). This was achieved in spite of continuing economic difficulties and demonstrates the underlying strength of the constituent companies of the Groveswood group. Towards the end of the year Gresham Investment Trust PLC was acquired providing a further diversification of the activities of the group.

## Future outlook

The present level of excessive competition worldwide for all classes of insurance business shows only small signs of easing. In the UK the reorganisation of our branch structure has now been completed and the benefits will be showing through in 1983. We are continuing to monitor all management expenses with a view to minimising their impact on the depressed premium levels. Investment income and the life transfers will however continue to provide a solid base against the depressed general insurance results. The outlook for Groveswood for the current year remains favourable and further growth can be expected.

## Allianz Versicherungs AG (Allianz)

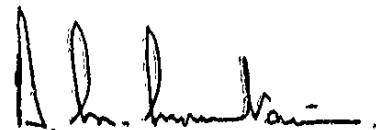
During the year friendly discussions have taken place in a permanent committee consisting of myself and other executives with our opposite numbers in Allianz with a view to exploring mutually advantageous working arrangements. These discussions are continuing and Allianz has confirmed that it is not its present intention to increase its shareholding in the company.

## Directors, management and staff

Sir Alexander Ross retired after 20 years on the Board and now lives in Australia. His great contribution to the affairs of the group will be much missed.

Sir Michael Palliser became a Director in January 1983 and his wide experience will be invaluable to your Board.

I would like to conclude by thanking the Directors, management and staff for their help and assistance during the difficult year of 1982.



Chairman and Managing Director

23rd March 1983

# REPORT OF THE DIRECTORS

The Directors of Eagle Star Holdings PLC submit their annual report, together with the consolidated accounts of the company and its subsidiaries for the year 1982.

## Principal activities

The principal activity of the company is that of an investment holding company. Its principal subsidiaries, both wholly owned, are Eagle Star Insurance Company Limited and Grovewood Securities Limited. Eagle Star Insurance and that company's insurance subsidiaries carry on all classes of insurance business, excluding industrial life assurance, in the United Kingdom and overseas, and complementary to these activities the group invests in stocks, shares, properties and loans. Grovewood Securities is also an investment holding company whose principal activities are in the manufacturing, distribution, financial and service industries (see pages 25 and 26).

## Consolidated profit and loss account

The surplus for the year before taxation and minority interests but after transfer from catastrophe reserve was £68.0m (1981: £73.8m). After deducting taxation, minority interests, dividends, provision for staff profit sharing scheme and catastrophe reserve transfers, the retained surplus was £11.0m (1981: £14.7m).

## Dividends

An interim dividend for 1982 of 7p per share was paid on 14th January 1983

Shareholders will be asked to declare a final dividend of 10p per share payable on 15th July 1983 which with the interim dividend will give a total dividend for the year of 17p per share (1981: 15p). Eligible shareholders will be entitled to a tax credit of 7.29p (1981: 6.43p) in respect of the total dividend which is equivalent to a gross distribution of 24.29p per share (1981: 21.43p).

## Staff profit sharing scheme

At an extraordinary general meeting held on 7th May 1982 shareholders approved the proposal that the qualifying period of service for eligibility to receive shares under the scheme should be reduced from 5 to 3 years.

On 28th May 1982 Eagle Star Insurance transferred to the trustees of the scheme an amount of £2.5m which was utilised in subscribing for 693,462 new ordinary shares of 25p each in the company at a subscription price of 350.8p per share.

It is proposed to make an allocation in 1983 of £2.2m which has been provided for in these accounts.

A proposal giving the Directors a discretionary power to increase the maximum value of shares which may be appropriated under the scheme to any participant in any one year from the present limit of £1,000 to a maximum of £5,000 is being submitted for shareholders' approval at an extraordinary general meeting to be held immediately after the annual general meeting. It is not proposed to exercise this power this year. An explanatory circular together with a notice convening the extraordinary general meeting are enclosed with these accounts.

## L'Indépendance SA

On 4th January 1982 Eagle Star Insurance subscribed for 50,000 shares at par value FF300 per share in L'Indépendance SA, its associate in France, for a consideration of FF15m which increased its holding to 62,200 shares representing 70 per cent of the issued share capital.

## Puerto Rico

In October 1982, Eagle Star Insurance purchased further shares in Caribbean Star Assurance, its associate in Puerto Rico, for a consideration of US\$696,311 which increased its holding to 80 per cent of the issued share capital. Caribbean Star Assurance has since changed its name to Eagle Star Insurance Company of Puerto Rico.

**Mollers' Insurance Agents (Hong Kong) Limited (Mollers)**  
On 22nd September 1982 the company acquired the whole of the issued share capital of Mollers, an insurance broking and agency house, for a consideration of HK\$52,800,000.

## Gresham Investment Trust PLC (Gresham)

On 8th November 1982 Grovewood Securities made an offer on behalf of a newly formed 92.5 per cent owned subsidiary Roostree Securities Limited of 123p for each existing ordinary share in Gresham. The offer was made unconditional on 2nd December 1982 and Gresham is now a wholly owned subsidiary of Roostree. The total cost of the acquisition amounted to £20.6m.

## Long term business

Worldwide in 1982 in the life departments of the group new annual premiums and single premiums totalled £42.3m and £81.5m respectively. Immediate annuities of £10m were granted in return for consideration money of £78.2m. Net new amounts assured were £2,784m and included in this figure is £318m representing the capitalised value of deferred annuities.

An annual valuation of the long term funds of Eagle Star Insurance was made as at 31st December 1982. In accordance with the actuary's report dated 18th March 1983, the sum of £9.4m from the long term funds has been transferred to shareholders' funds. In addition the sum of £0.3m was transferred from the long term fund of Groupe Eagle Star - CB 1821, £0.5m from that of Australian Eagle Insurance Co Ltd and £0.4m to the long term fund of Shield Life Insurance Co Ltd.

