



Eagle Star

1985

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CLASSDATE
17 JUN 1986
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BOARD OF DIRECTORS

Chairman

Sir Jasper Hollom, KBE

Board of Directors

The Earl Cadogan, MC, DL

Sir Robert Clark, DSC, Hon DSc

John Clement

Russell W. Evans, MC, LLB

Brian P. Garraway, FCA

Sir Robert Hunt, CBE, DL, Hon DSc, F Eng, Hon FRAeS, FCASI

Sir Michael Palliser, PC, GCMG

A. R. N. Ratcliff, FIA

Evelyn de Rothschild

G. R. Seymour

Patrick Sheehy

Honorary President

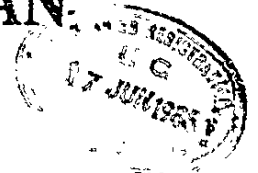
Sir Denis Mountain, Bt.

Joint Secretaries

D. Hollingworth, MA, FCI

D. A. Lancaster, FCIS

STATEMENT BY THE CHAIRMAN



It is with the greatest regret that I have to report the resignation in December, on medical advice, of Sir Denis Mountain, Bt. as Chairman and Managing Director. Sir Denis had been Chairman of Eagle Star since 1974 and had served as a Director for over 25 years. His contribution to the group has been immense and his leadership an inspiration to us all. Our good wishes go to him and we are delighted that he is retaining his connection with the company by accepting the office of Honorary President.

Mr. John Danny, a Deputy Chairman, who was also Chairman and Chief Executive of Grovewood Securities Limited, resigned from the Board in March 1986. I would like to place on record the outstanding contribution he has made to the group over the years. Under his leadership Grovewood Securities has grown since 1953 from small beginnings into a group with an annual turnover of £269m. On behalf of the Board I extend to him our thanks and our good wishes for the future.

During the year the company suffered two sad losses in the death of Mr David Jessel and of Sir Iain Stewart. Mr David Jessel was a Deputy Chairman of the company and his sudden death in September was a great loss to us. He will be sorely missed by his wide circle of friends and colleagues from all walks of life and particularly by us at Eagle Star. Sir Iain Stewart had been a Director of Eagle Star since 1952 and his wise counsel was always greatly valued.

The Marquess of Linlithgow retired from the Board in December. He had been a member of the Eagle Star Board for over 35 years and I would like to thank him for all the support and advice he has given over the years. Mr George Blunden resigned from the Board at the same time following his appointment as Deputy Governor of the Bank of England. We offer him our congratulations and good wishes.

Results for the year

Despite an underlying improvement in insurance rating levels during the year, results for 1985 show a reduction in surplus before tax and minority interests to £116.4m (1984: £153.1m). However, the more realistic attitude towards rating now prevailing in the market should have a positive effect in future. Total investment return increased to £260.3m (1984: £254.5m); and £25.2m (1984: £22.2m) was transferred from the long term funds after grossing-up for income and corporation taxes. General business underwriting resulted in a loss of £173.7m (1984: £126.4m) before attributable investment return. Gresham Investment Trust was transferred to the company from Grovewood Securities during the year and its profits of £4.6m (1984: £2.8m) are now shown separately. The profits of £29.1m (1984: £25.4m) from Grovewood Securities include the profits of VG Instruments up to the date of its sale to B.A.T Industries in October. A profit of £78.2m was made on this sale and is included under extraordinary items.

Notwithstanding the adverse effect of the currency movements we achieved an increase in general business premiums written of 15 per cent to £763.7m (1984: £664.6m), a significant amount of which flowed from the rating increases on existing business.

We continue to follow our policy of setting up realistic provisions to meet the full amount of our liabilities for outstanding claims and unexpired risks.

Investment return

The total investment return was £260.3m (1984: £254.5m). This reflects substantial growth in investment values and after allowing for currency exchange rate fluctuations the underlying growth in investment income was 9 per cent. The method used in the computation of these figures is unchanged from last year and takes no account of any increase in the value of the shareholders' interest in the life business, which is shown at a nominal amount in the accounts.

General insurance business

The table set out on page 4 analyses the results by each major territory and includes an appropriate allowance for investment return (equivalent to that obtainable from risk-free investments) on the related insurance funds.

In the United Kingdom there was an encouraging increase of 30 per cent in written premium income, spread over all the major classes. This improvement reflects importantly the substantial increases in levels of premiums which we have been able to obtain; but it will be readily understood that the benefit of this in terms of earned premiums will not emerge fully in the accounts until next year. In addition, the hardening of the market created a situation in which we were able, with a growing expectation of profitable trading in coming years, to recover part of our market share which we had sacrificed in the unsatisfactory conditions of recent years.

The property account suffered as a result of higher than normal weather claims and consequently only showed a marginal improvement on 1984 with an overall loss (after attributable investment return) of £14m (1984: £16m). The overall loss on liability business of £17m (1984: £8m profit) is arrived at after a significant strengthening of claims provisions following higher than expected increases in court awarded settlements relating to old personal injury claims during the year.

Motor business was again unprofitable, with an overall loss of £27m (1984: £8m) and this account suffered from significant increases both in claims frequency and in average settlement costs. The overall loss on the accident account was £5m (1984: £7m) and included in this figure is £3m (1984: £4m) for travel business losses.