Reversionary bonuses have been allocated to holders of United Kingdom with profit life and pension policies in respect of the year ended 31st December 1982. For ordinary with profit policies this bonus was at the rate of £5 per cent per annum of the basic sum assured and £6 per cent per annum of the existing reversionary bonuses. A terminal bonus for policies maturing or becoming claims by death in 1983 will also be paid at the increased rate of 40 per cent of the reversionary and interim bonuses attaching. An additional terminal bonus will also be paid on policies that have been in force as a participating policy for more than 25 years at the rate of 1 per cent of reversionary and interim bonus for each year in force in excess of 25 subject to a maximum of 20 per cent for policies of duration 45 years or more. For with profit deferred annuity group pension schemes and discretionary schemes the bonus was at the rate of £7 per cent per annum compound calculated on the paid up pension. For Eagle Star Personal Pension Plan and Executive Pension Plan contracts bonuses were declared at the rate of £5.50 per cent per annum of the basic benefit and £6.50 per cent per annum of the existing reversionary bonuses, and until further notice the terminal bonus for retirements arising in 1983 is at the increased rate of 30 per cent of the reversionary and interim bonuses attaching.

Details of other bonuses are contained in the actuary's report and will be furnished in due course in the returns to the Department of Trade.

## General business

A summary of income and outgo of the group in 1982 is as follows:

	Premiums	Claims	Commission and expenses	Technical reserves at year end*
	£m	£m	£m	£m
Fire, accident and motor	491.0	351.9	199.2	731.3
Marine, aviation and transport	135.4	27.4	45.8	40.6
	626.4	379.3	245.0	771.9

\* Technical reserves are provisions for unearned premiums, unexpired risks, and outstanding claims.

† After deduction of brokerage.

‡ Expenses only.

# REPORT OF THE DIRECTORS

## Directors

The names of the present Directors appear on page 3. All have held office since 1st January 1982 except Mr Russell W. Evans and Sir Michael Palliser who were appointed to the Board on 24th March 1982 and 1st January 1983 respectively. Sir Michael Palliser retires at the forthcoming annual general meeting in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Sir John Davis and Sir Alexander Ross retired from the Board on 7th May 1982 and 31st December 1982 respectively.

The Directors retiring by rotation under the Articles of Association are The Earl Cadogan, Mr. Duncan Mackinnon and Sir Iain Stewart who, being eligible, offer themselves for re-election.

None of those Directors offering themselves for re-election has a service contract with the company or its subsidiaries.

## Directors' interests

According to the register maintained pursuant to the Companies Act 1967, the Directors held the following interests in the shares of the company:

	1st January 1982 or date of appointment	31st December 1982
The Earl Cadogan	8,000	8,000
	*2,850	*2,850
Sir Robert Clark	2,000	2,000
John Clement	Nil	Nil
David R. Colville	19,996	19,996
	*15,000	*10,000
J. P. C. Danny	150,000	150,000
Russell W. Evans	Nil	Nil
Sir Robert Hunt	Nil	Nil
David C. G. Jessel	7,000	7,285
	*7,500	*7,500
The Marquess of Linlithgow	2,000	2,000
	*10,650	*10,650
Duncan Mackinnon	28,166	28,166
	*5,733	*5,733
Sir Denis Mountain, Bt	**460,353	429,306
	*29,272	*29,272
A. R. N. Ratcliff	9,376	9,661
John F. Robinson	11,075	11,075
Sir Alexander Ross	2,500	Nil
Evelyn de Rothschild	2,500	2,500
	*1,290	*915
G. R. Seymour	Nil	Nil
Sir Iain Stewart	5,000	5,000

\*Indicates other than a beneficial interest.

\*\*Includes 31,332 employee shares.

None of the Directors held an interest during 1982 in the company's 10½ per cent redeemable unsecured loan notes 1985.

On 1st January and 31st December 1982, Sir Denis Mountain held a beneficial interest in 1,000 ordinary shares of 25 cents each in South African Eagle Insurance Company Limited.

There were no changes in the interests of the Directors in the shares of the company between 1st January and 14th March 1983.

At no time during 1982 did any Director have any material interest in a contract of significance with the company or any subsidiary in relation to the business of the group except for those loans which are required to be disclosed pursuant to the Companies Acts 1980 and 1981 and which are set out in note 19a on page 26.

## Substantial shareholdings

On 14th March 1983 Allianz Holdings Limited was interested in 38,248,615 ordinary shares representing 28 per cent of the issued share capital of the company. As far as the Directors are aware there is no other person holding or beneficially interested in 5 per cent or more of the share capital of the company.

## Employee shares

In accordance with the terms of issue all the outstanding 93,484 partly paid employee shares were paid up by 9th April 1982. In addition the remaining 26,236 fully paid employee shares were freed from the restrictions under which they were issued.

## 10½ per cent Redeemable Unsecured Loan Notes 1985

During the year the company purchased £12,691 and redeemed £2,049,218 of the loan notes so that the nominal amount of the loan notes outstanding at the end of the year was £18,867,768.

## Donations and contributions

During the year the group gave a total of £50,040 in the United Kingdom for charitable purposes and contributed £12,000 to the Conservative and Unionist Party.

## United Kingdom employees

The average number of persons employed by the group in the United Kingdom in 1982 including part-time employees was 13,524 and their aggregate gross remuneration was £93,001,715. These figures include 6,730 employees of Grovewood Securities and its subsidiaries and their aggregate gross remuneration was £39,947,000. Due to the inclusion of part-time employees, the proportion of staff employed outside London and other factors, it would be misleading to derive an average salary cost from these figures.

## South Africa

Details of the group's employment practices in South Africa are available from the Secretary of the company on written request.

## Auditors

At the annual general meeting a resolution will be proposed that Price Waterhouse, chartered accountants, be re-appointed auditors of the company to hold office until the conclusion of the next general meeting at which accounts are laid before the company.

By order of the Board

R. W. Durant

Secretary

Registered Office:  
1 Threadneedle Street  
London EC2

23rd March 1983



# AUDITORS' REPORT

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**To the members of Eagle Star Holdings PLC**

We have audited the accounts on pages 11 to 28 in accordance with approved Auditing Standards.

In our opinion, the balance sheet of the company gives a true and fair view of the state of affairs of the company at 31st December 1982 and complies with the Companies Acts 1948 to 1981, and the consolidated accounts comply with the provisions of the Companies Acts 1948 to 1981 applicable to insurance companies.

Price Waterhouse  
*Chartered Accountants*  
Southwark Towers  
32 London Bridge Street  
London SE1  
23rd March 1983

# ACCOUNTING POLICIES

The principal accounting policies of the group are set out below.

## a Disclosure requirements

The group accounts have been prepared in compliance with section 152A of, and schedule 8A to, the Companies Act 1948. The balance sheet of the holding company has been prepared in accordance with the Companies Act 1981 and comparative figures restated accordingly.

That part of the surplus for the year which relates to the insurance subsidiaries excludes items credited or charged to inner reserves, including profits and losses on realisation of investments and differences arising from the translation of foreign currencies.

## b Basis of consolidation

The group accounts incorporate the assets and liabilities of the company and its subsidiaries at 31st December and the results for the year ended on that date except for Grovewood Securities which is consolidated as set out in (k) below.

The results of subsidiaries acquired or disposed of are brought into the accounts from the date of acquisition or to the date of disposal.

Goodwill, excluding the amounts relating to direct subsidiaries of Eagle Star Holdings, is charged to inner reserves.

## c Surplus before taxation

The fire, accident and motor underwriting result is determined after making full allowance for unearned premiums, unexpired risks and outstanding claims. The methods used to determine these provisions and the treatment of expenses and commission are explained below.

The results for inwards treaty business relate to the previous year's business closed in the current year and the revenue for the current year is carried forward to the following year after provision, if required, for anticipated losses.

The result for marine and aviation business is determined at the end of the fourth year after any strengthening of the fund for the open years out of the balance (see f(ii) below).

Investment income is the amount receivable for the year and includes, where appropriate, the imputed tax credit.

Actuarial valuations of the Eagle Star Insurance long term funds are made at the end of each year.

## d Unearned premiums: fire, accident and motor

Unearned premiums are the proportion of premiums written in the current year which relate to cover provided in the following year. Unearned premiums are calculated in the USA on its statutory basis and in the United Kingdom and elsewhere on the 24ths or 8ths basis unless this is impracticable when 40 per cent of premiums written is deemed to be unearned. A deduction in respect of commission is made on the 24ths and 8ths bases of calculation.

## e Unexpired risks: fire, accident and motor

The unexpired risks provision is the estimated amount required over and above unearned premiums to meet future claims and related expenses on business in force at 31st December and is calculated having regard to home and overseas business separately.

## f Outstanding claims and marine and aviation fund

i Fire, accident and motor. Provision is made for the estimated cost of claims to be paid in respect of incidents up to 31st December including those which had not been notified to the group by 31st December. Any differences between the estimated cost and subsequent settlement are dealt with in the revenue accounts of following years.

ii Marine, aviation and transport. The excess of premiums receivable over claims and expenses payments for the last three underwriting years together with any surplus on closed years not released to profit and loss account is carried forward in the fund. The fund is considered to be sufficient to provide for all outstanding liabilities.

## g Expenses

Expenses are charged in the year in which they are incurred except for those relating to certain advanced electronic equipment which are being written off over four years.

Investment properties are revalued annually and depreciation is not applied.

## h Commission

With the exception of the amounts deducted from unearned premiums as mentioned in (d) above all commissions are written off in the year in which they are incurred.

## i Investments

Investments are included in the balance sheets on the following bases:

i Long term funds of subsidiary companies.

Eagle Star Insurance. Investments are included at cost less amounts written off and reserves. Stock exchange securities are included at amounts which, in the aggregate, are less than their mean market values (less accrued interest) at 31st December.

The base value for taxation purposes of the property portfolio purchased from Eagle Star Properties is lower than its cost referred to above (see note 2 c).

Eagle Pension Funds Limited. Stock exchange securities are included at amounts which, in the aggregate, are at or under their mean market values at 31st December. Properties are included at open market values as determined by independent valuers. Other investments are included at cost less amounts written off and reserves.

Other subsidiaries. The assets are included, in the aggregate, at or under their mean market values at 31st December.

ii Other funds of Eagle Star Insurance and its subsidiaries. Investments are included at cost less amounts written off and reserves. Stock exchange securities are included at amounts which, in the aggregate, are less than their mean market values (less accrued interest) at 31st December.

iii Other investments. Investments are included at cost and their market values are included in those shown in note 14.

## j Associated companies

The results of the following companies have been incorporated as associated companies:

Barbados Fire & General Insurance Company

Star Assurance Society Limited

The group's holdings in the above companies are shown in notes 14 and 21.

## ACCOUNTING POLICIES

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### **k Grovewood Securities Limited**

As the assets and liabilities of this company are considered not to be of the same nature as those of the rest of the group the results have been consolidated on a different basis from those of other subsidiaries. The earnings for the year are shown separately in the profit and loss account and the cost of the investment is shown separately in a note to the balance sheet.

### **l Foreign exchange rates**

Assets and liabilities in overseas currencies have been translated into sterling at rates of exchange ruling on 31st December and balances brought forward have been adjusted accordingly. Where practicable all revenue for the year is dealt with similarly. All exchange profits and losses in the insurance subsidiaries are dealt with through inner reserves.

### **m Taxation**

i Long term business revenue account. The respective amounts for United Kingdom corporation tax and imputed tax credit are based on the investment income and estimated profits of the year and are computed in accordance with the special provisions of the Taxes Acts applicable to insurance companies transacting long term business.

ii Profit and loss account. United Kingdom corporation tax is calculated at a rate of 52 per cent and is based on income, other than franked investment income, included in the profit and loss account.

iii Deferred taxation. Deferred taxation is calculated on the liability basis but is only provided where it is likely that the amount will become payable in the foreseeable future.

# CONSOLIDATED INSURANCE REVENUE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1982

Note	1982	1981
	£m	£m
<b>Fire, accident and motor</b>		
Premiums less reinsurance	491.3	452.6
Increase in unearned premiums	12.9	5.0
Premiums earned	478.4	447.6
Increase/(decrease) in unexpired risks	(1.0)	1.0
	<u>479.4</u>	<u>446.6</u>
5 Claims incurred	351.9	321.6
4 Commission and expenses	190.2	168.7
	<u>542.1</u>	<u>490.3</u>
Transfer from consolidated profit and loss account	(62.7)	(43.7)
	<u>479.4</u>	<u>446.6</u>
<b>Marine, aviation and transport</b>		
Premiums less brokerage and reinsurance	30.4	24.7
Claims paid	27.4	19.7
Expenses	5.8	4.8
Decrease in funds	(1.8)	(0.8)
	<u>31.4</u>	<u>23.7</u>
Transfer to/(from) consolidated profit and loss account	(1.0)	1.0
	<u>30.4</u>	<u>24.7</u>
<b>Long term</b>		
Premiums less reinsurance	345.9	284.0
Investment income	184.4	164.6
Net movement in the value of unit linked investments	39.2	1.9
Transfers from reserves (net)	0.4	2.1
	<u>569.9</u>	<u>452.6</u>
Claims by death and maturity	118.4	74.9
Surrenders	16.3	12.4
Annuities	75.7	65.7
Group pension refunds and bonuses in reduction of premiums	42.1	49.8
Annuities surrendered	2.1	2.1
4 Commission and expenses	45.7	37.5
2 Taxation	8.1	9.4
Increase in funds	251.7	192.8
	<u>560.1</u>	<u>441.6</u>
3 Transfer of shareholders' profits	9.8	8.0
	<u>569.9</u>	<u>452.6</u>