The results for London market business showed an overall loss of £4m (1984: £9m). The results for proportional treaty business were almost unchanged but there has been a significant improvement in the home foreign and excess of loss accounts. It has been necessary however to strengthen provisions in respect of asbestos-related and environmental claims from business written in earlier years.

The worldwide marine, aviation and transport account resulted in a transfer from profit and loss account of £1.5m (1984: £3m). Profits were produced in the United Kingdom, South Africa and Australia but results in the United States and France were again extremely disappointing. Corrective action has been taken.

Despite an increase of 14 per cent in underlying currency terms, overseas premium income fell by 13 per cent in sterling terms. The results were overshadowed by the considerable underwriting losses in the United States. Although rating levels increased substantially in this territory, large additional provisions had to be made in respect of prior year claims and these accounted for approximately half of the underwriting loss. Burglary and theft claims in South Africa have shown a marked increase. Australia remained profitable but competition for business is likely to intensify following the introduction of the workcare legislation in Victoria which has the effect of reducing the amount of insurance business available. The level of underwriting deficit in Belgium has shown little change but some hardening in rates is now evident. In France the results were unsatisfactory and corrective action has been taken, but this will take some time to show through.

STATEMENT BY THE CHAIRMAN

	Amounts in £m			1985	1984
	Premium income	Under-writing result	Attributable investment return	Overall result	Overall result
United Kingdom and the Republic of Ireland *	594.7	(137.2)	75.5	(61.7)	(30.1)
Australia	35.4	(3.5)	5.9	2.4	4.9
Belgium	32.0	(7.4)	5.7	(1.7)	(1.7)
South Africa	45.6	(1.1)	3.8	2.7	6.1
USA	33.4	(18.6)	1.9	(16.7)	(10.6)
Other territories	22.6	(5.9)	5.9	—	(4.5)
	<u>763.7</u>	<u>(173.7)</u>	<u>98.7</u>	<u>(75.0)</u>	<u>(35.9)</u>

* including reinsurance and worldwide marine and aviation.

Life assurance business

Overall premium income increased by 11 per cent to £455.5m and the shareholders' gross life profits were £25.2m (1984: £22.2m), an increase of 14 per cent. These figures were affected by the reduction in the rate of corporation tax which has the effect of reducing the "grossed-up" value of life profits. The net transfer released from the life fund showed an increase of 21 per cent.

In the United Kingdom new single premiums of £162m were 39 per cent ahead of the corresponding figures for 1984 but total new annual premiums amounted to £19.8m (1984: £24.3m), representing a reduction of 19 per cent. The first quarter of 1984 was the last period during which life assurance premium relief was available on new annual premium policies and so the figure for the first quarter of 1985 was inevitably much reduced. Overall, however, 1985 total production was substantially up on 1984. These figures exclude the new business of Eagle Pension Funds, our managed pension funds subsidiary, for which new annual contributions of £28.9m were received in respect of pooled and segregated funds and contracts of investment management.

A significant event which took place during the year was the successful launch of the Rainbow Bond and the seven "Rainbow rated" unit trusts which generated much enthusiasm from brokers. In the nine weeks up to the year end £17.7m was invested in Rainbow Bonds and £1m in unit trusts.

Overseas life business development was very good. Overall, in sterling terms, new annual premiums increased by 19 per cent and single premiums by 49 per cent. Excellent as these figures are, they are derived from the even better results in terms of the underlying

currencies achieved by the major overseas subsidiaries. Australian Eagle in particular had an outstanding year with new annual premiums almost doubled and single premiums nearly trebled in local currency.

Grovewood Securities

As announced on 4th March 1986 the industrial businesses of Grovewood Securities, excluding VG Instruments which is now a direct subsidiary of B.A.T Industries, were sold to Wolseley-Hughes p.l.c.

Directors, management and staff

Finally I would like to express my own thanks to the Board and the senior management for the support they have extended to me since I took up the responsibilities of Chairman; and the thanks of the whole Board to the management and staff for their invaluable contribution and efforts during 1985.



Chairman

25th March 1986

REPORT OF THE DIRECTORS

The Directors submit their annual report, together with the consolidated accounts of the company and its subsidiaries, for the year 1985.

Principal activities

The principal activity of the company is that of an investment company. Its principal subsidiary is Eagle Star Insurance Company Limited. That company and its insurance subsidiaries carry on all classes of insurance business, other than industrial life assurance, in the United Kingdom and overseas, and complementary to these activities the group invests in stocks, shares, properties and loans. The group is also engaged in the management of unit trusts and the provision of other financial services. It is intended that the group will continue to undertake business relating to these activities.

B.A.T Financial Services Limited

The company became a subsidiary of B.A.T Financial Services on 1st November 1985, although the ultimate holding company remains B.A.T Industries p.l.c.

Groewood Securities Limited

On 4th March 1986 the major interests of the company's subsidiary, Groewood Securities, an investment holding company whose principal activities are in the manufacturing, distribution and service industries (see pages 21 and 22) were sold for a total cash consideration of £119.5m. Discussions were also in progress for the disposal of the remaining assets of Groewood Securities for a consideration likely to be in excess of £20m.

VG Instruments PLC

The shareholding in VG Instruments held by Groewood Securities was sold to B.A.T Industries on 16th October 1985 for a cash consideration of £101.2m.