For notes see pages 11 to 12 and 18 to 28

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1982

Note	1982 £m	1982 £m	1981 £m	1981 £m
7 Investment income		100.3		88.3
18 Profits of Grovewood Securities		17.0		15.8
Share of associated companies' profits		—		0.1
3 Shareholders' long term profits		17.2		14.3
5 Transfers: fire, accident and motor	(62.7)		(43.7)	
Transfers: marine, aviation and transport	(1.0)	(63.7)	1.0	(42.7)
		70.8		75.8
Expenses not charged to other accounts		(2.8)		(2.0)
5 Surplus before taxation and after transfer from catastrophe reserve		68.0		73.8
2 Taxation		(29.5)		(31.9)
Surplus after taxation		38.5		41.9
Minority interests		(3.0)		(3.4)
6 Net surplus for year available for appropriation		35.5		38.5
Staff profit sharing scheme	(2.2)		(2.5)	
less taxation	1.1	(1.1)	1.3	(1.2)
		34.4		37.3
Transfer to catastrophe reserve		—		(2.0)
Dividends		(23.4)		(20.6)
11 Balance added to retained profits and reserves		11.0		14.7
10 Earnings per share		25.0p		27.2p

For notes see pages 11 to 12 and 18 to 23

# CONSOLIDATED BALANCE SHEETS

AS AT 31st DECEMBER 1982

Note	Shareholders	Shareholders	Long term	Long term
	1982	1981	1982	1981
	£m	£m	£m	£m
14 Investments	787.1	746.5	1,821.2	1,570.8
14 Interest in associated companies	1.1	0.7	—	—
17 Interest in Grovewood Securities	128.3	107.0	—	—
12 Shareholders' interest in long term funds	0.1	0.1	—	—
<b>Other assets</b>				
Agents and insurance companies	176.4	145.8	1.8	1.4
2 Taxation	9.0	9.9	0.3	2.0
16 Other debtors	49.8	47.5	42.2	36.2
Cash balances	12.4	10.1	2.5	5.3
	<b>247.6</b>	<b>213.7</b>	<b>47.4</b>	<b>44.9</b>
	<b>1,164.2</b>	<b>1,068.0</b>	<b>1,868.6</b>	<b>1,615.7</b>
<b>Liabilities including provisions other than for general business outstanding claims</b>				
Agents and insurance companies	80.7	63.5	1.4	1.4
16 Other creditors	77.1	59.4	41.3	30.9
2 Taxation	12.3	12.3	3.6	5.7
15 Loans and advances	6.5	13.1	5.8	14.7
	<b>177.2</b>	<b>148.3</b>	<b>52.1</b>	<b>52.7</b>
<b>General business insurance funds including reserves</b>				
Fire, accident and motor — funds	200.5	191.3		
Fire, accident and motor — outstanding claims	530.8	484.3		
Marine, aviation and transport	40.6	35.4		
	<b>771.9</b>	<b>711.0</b>		
	<b>215.1</b>	<b>208.7</b>		
10½% p.a. Redeemable Unsecured Loan Notes 1985	18.9	20.9		
	<b>196.2</b>	<b>187.8</b>	<b>1,816.5</b>	<b>1,563.0</b>
<b>Net assets</b>				
<b>Representing:</b>				
<b>Shareholders' funds</b>				
11 Share capital	34.4	34.3		
11 Share premium accounts	36.0	33.7		
11 Retained profits and other reserves	125.8	119.8		
<b>Long term assurance business funds</b>			<b>1,816.5</b>	<b>1,563.0</b>
	<b>196.2</b>	<b>187.8</b>	<b>1,816.5</b>	<b>1,563.0</b>

For notes see pages 11 to 12 and 18 to 28

# BALANCE SHEET

(HOLDING COMPANY) AS AT 31st DECEMBER 1982

Note	1982 £m	1982 £m	1981 £m	1981 £m
<b>Fixed assets</b>				
Investments:				
17 Shares in group companies	86.7		76.7	
14 Other investments other than loans	0.9	87.6	0.1	76.8
<b>Current assets</b>				
Debtors:				
Amounts owed by group companies	25.2		29.3	
2 Other debtors: United Kingdom taxation recoverable	0.8		0.4	
Called up share capital not paid	—	26.0	0.2	29.9
<b>Creditors: amounts falling due within one year:</b>				
Amounts owed to group companies	—		0.2	
Other creditors including taxation and social security	0.4		—	
Dividends due or recommended	23.4		20.6	
Staff profit sharing scheme	2.2	26.0	2.5	23.3
<b>Net current assets</b>		—		6.6
<b>Total assets less current liabilities</b>		87.6		83.4
<b>Creditors: amount falling due after more than one year:</b>				
10½% p.a. Redeemable unsecured loan notes 1985		18.9		20.9
<b>Net Assets</b>		68.7		62.5
<b>Representing:</b>				
<b>Capital and reserves</b>				
11 Called up share capital		34.4		34.3
11 Share premium account		6.4		4.1
11 Profit and loss account		27.9		24.1
		68.7		62.5

For notes see pages 11 to 12 and 18 to 28

# CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31st DECEMBER 1982 (EXCLUDING LONG TERM BUSINESS)

	1982 £m	1981 £m
<b>Source of funds</b>		
Surplus before taxation and after minority interests, provision for staff profit sharing scheme and catastrophe reserve transfers	63.9	67.2
Adjustments for items not involving the movement of funds:		
Insurance funds including outstanding claims	60.9	73.1
Agents balances and debtors	(15.3)	8.1
Creditors	14.9	4.6
<b>Total generated from operations</b>	<b>124.4</b>	<b>153.0</b>
<b>Funds from other sources</b>		
Increase in loans	—	0.2
Issue of shares	2.4	1.8
	<b>126.8</b>	<b>155.0</b>
<b>Application of funds</b>		
Redemption of loan notes	(2.0)	(0.3)
Premium on acquisition of Mollers	(5.0)	—
Decrease in loans	(6.6)	—
Taxation	(28.0)	(35.4)
Dividends paid	(20.6)	(14.3)
<b>Total available for investment</b>	<b>64.6</b>	<b>105.0</b>
<b>Changes in investments and net liquid funds</b>		
Increase/(decrease) in:		
Mortgages and loans	2.4	7.0
Properties	16.9	(4.4)
Fixed interest securities	28.9	23.9
Equities	12.5	41.0
Deposits	(20.1)	17.7
Associated companies	0.4	(0.1)
Groveswood Securities Limited	21.3	15.7
	<b>62.3</b>	<b>103.8</b>
Cash and bank balances	2.3	1.2
	<b>64.6</b>	<b>105.0</b>



# NOTES TO THE ACCOUNTS

- 1 No part of any fund required to be kept separate under the provisions of the Insurance Companies Act 1982 has been applied, directly or indirectly, for any purposes other than those of the class of business to which the fund is applicable.

2 a Taxation in the consolidated long term business revenue account and consolidated profit and loss account is as follows:	Long term business 1982 £m	Long term business 1981 £m	Profit and loss account 1982 £m	Profit and loss account 1981 £m
Eagle Star and subsidiaries:				
United Kingdom taxation:				
Corporation tax	4.3	4.2	21.2	23.7
Double taxation relief	(0.3)	(0.2)	(3.4)	(2.1)
Imputed tax credit	3.6	3.4	7.2	6.5
Corporation tax and income tax in respect of previous years	(0.2)	(0.1)	0.4	(1.5)
Deferred taxation	—	—	(2.7)	1.0
Overseas taxation on profits and income	0.7	2.1	6.8	4.3
	<u>8.1</u>	<u>9.4</u>	<u>29.5</u>	<u>31.9</u>

b Taxation in the balance sheet is as follows:	Consolidated shareholders 1982 £m	Consolidated shareholders 1981 £m	Consolidated long term 1982 £m	Consolidated long term 1981 £m	Holding company 1982 £m	Holding company 1981 £m
Recoverable						
United Kingdom						
Current	7.5	8.1	0.8	2.0	0.3	0.4
Overseas						
Current	1.5	1.8	0.1	—	—	—
	<u>9.0</u>	<u>9.9</u>	<u>0.9</u>	<u>2.0</u>	<u>0.3</u>	<u>0.4</u>
Payable						
United Kingdom						
Current	4.4	4.4	2.9	3.5	—	—
Deferred	4.7	5.4	—	—	—	—
Overseas						
Current	1.1	1.3	0.7	2.2	—	—
Deferred	2.7	1.2	—	—	—	—
	<u>12.9</u>	<u>12.3</u>	<u>3.6</u>	<u>5.7</u>	<u>—</u>	<u>—</u>

# NOTES TO THE ACCOUNTS

- 1** No part of any fund required to be kept separate under the provisions of the Insurance Companies Act 1982 has been applied, directly or indirectly, for any purposes other than those of the class of business to which the fund is applicable.

<b>2 a</b> Taxation in the consolidated long term business revenue account and consolidated profit and loss account is as follows:	<b>Long term business</b>	<b>Long term business</b>	<b>Profit and loss account</b>	<b>Profit and loss account</b>
	<b>1982</b>	<b>1981</b>	<b>1982</b>	<b>1981</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Eagle Star and subsidiaries:</b>				
<b>United Kingdom taxation:</b>				
Corporation tax	4.3	4.2	21.2	23.7
Double taxation relief	(0.3)	(0.2)	(3.4)	(2.1)
Imputed tax credit	3.6	3.4	7.2	6.5
Corporation tax and income tax in respect of previous years	(0.2)	(0.1)	0.4	(1.5)
Deferred taxation	—	—	(2.7)	1.0
Overseas taxation on profits and income	0.7	2.1	6.8	4.3
	<b>8.1</b>	<b>9.4</b>	<b>29.5</b>	<b>31.9</b>

<b>b</b> Taxation in the balance sheet is as follows:	<b>Consolidated shareholders</b>	<b>Consolidated shareholders</b>	<b>Consolidated long term</b>	<b>Consolidated long term</b>	<b>Holding company</b>	<b>Holding company</b>
	<b>1982</b>	<b>1981</b>	<b>1982</b>	<b>1981</b>	<b>1982</b>	<b>1981</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Recoverable</b>						
<b>United Kingdom</b>						
Current	7.5	8.1	0.8	2.0	0.8	0.4
<b>Overseas</b>						
Current	1.5	1.8	0.1	—	—	—
	<b>9.0</b>	<b>9.9</b>	<b>0.9</b>	<b>2.0</b>	<b>0.8</b>	<b>0.4</b>
<b>Payable</b>						
<b>United Kingdom</b>						
Current	4.4	4.4	2.9	3.5	—	—
Deferred	4.7	5.4	—	—	—	—
<b>Overseas</b>						
Current	1.1	1.3	0.7	2.2	—	—
Deferred	2.7	1.2	—	—	—	—
	<b>12.9</b>	<b>12.3</b>	<b>3.6</b>	<b>5.7</b>	<b>—</b>	<b>—</b>

## NOTES TO THE ACCOUNTS

c Deferred taxation. The group provision for deferred taxation arises on the following short term timing differences:	Consolidated shareholders	Consolidated shareholders
	1982 £m	1981 £m
Interest	6.8	6.1
Other	0.5	0.5
	<u>7.4</u>	<u>6.6</u>

At 31st December 1982, there is estimated to be an unprovided deferred taxation liability of £13.5m (1981: £3.1m) in respect of the shareholders' fund. Deferred taxation not provided in the accounts in respect of the long term funds is estimated to be £52m (1981: £50m) relating to chargeable gains in respect of intra group property transfers. The value of this liability was taken into account in the purchase price of the properties.

The above figures exclude Grovewood Securities (see note 18).

3 The amount included in the consolidated profit and loss account in respect of shareholders' long term profits is made up as follows:	1982 £m	1981 £m
Transfer from revenue account	9.8	8.0
Related taxation	7.4	6.3
	<u>17.2</u>	<u>14.3</u>

The amount of long term profits transferred to the profit and loss account is regarded for taxation purposes as being made up partly of franked investment income and partly of income which has suffered corporation tax.