Consolidated profit and loss account

The surplus for the year before taxation, minority interests and extraordinary items was £116.4m (1984: £153.1m). The balance retained was £58.4m (1984: £19.2m).

Dividends

First and second interim dividends of £15.2m and £12.7m for the year ended 31st December 1985 were paid on 30th September and 18th December 1985 respectively.

The Directors recommend a final dividend for 1985 of £11.1m which, with the interim dividends will give a total for the year of £39.0m (1984: £40.0m).

Loans to B.A.T Industries and B.A.T Financial Services

During the year, the company and its subsidiary, Eagle Star Insurance, made loans totalling £351.2m to the above companies. Insofar as these loans represent assets of the long term funds they are fully secured. The loans were made at various ruling market rates of interest.

B.A.T Industries share option schemes

During the year A, C and D options were granted to eligible employees to subscribe for ordinary shares of 25p each in B.A.T Industries in accordance with the rules of each scheme.

Normally A options are exercisable on completion of savings under a five year SAYE contract and C and D options between the third and tenth anniversaries of the date of the grant.

Long term business

Worldwide in 1985 in the life departments of the group new annual premiums and single premiums totalled £50.2m and £224.1m respectively. Net new amounts assured were £3,591m and included in this figure is £422m 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 1985. In accordance with the actuary's report dated 12th March 1986, the sum of £15.0m from the long term funds has been transferred to the shareholders' funds. In addition the sum of £0.5m was transferred from the long term fund of Groupe Eagle Star - CB 1821 and £0.7m from that of Australian Eagle 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 1985. For ordinary with-profit policies this bonus was at the rate of £5 per cent per annum of the basic sum assured and £7 per cent per annum of the existing reversionary bonuses. A terminal bonus for policies maturing or becoming claims by death in 1986 will also be paid at the rate of 65 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 participating policies for more than 25 years at the rate of 1 per cent of reversionary and interim bonuses 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 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 £7.50 per cent per annum of the existing reversionary bonuses, and until further notice the terminal bonus for retirements arising in 1986 is at the rate of 30 per cent of the reversionary and interim bonuses attaching. An additional terminal bonus in respect of retirements in 1986 will also be paid at the rate of 2.5 per cent of reversionary and interim bonuses for each year in force as a participating policy, subject to a maximum of 25 per cent for policies of duration 10 years or more. For with-profit deferred annuity group pension schemes and discretionary schemes the bonus was at the rate of £9.50 per cent per annum compound calculated on the paid up pension. In addition, final maturity bonus pensions in respect of retirements in 1986 will be paid at the rate of 65 per cent of the total benefits for non-commutable pensions, and 10 per cent of total benefits for commutable pensions.

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 and Industry.

General business

A summary of income and outgo of the group in 1985 is as follows:

	Premiums	Claims	Commission and expenses	Technical reserves at year end*
	£m	£m	£m	£m
Fire, accident and motor	720.2	572.0	256.7	1,047.6
Marine, aviation and transport	43.5	31.3	46.5	56.9
	763.7	603.3	263.2	1,104.5

*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 2. All have held office since 1st January 1985.

The Directors report with deep regret the death of Mr. David Jessel and of Sir Iain Stewart on 20th September and 18th December 1985 respectively.

On 4th December 1985, Sir Denis Mountain, Bt. resigned on medical grounds and was succeeded as Chairman on 5th December 1985 by Sir Jasper Hollom. The Board wishes to record its appreciation of the great contribution Sir Denis has made over the years to the Eagle Star Group.

On 4th December 1985, The Marquess of Linlithgow retired from the Board and Mr. George Blunden resigned on the same date.

Mr. John Danny resigned from the Board on 3rd March 1986.

The Directors retiring by rotation under the Articles of Association are The Earl Cadogan, Mr. John Clement, Mr. Russell Evans and Sir Michael Palliser who, being eligible, offer themselves for re-election.

Directors' Interests

The Directors, excluding those who were also Directors of B.A.T Industries, did not have any interests in the share and loan capital of the group companies except as shown below:

	B.A.T Industries 12½% Unsecured Loan Stock 2003/08	
	1st January 1985	31st December 1985
	£	£
The Earl Cadogan	6,125	6,125
J. P. C. Danny	918,750	400,001
Evelyn de Rothschild	15,312	15,312
	*5,604	*5,604

	B.A.T Industries Floating Rate Capital Notes 1986/90	
	1st January 1985	31st December 1985
	£	£
The Earl Cadogan	*16,957	*16,957
A. R. N. Ratcliff	43,480	35,180

*Indicates other than a beneficial interest.

	B.A.T Industries share options 1st January 1985		
	A	C	D
A. R. N. Ratcliff	2,450	27,400	27,300
J. P. C. Danny	Nil	27,000	27,000

During the year Mr. Ratcliff was granted further options under the C scheme to subscribe for 3,670 shares at 258p per share.

On 1st January and 31st December 1985 respectively, Mr. J. P. C. Danny held 800,000 and 650,000 ordinary shares of 10p each in VG Instruments PLC.

At no time during 1985 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 those contracts required to be disclosed pursuant to the Companies Act 1985, which are set out in note 18a on page 23.