4 a The group premium income for the year after deducting reinsurance was as follows:	1982 £m	1981 £m
<b>General business:</b>		
Fire, accident and motor	491.3	452.6
Marine, aviation and transport (less brokerage)	30.4	24.7
	<u>521.7</u>	<u>477.3</u>
 <b>Long term business</b>	 <u>345.9</u>	 <u>284.0</u>

## NOTES TO THE ACCOUNTS

<b>b</b> Commission and expenses included in the consolidated revenue accounts are as follows:	1982	1981
	£m	£m
	Fire, accident and motor: commission	76.0
	Fire, accident and motor: expenses	92.7
	<u>190.2</u>	<u>168.7</u>
Long term: commission	15.0	12.5
Long term: expenses	<u>30.7</u>	<u>25.0</u>
	<u>45.7</u>	<u>37.5</u>
5 The balance of the catastrophe reserve at 1st January 1982 amounting to £17m gross (£8m after tax) was transferred to strengthen claims provisions for reinsurance business following the notification in 1983 of an exceptional amount of industrial disease claims relating to contracts written before 1965.		
6 Of the net surplus for the year of £35.5m (1981: £38.5m) the amount of £27.2m (1981: £27.2m) was dealt with in the accounts of the company. A separate profit and loss account for the company has not been presented as permitted by s.149 (5) of the Companies Act 1948.		
<b>7</b> Investment income is arrived at after deducting interest paid as follows:	1982	1981
	£m	£m
	On short term loans	3.8
	On other loans	0.1
	<u>3.3</u>	<u>3.9</u>
<b>8 a</b> The aggregate amount of the emoluments of the Directors was:	1982	1981
	£	£
	For services as Directors	69,000
	Other emoluments	348,136
	<u>14,000</u>	<u>2,686</u>
Pensions paid to Directors and former Directors	<u>488,000</u>	<u>419,822</u>
<b>b</b> The emoluments, excluding pension fund contributions, of the Directors were:	1982	1981
	£	£
	Chairman	77,812
	Highest paid Director	79,080
	88,874	79,080
Other Directors:		
up to £5,000	14	13
£55,001 – £60,000	—	1
£60,001 – £65,000	1	1
£65,001 – £70,000	1	—
9 The total remuneration of the auditors of the group for 1982 has been estimated at £936,000 (1981: £762,000).		

# NOTES TO THE ACCOUNTS

- 10 Earnings per share of 25.0p (1981: 27.2p) are based on earnings of £34.4m (1981: £37.3m) and 137.7m shares in issue (1981: 136.9m).

- 11 a The details of the share capital of the company were as follows:

	1982	1981
	£000's	£000's
Authorised:		
180,000,000 ordinary shares of 25p each	45,000	45,000
Issued and fully paid:		
137,739,476 (1981: 136,926,294) ordinary shares of 25p each	34,435	34,231
*Employee shares:		
(1981: 78,719) ordinary shares of 25p each, 4.23p paid	—	3
(1981: 26,236) ordinary shares of 25p each, fully paid	—	6
(1981: 14,765) ordinary shares of 25p each, 2p paid	—	1
	34,435	34,241

\*All the outstanding 93,484 partly paid employee shares were paid up by 9th April 1982 and the remaining 26,236 fully paid employee shares were released from the restrictions under which they were issued.

- b The movements in retained profits and other reserves were as follows:

	Consolidated	Consolidated	Holding company	Holding company
	1982	1981	1982	1981
	£m	£m	£m	£m
Balance brought forward	119.8	105.1	24.1	17.3
Retained in year	11.0	14.7	3.8	6.8
Premium on acquisition of Möllers	(5.0)	—	—	—
Balance carried forward	125.8	119.8	27.9	24.1

- c The movements in share premium accounts were as follows:

	Consolidated	Consolidated	Holding company	Holding company
	1982	1981	1982	1981
	£m	£m	£m	£m
Balance brought forward	33.7	32.1	4.1	2.6
Issue of shares	2.3	1.6	2.3	1.5
Balance carried forward	36.0	33.7	6.4	4.1

# NOTES TO THE ACCOUNTS

## 12 Shareholders' interest in long term funds

The value of future profits on existing long term business constitutes an asset of the shareholders' funds. This has not been quantified in these accounts but has been included in the balance sheet at a nominal value of £0.1m. This asset has not been taken into account by the directors for the purposes of accounting policy (i).

## 13 At 31st December 1982 the group had expenditure contracted for but not provided of £12.7m in the shareholders' funds (1981: £9.0m) and £31.0m in the long term funds (1981: Nil) and, in addition, expenditure authorised but not contracted for of £2.3m in the shareholders' funds (1981: £6.9m) and £11.5m in the long term funds (1981: Nil). These are principally in respect of property developments.

## 14 i The following is an analysis of investments less reserves and interest in associated companies in the consolidated balance sheets:

	Consolidated shareholders 1982 £m	Consolidated shareholders 1981 £m	Consolidated long term 1982 £m	Consolidated long term 1981 £m
<b>a Investments:</b>				
Mortgages and loans	34.3	31.9	288.2	283.0
Properties	94.8	77.9	355.2	280.1
British Government securities	162.3	152.1	370.4	305.2
Other fixed interest securities	195.7	177.0	278.7	263.0
Ordinary stocks and shares	218.5	206.0	413.9	326.9
Deposits at interest	81.5	101.6	114.8	112.6
	<u>787.1</u>	<u>746.5</u>	<u>1,821.2</u>	<u>1,570.8</u>
	<u>1,164.4</u>	<u>972.9</u>	<u>2,340.5</u>	<u>1,843.7</u>

### Market value

It is not considered practicable to estimate the deferred tax liability on the appreciation in value of the above investment portfolio which might arise on its disposal.

## b Associated companies:

Group's share of net assets excluding goodwill  
Other balances

### Market value of investments

	Consolidated shareholders 1982 £m	Consolidated shareholders 1981 £m
	0.7	0.7
	<u>0.4</u>	<u>—</u>
	<u>1.1</u>	<u>0.7</u>
	<u>0.6</u>	<u>0.6</u>

## c Market values of investments

United Kingdom insurance subsidiaries determine the market values of their investments having regard to The Insurance Companies Regulations 1981 where applicable. In all other cases market values are based on market quotations where available or on values estimated by the directors of the various companies.