10½ per cent Redeemable Unsecured Loan Notes 1985

During the year the company purchased £3,000 and redeemed £4,216,672 of the loan notes. In accordance with the terms of issue the outstanding £12,049,742 of loan notes was redeemed at par on 31st December 1985.

Auditors

At the annual general meeting a resolution will be proposed that Deloitte Haskins & Sells, chartered accountants, be appointed auditors of the company in place of the retiring auditors, Price Waterhouse, chartered accountants, to hold office until the conclusion of the next general meeting at which accounts are laid before the company.

By order of the Board
D. A. Lancaster
Joint Secretary

Registered Office:
1 Threadneedle Street
London EC2

25th March 1986

AUDITORS' REPORT

To the members of Eagle Star Holdings PLC

We have audited the accounts on pages 8 to 24 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 1985 and complies with the Companies Act 1985 and the consolidated financial statements comply with the provisions of the Companies Act 1985 applicable to insurance companies.



Price Waterhouse
Chartered Accountants

Southwark Towers
32 London Bridge Street
London SE1

25th March 1986

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 259 of, and schedule 9 to, the Companies Act 1985. The balance sheet of the holding company has been prepared in accordance with the Companies Act 1985.

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 and Gresham Investment Trust which are 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 is charged directly to reserves as it arises.

c Surplus before taxation

i 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 result for inwards treaty business relates 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, aviation and transport 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).

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

Investment appreciation is the appreciation in the shareholders' funds of listed and unlisted investments, property and mortgages in the year. It includes profits and losses on investments sold and the movement in market value of investments held throughout the year and is stated after offsetting exchange differences on currency liabilities and matching currency investments. Credit is taken in the profit and loss account for one fifth of this appreciation and of the appreciation in the previous four years. Balances not yet credited to profit and loss account are carried forward as deferred investment gains.

iii Actuarial valuations of the 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, aviation and transport 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 periods not longer than 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 commission is written off in the year in which it is incurred.

i Investments

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

i Long term funds.

Eagle Star Insurance. Investments, other than properties and those attributable to unit-linked policies, are included at cost less amounts written off and reserves, stock exchange securities being included at amounts which, in the aggregate, are less than their mean market values, less accrued interest, at 31st December. Properties are included at an amount which is less than their open market value. Investments attributable to unit-linked policies are included at mean market values.

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

Eagle Pension Funds Limited. Stock exchange securities are included at amounts which, in the aggregate, are at or below their mean market values at 31st December. Properties are included at or below 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 below their mean market values at 31st December.

ii Shareholders' funds.

Listed investments are included at their mean market values, less accrued interest, at 31st December. Properties are included at open market values as determined by approved valuers within the last three years. Other investments are included at Directors' valuations.

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 12 b and 21.

ACCOUNTING POLICIES

k Grovewood Securities and Gresham Investment Trust

As the assets and liabilities of Grovewood Securities 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 statement of investment returns and the investment, which is carried at an amount equal to the tangible net assets, is shown separately in a note to the balance sheet. The results and net assets of Gresham Investment Trust, formerly a subsidiary of Grovewood Securities which has now been transferred to the company, are dealt with similarly except that the earnings are separately disclosed in the profit and loss account.

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. Long term business exchange movements are dealt with through inner reserves. Other exchange movements are dealt with as described in c(ii) above.

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. The taxation charge is based on the taxable 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.

n Capital reserves

The transfer to capital reserves represents the amounts included in the profit and loss account which, in the opinion of the Directors, are not available for distribution.

CONSOLIDATED INSURANCE REVENUE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1985

Note	Amounts in £m	
	1985	1984
Fire, accident and motor		
Premiums less reinsurance	720.2	620.5
Increase in unearned premiums	57.2	22.4
Premiums earned	663.0	598.1
Claims incurred	572.0	484.2
Increase in unexpired risks	6.5	6.6
Commission	124.4	108.7
Expenses	132.3	122.0
	835.2	721.5
Transfer from consolidated profit and loss account	172.2	123.4
	663.0	598.1
Marine, aviation and transport		
Premiums less brokerage and reinsurance	43.5	44.1
Claims paid	31.3	35.5
Expenses	6.5	6.6
Increase in funds	7.2	5.0
	45.0	47.1
Transfer from consolidated profit and loss account	1.5	3.0
	43.5	44.1
Long term		
Premiums less reinsurance	455.5	412.0
Investment income	250.1	226.4
Net movement in the value of unit-linked investments	77.2	54.6
Transfers from reserves (net)	74.8	62.8
	857.6	755.8
Claims by death and maturity	78.5	62.2
Surrenders	45.7	32.5
Annuities	111.0	97.9
Group pension refunds and bonuses in reduction of premiums	87.9	61.5
Annuities surrendered	8.6	8.1
Commission	31.8	28.2
Expenses	46.8	41.8
2 Taxation	9.6	9.5
Increase in funds	421.5	400.7
	841.4	742.4
3 Transfer of shareholders' profits	16.2	13.4
	857.6	755.8

CONSOLIDATED INVESTMENT RETURNS

(EXCLUDING LONG TERM BUSINESS)
FOR THE YEAR ENDED 31st DECEMBER 1985

Note	Amounts in £m	
	1985	1984
6 Investment income	123.9	127.4
Investment expenses	(5.3)	(3.3)
16 Profits of Grovewood Securities	29.1	25.4
Share of associated companies' profits	0.2	0.2
	147.9	149.7
Investment appreciation	135.5	112.1
9 Transfer to deferred investment gains	(23.1)	(7.3)
Total investment return	260.3	254.5