In the opinion of the directors, for the long term funds and the shareholders' funds separately the assets, in the aggregate, were fully of the value shown in the accounts.

# NOTES TO THE ACCOUNTS

ii Other investments shown in the balance sheet of the company and movements thereon during the year are as follows:

	1982 £m	1981 £m
At cost at 1st January	0.1	—
Additions	0.9	0.1
Disposals	(0.1)	—
At cost at 31st December	0.9	0.1
Listed investments—other than United Kingdom	—	0.1
Unlisted investments	0.9	—
	0.9	0.1
Valuation at 31st December:		
Listed investments—other than United Kingdom	—	0.9
Unlisted investments at directors' valuation	0.9	—
	0.9	0.9

15 Loans and advances in the balance sheets are as follows:

	Consolidated 1982 £m	Consolidated 1981 £m
a Shareholders' funds:		
Over five years:		
Secured at 6½ per cent per annum due 1988	0.4	0.4
Secured at 12 per cent per annum due 1989/1997	0.6	0.6
Under five years:		
Sundry loans and advances:		
Up to one year	1.0	0.3
Advances from bankers—up to one year	4.5	11.8
	6.5	13.1
b Long term funds:	Consolidated 1982 £m	Consolidated 1981 £m
Over five years:		
Secured, £1.1m at 6½ per cent per annum and £0.2m at 8½ per cent per annum due 1988	1.3	1.3
Secured at 7½ per cent per annum due 1996	0.7	0.7
Under five years:		
Secured at 6 per cent per annum due 1985	0.4	0.4
Sundry loans and advances:		
Up to one year	0.4	0.5
Between one and two years	—	11.8
Advances from bankers—up to one year	3.0	—
	5.8	14.7

## NOTES TO THE ACCOUNTS

16	In the consolidated balance sheets other debtors and creditors are as follows:	Shareholders	Shareholders	Long term	Long term
		1982	1981	1982	1981
		£m	£m	£m	£m
a	Other debtors:				
	Due from long term funds	11.7	8.3		
	Other items	38.1	39.6	42.2	36.2
		49.8	47.9	42.2	36.2

		Shareholders	Shareholders	Long term	Long term
		1982	1981	1982	1981
		£m	£m	£m	£m
b	Other creditors:				
	Due to shareholders' funds			11.7	8.3
	Dividends due or recommended	23.4	20.6		
	Minority interests in subsidiaries	10.6	8.4	—	—
	Long term business outstanding claims			9.1	5.3
	Other items	43.1	30.4	20.5	17.3
		77.1	59.4	41.3	30.9

17 a	Interest in Grovewood Securities shown in the consolidated balance sheets is as follows:	Shareholders	Shareholders
		1982	1981
		£m	£m
	Net assets excluding goodwill	51.7	43.3
	Goodwill and premium on acquisition	27.4	24.3
		79.1	67.6
	Secured loans	31.1	27.6
	Other balances including short term loans	18.1	11.8
		128.3	107.0

b	Shares in group companies, including Grovewood Securities, shown in the balance sheet of the company and movements thereon during the year are as follows:	1982	1981
		£m	£m
	At cost at 1st January	76.7	75.1
	Additions	10.0	3.6
	At cost at 31st December	86.7	78.7



## NOTES TO THE ACCOUNTS

- 18 a The principal activities of the Grovewood Securities group with details of turnover and the profit applicable to each category of business are set out below. The figures exclude associated companies and are before interest paid.

	Contribution to group trading profit	Contribution to group trading profit	Turnover	Turnover
	1982	1981	1982	1981
	£m	£m	£m	£m
Investment income	2.9	1.9	—	—
Manufacturing	11.4	11.8	52.1	78.3
Distribution and service	7.3	5.5	99.0	77.3
	<u>21.6</u>	<u>19.2</u>	<u>181.1</u>	<u>155.6</u>

- b The following is a summary of the consolidated accounts for the year ended 31st December 1982.

- i Under the historic cost convention:

	1982	1982	1981	1981
	£m	£m	£m	£m
<b>Profit and loss account</b>				
Profit before taxation, including associated companies £1.2m (1981: £1.4m)		17.0		15.8
Taxation		(6.4)		(6.4)
Minority interests and other items		(1.4)		(1.9)
Net profit		<u>9.2</u>		<u>7.5</u>
<b>Balance sheet</b>				
Fixed assets and investments		56.6		45.1
Current assets	106.7		88.5	
Less current liabilities	<u>70.3</u>	<u>36.4</u>	<u>53.7</u>	<u>34.8</u>
Goodwill		<u>20.3</u>		<u>16.3</u>
		113.2		96.2
Less:				
Minority interests	6.7		7.8	
Deferred taxation	1.3		1.2	
Secured loans (£31.1m from fellow subsidiary)	<u>33.2</u>	<u>41.2</u>	<u>27.6</u>	<u>36.6</u>
Net assets		<u>72.0</u>		<u>59.6</u>
Deferred taxation not provided in the accounts is estimated to be:				
Accelerated capital allowances		7.8		6.1
Other		<u>0.2</u>		<u>0.2</u>
		8.0		6.6

Full particulars of the activities of Grovewood Securities are shown in its 1982 annual report which can be obtained on request from the Secretary.

# NOTES TO THE ACCOUNTS

ii Under the current cost convention:	1982	1982	1981	1981
	£m	£m	£m	£m
<b>Profit and loss account</b>				
Current cost operating profit		18.6		16.1
Current cost profit before taxation		14.2		12.7
Current cost profit attributable to shareholders		7.7		4.8
Current cost adjustments made in arriving at the above profits were as follows:				
Historic cost net profit as above		9.2		7.5
Charges:				
Working capital	(2.0)		(2.3)	
Depreciation	(1.5)		(1.5)	
Current cost adjustments of associates	(0.8)		(0.7)	
	(4.3)		(4.5)	
Credits:				
Gearing	1.5		1.4	
	(2.8)		(3.1)	
Less minority interests and other items	1.3	(1.5)	0.4	(2.7)
		7.7		4.8
<b>Balance sheet</b>				
Fixed assets and investments		69.5		57.4
Working capital		36.7		35.1
Goodwill		17.0		12.8
		123.2		105.3
Less minority interests and net borrowings		41.1		36.6
Net assets		82.1		68.7

19 a Loans to Directors	Date effected	Principal amount of loan and interest accrued 1.1.82	Principal amount of loan and interest accrued 31.12.82	Maximum liability during the year	Maturity date	Rate of interest
		£	£	£		%
David C. G. Jessel	28.6.79	25,022	25,022	26,382	1989	11
Sir Denis Mountain, Bt	Between 1960 and 1973	173,903	173,903	175,893	1985 to 1995	9½
		61,918	61,918	62,768		10½
A. R. N. Ratcliff	13.6.69	21,614	21,614	21,670	1990	4

The loans to Mr. David C. G. Jessel and Sir Denis Mountain were made in the ordinary course of business at the market rates of interest prevailing on the dates of the advances. The loan to Mr. A. R. N. Ratcliff was made under the staff house scheme before he became a Director. All these loans which were made by Eagle Star Insurance are secured upon real property and policies of assurance and all interest due has been paid.