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1985

Note	Amounts in £m	
	1985	1984
Underwriting transfers: fire, accident and motor (page 10)	(172.2)	(123.4)
marine, aviation and transport (page 10)	(1.5)	(3.0)
	<u>(173.7)</u>	<u>(126.4)</u>
3 Shareholders' long term profits	25.2	22.2
17 Profits of Gresham Investment Trust	4.6	2.8
Investment return (page 11)	<u>260.3</u>	<u>254.5</u>
Surplus before taxation and extraordinary items	116.4	153.1
2 Taxation	<u>(19.7)</u>	<u>(23.8)</u>
Surplus after taxation	96.7	119.3
Minority interests	<u>(6.0)</u>	<u>(7.4)</u>
Surplus before extraordinary items	90.7	111.9
9 Extraordinary items	79.3	(3.6)
9 Transfer to capital reserves	<u>(72.6)</u>	<u>(49.1)</u>
Balance available for appropriation	97.4	59.2
Dividends	<u>(39.0)</u>	<u>(40.0)</u>
9 Balance added to revenue reserves	<u>58.4</u>	<u>19.2</u>

For notes see pages 8, 9 and 16 to 24

CONSOLIDATED BALANCE SHEETS

AS AT 31st DECEMBER 1985

Note	Amounts in £m			
	Shareholders 1985	1984	Long term 1985	1984
12 Investments (at market value)	1,470.9	1,513.2		
12 Investments (at book amount less reserves)			2,907.2	2,624.3
12 Interest in associated companies	2.4	3.2	—	—
15 Interest in Gresham Investment Trust	22.6	24.1	—	—
15 Interest in Grovewood Securities	89.1	99.8	—	—
10 Shareholders' interest in long term funds	0.1	0.1		
Amounts due from B.A.T Industries' group companies	346.8	—	—	—
Other assets				
Agents and insurance companies	282.7	236.5	0.6	0.8
2 Taxation	37.4	21.7	23.6	8.3
Due from long term funds	—	13.8		
Other debtors	53.9	77.1	61.1	56.7
Due from shareholders' funds			84.9	—
Cash balances	28.9	21.1	8.5	3.8
	402.9	370.2	178.7	69.6
	2,334.8	2,010.6	3,085.9	2,693.9
Liabilities including provisions other than for general business outstanding claims				
Agents and insurance companies	119.7	115.5	3.0	2.9
Due to long term funds	84.9	—		
14 Other creditors	58.5	60.1	59.9	34.8
Due to shareholders' funds			—	13.8
2 Taxation	43.7	55.8	9.6	7.2
13 Loans and advances	16.4	14.4	9.6	4.4
Amounts due to B.A.T Industries' group companies	44.0	32.2	—	—
	367.2	278.0	82.1	63.1
General business insurance funds including reserves				
Fire, accident and motor – funds	295.3	250.8		
Fire, accident and motor – outstanding claims	752.3	665.4		
Marine, aviation and transport	56.9	57.2		
	1,104.5	973.4		
	863.1	759.2		
10½% p.a. Redeemable Unsecured Loan Notes 1985	—	16.3		
	863.1	742.9	3,003.8	2,630.8
9 Shareholders' funds				
Share capital	41.5	41.5		
Share premium accounts	31.3	31.3		
Capital reserves	287.8	215.2		
Retained profits and other revenue reserves	237.3	212.8		
	597.9	500.8		
Deferred investment gains	265.2	242.1		
Long term assurance business funds			3,003.8	2,630.8
	863.1	742.9	3,003.8	2,630.8

For notes see pages 8, 9 and 16 to 24

BALANCE SHEET

(HOLDING COMPANY)
AS AT 31st DECEMBER 1985

Note	Amounts in £m	
	1985	1984
Fixed assets		
Investments:		
15 Shares in subsidiaries (at cost)	121.4	101.5
12 Other investments other than loans	1.6	1.8
	<u>123.0</u>	<u>103.3</u>
Amounts owed by B.A.T Industries' group companies	201.7	—
Current assets		
Debtors:		
Amounts owed by subsidiaries	27.1	23.8
2 Other debtors: United Kingdom taxation recoverable	1.3	0.5
	<u>28.4</u>	<u>24.3</u>
Creditors: amounts falling due within one year:		
Amounts owed to B.A.T Industries' group companies	44.0	32.3
10½% p.a. Redeemable Unsecured Loan Notes 1985	—	16.3
Amounts owed to subsidiaries	48.3	—
2 Other creditors including taxation and social security	0.3	2.6
Bank overdrafts	0.1	—
	<u>92.7</u>	<u>51.2</u>
Net current liabilities	(64.3)	(26.9)
Total assets less current liabilities	<u>260.4</u>	<u>76.4</u>
Creditors: amounts falling due after more than one year:		
Due to long term funds	100.0	—
	<u>160.4</u>	<u>76.4</u>
9 Capital and reserves:		
Called up share capital	41.5	41.5
Share premium account	1.6	1.6
Revaluation reserve	1.3	1.0
Profit and loss account	116.0	32.3
	<u>160.4</u>	<u>76.4</u>

J. Q. Hollom, *Chairman*

A. R. N. Ratcliff, *Director*

25th March 1986

For notes see pages 8, 9 and 16 to 24

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(EXCLUDING LONG TERM BUSINESS)
FOR THE YEAR ENDED 31st DECEMBER 1985

	Amounts in £m	
	1985	1984
Source of funds		
Surplus before taxation, and after minority interests and extraordinary items	189.7	142.1
Adjustments for items not involving the movement of funds:		
Unrealised investment appreciation, reserve transfers and goodwill	(95.3)	(51.5)
Insurance funds including outstanding claims	131.1	137.1
Agents balances and debtors	(5.0)	(43.1)
Creditors	83.3	28.5
Total generated from operations	303.8	213.1
Funds from other sources		
Increase in loans	2.0	2.7
	305.8	215.8
Application of funds		
Balances with B.A.T Industries' group companies	(335.0)	—
Redemption of loan notes	(16.3)	(0.7)
Taxation	(47.5)	(36.4)
Dividends paid	(39.0)	(67.7)
Increase/(decrease) in amounts available for investment	(132.0)	111.0
Changes in cost of investments and net liquid funds		
Increase/(decrease) in:		
Mortgages and loans	(5.2)	0.4
Properties	—	(11.2)
Fixed interest securities	(81.4)	72.1
Equities	(8.6)	6.2
Deposits	(31.6)	21.4
Associated companies	(0.8)	2.1
Gresham Investment Trust	22.6	—
Groveswood Securities	(34.8)	14.9
	(139.8)	105.9
Cash and bank balances	7.8	5.1
	(132.0)	111.0

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.

2a Taxation in the consolidated long term business revenue account and consolidated profit and loss account is as follows:

	Amounts in £m		Profit and loss account	
	Long term business 1985	1984	1985	1984
Eagle Star and subsidiaries:				
United Kingdom taxation:				
Corporation tax	2.6	2.3	24.4	17.5
Double taxation relief	(0.5)	(0.5)	(0.8)	(1.0)
Imputed tax credit	4.6	4.2	9.2	8.8
Corporation tax and income tax in respect of previous years	(3.6)	(1.8)	(10.8)	(0.6)
Development land tax	—	—	—	0.4
Deferred taxation	0.7	0.5	(8.9)	1.8
	<u>3.8</u>	<u>4.7</u>	<u>13.1</u>	<u>26.9</u>
Overseas taxation on profits and income	5.8	4.8	6.6	6.8
Associated companies	—	—	—	0.1
	<u>9.6</u>	<u>9.5</u>	<u>19.7</u>	<u>33.8</u>

b Taxation in the balance sheets is as follows:

	Consolidated shareholders		Amounts in £m Consolidated long term		Holding company	
	1985	1984	1985	1984	1985	1984
Recoverable:						
United Kingdom						
Current	34.3	19.6	23.3	8.1	1.3	—
Deferred	2.7	0.5	—	—	—	—
Overseas						0.5
Current	0.4	1.6	0.3	0.2	—	—
	<u>37.4</u>	<u>21.7</u>	<u>23.6</u>	<u>8.3</u>	<u>1.3</u>	<u>0.5</u>
Payable:						
United Kingdom						
Current	8.6	9.0	3.0	0.8	—	2.6
Deferred	18.7	36.6	—	—	0.3	—
Overseas						—
Current	6.0	4.0	6.6	6.4	—	—
Deferred	10.4	6.2	—	—	—	—
	<u>43.7</u>	<u>55.8</u>	<u>9.6</u>	<u>7.2</u>	<u>0.3</u>	<u>2.6</u>

NOTES TO THE ACCOUNTS

c Deferred taxation in the shareholders' funds:

i The provision for deferred taxation comprises:

	Amounts in £m			
	Consolidated shareholders		Holding company	
	1985	1984	1985	1984
Unrealised gains on investments	31.5	36.4	—	—
Interest	2.3	8.7	0.3	0.1
Advance corporation tax recoverable	—	(0.6)	—	(0.6)
Other short-term timing differences	(7.4)	(2.2)	—	—
	<u>26.4</u>	<u>42.3</u>	<u>0.3</u>	<u>(0.5)</u>

ii The potential deferred taxation liability of the shareholders' funds for which no provision has been made in the accounts comprises:

	Amounts in £m			
	Consolidated shareholders		Holding company	
	1985	1984	1985	1984
Unrealised gains on investments	146.4	141.4	0.4	0.4
Other timing differences	(1.5)	(1.9)	0.1	—
	<u>144.9</u>	<u>139.5</u>	<u>0.5</u>	<u>0.4</u>

d Deferred taxation for which no provision has been made in the accounts in respect of the long term funds is estimated to be £39.0m (1984: £38.0m) relating to chargeable gains in respect of intra-group property transfers and the unrealised surpluses arising from the revaluation of properties.

3 The amount included in the consolidated profit and loss account in respect of the shareholders' long term profits is made up as follows:

	Amounts in £m	
	1985	1984
Transfer from revenue account	16.2	13.4
Related taxation	9.0	8.8
	<u>25.2</u>	<u>22.2</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.

The transfer from revenue account represents the shareholders' proportion of the actuarial surplus for the year.