## b Loans to officers

There were five officers of the company other than Directors who had loans outstanding at 31st December 1982. These loans were made by Eagle Star Insurance and the aggregate amount outstanding at the end of the year was £101,475.

# NOTES TO THE ACCOUNTS

ii Under the current cost convention:	1982	1982	1981	1981
	£m	£m	£m	£m
<b>Profit and loss account</b>				
Current cost operating profit		18.6		16.1
Current cost profit before taxation		14.2		12.7
Current cost profit attributable to shareholders		7.7		4.8
Current cost adjustments made in arriving at the above profits were as follows:				
Historic cost net profit as above		9.2		7.5
Charges:				
Working capital	(2.0)		(2.3)	
Depreciation	(1.5)		(1.5)	
Current cost adjustments of associates	(0.8)		(0.7)	
	(4.3)		(4.5)	
Credits:				
Gearing	1.5		1.4	
	(2.8)		(3.1)	
Less minority interests and other items	1.3	(1.5)	0.4	(2.7)
		7.7		4.8
<b>Balance sheet</b>				
Fixed assets and investments		69.5		57.4
Working capital		36.7		35.1
Goodwill		17.0		12.8
		123.2		105.3
Less minority interests and net borrowings		41.1		36.6
Net assets		82.1		68.7

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## b Loans to officers

There were five officers of the company other than Directors who had loans outstanding at 31st December 1982. These loans were made by Eagle Star Insurance and the aggregate amount outstanding at the end of the year was £101,475.

## NOTES TO THE ACCOUNTS

- 20 The following is a list of the company's principal subsidiaries at 31st December 1982 and particulars of the percentages of nominal value of issued shares then held:

Company and country of registration or incorporation

### England

Ashdale Land and Property Co Ltd  
City of London Insurance Co Ltd  
Eagle Pension Funds Ltd  
Eagle Star Farms Ltd  
Eagle Star Forests Ltd  
Eagle Star Group Engineering Insurance Ltd  
Eagle Star Insurance Co Ltd  
Eagle Star Investments Ltd  
Eagle Star Properties Ltd  
Eagle Star Trust Co Ltd  
\*Groveswood Securities Ltd  
\*Home & Overseas Insurance Co Ltd  
Jas. W. King & Co Ltd  
Liverpool Reversionary Co Ltd  
Midland Assurance Ltd  
Navigators & General Insurance Co Ltd

Class of  
share capital

Percentage of  
nominal value  
held by  
the company

Percentage of  
nominal value  
held by  
subsidiaries

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

ordinary

100.0

4½% preference

25.1

6% preference

93.9

ordinary

100.0

Threadneedle Insurance Co Ltd

### Australia

Australian Eagle Insurance Co Ltd

ordinary

100.0

### Bahamas

Sceptre Trust Ltd

ordinary

100.0

### Belgium

Groupe Eagle Star-Compagnie de  
Bruxelles 1821 SA

ordinary

99.8

### France

Eagle Star Vie SA  
L'Indépendance SA

ordinary

97.0

ordinary

70.7

### Hong Kong

Asian Eagle Insurance Co Ltd  
Mollers' Insurance Agents (Hong Kong) Ltd

ordinary

100.0

ordinary

100.0

### Isle of Man

Eagle Star (International Life) Ltd

ordinary

100.0

### Jamaica

\*British Caribbean Insurance Co Ltd

ordinary

62.3

### Malta

Eagle Star (Malta) Ltd

ordinary

100.0

### Puerto Rico

Eagle Star Insurance Co c. Puerto Rico

ordinary

80.0

### Republic of Ireland

\*Shield Insurance Co Ltd

ordinary

76.0

\*Shield Life Insurance Co Ltd

ordinary

100.0

### Republic of South Africa

British African Properties Ltd  
South African Eagle Insurance Co Ltd  
Threadneedle Properties (SA) Ltd

ordinary

100.0

ordinary

58.5

ordinary

100.0

### United States of America

Eagle Star Insurance Co of America

ordinary

100.0

The principal country in which each of the above named subsidiaries operates is its country of registration or incorporation.

\*Audited by firms other than Price Waterhouse. In 1982 excluding Groveswood Securities Ltd whose results are shown on pages 25 and 26, these companies contributed 7 per cent to the group premium income.

# NOTES TO THE ACCOUNTS

- 21** The following is a list of the group's major shareholdings in companies, other than subsidiaries, at 31st December 1982 and particulars of the percentages of nominal value of issued shares and principal holdings of loan capital then held:

Company and country of registration or incorporation	Class of issued share/loan capital in which the group has an interest	Percentage of nominal value held
<b>England</b>		
Philip Hill Investment Trust Ltd	ordinary	18.9
	5.25% preference	16.0
*Star Assurance Society Ltd	£1,000,000 ordinary	49.0
<b>Barbados</b>		
*Barbados Fire & General Insurance Co	B \$1,000,000 ordinary	30.0
<b>Switzerland</b>		
Rothschilds Continuation Holdings AG	ordinary	15.0
**Rothschilds Continuation Ltd	5.25% (net) preference	6.8
	9.715% (net) preference	98.7
	165% cum 2nd preference	32.2

The principal country in which each of the above named companies operates is its country of registration or incorporation.

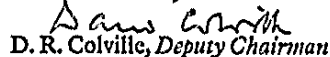
\*Accounted for as associated companies.

\*\*Registered in England.

- 22** **Contingent liabilities.** The company has guaranteed the due performance of obligations under certain trust deeds undertaken by one of its overseas subsidiaries as a trustee company.



D. M. Mountain, *Chairman and Managing Director*



D. R. Colville, *Deputy Chairman*

23rd March 1983