4 The group premium income for the year after deducting reinsurance was as follows:

	Amounts in £m	
	1985	1984
General business:		
Fire, accident and motor	720.2	620.5
Marine, aviation and transport (less brokerage)	43.5	44.1
	<u>763.7</u>	<u>664.6</u>
Long term business	<u>455.5</u>	<u>412.0</u>

NOTES TO THE ACCOUNTS

- 5 Of the net surplus for the year of £97.4m (1984: £59.2m) the amount of £128.6m (1984: £24.6m) 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.258 (5) of the Companies Act 1985.

- 6 Investment income is arrived at after deducting interest paid as follows:

	Amounts in £m	
	1985	1984
On short term loans	0.5	1.8
On other loans	7.8	0.5
	<u>8.3</u>	<u>2.3</u>

- 7 a The aggregate amount of the emoluments of the Directors was:

	1985	1984
	£	£
For services as Directors	85,000	72,000
Other emoluments	580,000	503,000
Pensions paid to former Directors	4,000	17,000
	<u>669,000</u>	<u>592,000</u>

- b Their emoluments, excluding pension fund contributions, were:

	1985	1984
	£	£
Chairmen:		
Sir Denis Mountain (1.1.85 — 4.12.85)	118,412	98,481
Sir Jasper Hollom (5.12.85 — 31.12.85)	1,849	—
Highest paid Director	123,732	104,291
Other Directors:		
Up to £5,000	11	16
£5,001— £10,000	3	1
£10,001—£15,000	—	1
£15,001—£20,000	—	1
£20,001—£25,000	1	—
£25,001—£30,000	1	—

- c One Director waived fees receivable from the company of £2,000 (1984: £5,250)

- 8 The total remuneration of the auditors of the group for 1985 has been estimated at £1,252,000 (1984: £1,197,000).

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

	Amounts in £000's	
	1985	1984
Authorised:		
138,325,004 deferred shares of 25p each	34,581	34,581
208,374,980 ordinary shares of 5p each	10,419	10,419
	<u>45,000</u>	<u>45,000</u>
Issued and fully paid:		
138,325,004 deferred shares of 25p each	34,581	34,581
138,325,004 ordinary shares of 5p each	6,916	6,916
	<u>41,497</u>	<u>41,497</u>

NOTES TO THE ACCOUNTS

	Amounts in £m			
	Consolidated		Holding company	
	1985	1984	1985	1984
b The movements in share premium accounts were as follows:				
Balance brought forward	31.3	38.2	1.6	8.5
Capitalisation on reorganisation of shares	—	(6.9)	—	(6.9)
Balance carried forward	31.3	31.3	1.6	1.6
c The movements in capital and revaluation reserves were as follows:				
Balance brought forward	215.2	166.1	1.0	1.1
Transfer from profit and loss account	72.6	49.1	—	—
Other movements	—	—	0.3	(0.1)
Balance carried forward	287.8	215.2	1.3	1.0
d The movements in retained profits and other reserves were as follows:				
Balance brought forward	212.8	189.9	32.3	47.7
Retained in year	58.4	19.2	89.6	(14.2)
Goodwill eliminated on acquisition of shares in subsidiaries	(8.6)	(0.4)	(5.4)	—
Exchange differences on retranslation of investments in:				
Overseas subsidiaries	(25.3)	4.1	—	—
Other investments	—	—	(0.5)	(1.2)
Balance carried forward	237.3	212.8	116.0	32.3
e Extraordinary items in the consolidated profit and loss account were as follows:				
Groveswood Securities:				
Profits on sales of investments and properties	79.6	1.1		
Taxation	—	(3.9)		
Other	(0.3)	(0.8)		
	79.3	(3.6)		
f The movements in deferred investment gains were as follows:				
Balance brought forward	242.1	234.8		
Transfer from investment returns	23.1	7.3		
Balance carried forward	265.2	242.1		

10 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 note 12(c).

11 At 31st December 1985 the group had expenditure contracted for but not provided of £2.8m in the shareholders' funds (1984: £9.6m) and £47.3m in the long term funds (1984: £23.5m) and, in addition expenditure authorised but not contracted for of £15.4m in the shareholders' funds (1984: £1.7m) and £61.7m in the long term funds (1984: £23.8m). These are principally in respect of property developments.

NOTES TO THE ACCOUNTS

12 i The following is an analysis of the investments in the shareholders' funds at market value, excluding associated companies, and investments in the long term funds at book amount less reserves:

a Investments:

	Amounts in £m			
	Consolidated shareholders		Consolidated long term	
	1985	1984	1985	1984
Mortgages and loans	27.6	30.5	397.7	353.2
Properties	145.6	146.0	536.2	525.5
British Government securities	178.0	243.6	471.1	411.6
Other fixed interest securities	326.0	340.4	429.0	408.1
Ordinary stocks and shares	745.3	672.6	884.1	714.4
Deposits at interest	48.4	80.1	189.1	211.5
	<u>1,470.9</u>	<u>1,513.2</u>	<u>2,907.2</u>	<u>2,624.3</u>
Market value - long term funds			<u>3,650.8</u>	<u>3,304.8</u>

b Associated companies:

Group's share of net assets excluding goodwill	2.1	1.5
Other balances	<u>0.3</u>	<u>1.7</u>
	<u>2.4</u>	<u>3.2</u>
Market value of investments	<u>1.9</u>	<u>1.8</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.

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

	Amounts in £m	
	1985	1984
Unlisted investments:		
At cost at 1st January	0.8	0.9
Additions	—	0.9
Exchange	<u>(0.5)</u>	<u>(1.0)</u>
At cost at 31st December	<u>0.3</u>	<u>0.8</u>
Directors' valuation at 31st December	<u>1.6</u>	<u>1.8</u>

13 Loans and advances in the consolidated balance sheets are as follows:

	Amounts in £m			
	Shareholders		Long term	
	1985	1984	1985	1984
Over five years:				
Secured, 7½ per cent per annum due 1996	—	—	0.6	0.6
Secured, 12 per cent per annum due 1989/1997	0.3	0.5	—	—
Under 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
Sundry loans and advances:				
Between two and five years	0.2	0.3	—	—
Up to one year	0.2	0.6	4.2	0.9
Advances from bankers—up to one year	<u>15.7</u>	<u>13.0</u>	<u>3.5</u>	<u>1.6</u>
	<u>16.4</u>	<u>14.4</u>	<u>9.6</u>	<u>4.4</u>

NOTES TO THE ACCOUNTS

14 In the consolidated balance sheets other creditors are as follows:

	Amounts in £m			
	Shareholders		Long term	
	1985	1984	1985	1984
Minority interests in subsidiaries	17.0	22.9	—	—
Long term business outstanding claims			20.8	7.5
Other items	41.5	37.2	39.1	27.3
	<u>58.5</u>	<u>60.1</u>	<u>59.9</u>	<u>34.8</u>

15a Interest in Grovewood Securities shown in the consolidated shareholders' balance sheet is as follows:

	Amounts in £m	
	1985	1984
Net assets excluding goodwill	50.5	61.7
Secured loans	20.0	41.8
Other balances including short term loans	18.6	20.4
	<u>89.1</u>	<u>123.9</u>
Less net assets of Gresham Investment Trust	—	24.1
	<u>89.1</u>	<u>99.8</u>

b Interest in Gresham Investment Trust shown in the consolidated shareholders' balance sheet is as follows:

	1985	1984
Net assets excluding goodwill	15.8	24.1
Other balances	6.8	—
	<u>22.6</u>	<u>24.1</u>

c Shares in group companies, including Grovewood Securities and Gresham Investment Trust, shown in the balance sheet of the company and movements thereon during the year are as follows:

	Amounts in £m	
	1985	1984
At cost at 1st January	101.5	101.5
Additions	19.9	—
	<u>121.4</u>	<u>101.5</u>
At cost at 31st December		

16a 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.

	Amounts in £m			
	Contribution to group trading profit		Turnover	
	1985	1984	1985	1984
Investment income	1.7	3.8	—	—
Manufacturing	16.2	16.8	112.6	109.3
Distribution and service	12.8	11.1	156.7	135.5
	<u>30.7</u>	<u>31.7</u>	<u>269.3</u>	<u>244.8</u>

NOTES TO THE ACCOUNTS

- b The following is a summary of the consolidated accounts of Grovewood Securities Limited for the year ended 31st December 1985 prepared under the historic cost convention:

	1985	Amounts in £m		1984
Profit and loss account				
Profit before taxation, including associated companies £1.4m (1984: £2.7m)	29.1			28.2
Less profit attributable to Gresham Investment Trust	—			(2.8)
Taxation	(12.5)			(9.4)
Minority interests	(2.6)			(2.4)
Extraordinary items	80.5			(3.6)
Net profit	<u>94.5</u>			<u>10.0</u>
Balance sheet				
Fixed assets and investments	51.8			56.7
Current assets	90.6		145.5	
Less amounts due within one year	<u>68.7</u>	<u>21.9</u>	<u>98.3</u>	<u>47.2</u>
	73.7			103.9
Less:				
Minority interests	5.4		12.5	
Amounts due over one year	<u>17.8</u>	<u>23.2</u>	<u>29.7</u>	<u>42.2</u>
Net assets	<u>50.5</u>			<u>61.7</u>

Deferred taxation provided in the accounts was £3.4m (1984 £3.5m). Deferred taxation not provided in the accounts is estimated to be £2.8m (1984: £5.0m).

- 17 The following is a summary of the consolidated accounts of Gresham Investment Trust for the year ended 31st December 1985:

	1985	Amounts in £m		1984
Profit and loss account				
Profit before taxation	4.6			2.8
Taxation	(1.1)			(0.1)
	<u>3.5</u>			<u>2.7</u>
Balance sheet				
Fixed assets and investments	13.7			15.9
Current assets	19.4		16.1	
Less amounts due within one year	<u>15.3</u>	<u>4.1</u>	<u>5.0</u>	<u>11.1</u>
	17.8			27.0
Less amounts due over one year	2.0			2.9
Net assets	<u>15.8</u>			<u>24.1</u>

NOTES TO THE ACCOUNTS

18a Loans to Directors:

	Date effected	Principal amount of loan and interest accrued 1.1.85 £	Principal amount of loan and interest accrued 31.12.85 £	Maximum liability during the year £	Maturity date	Rate of interest %
David C. G. Jessel, (dec'd)	28.6.79	25,022	—	26,398	—	11
Sir Denis Mountain, Bt.	Between 1960 and 1973	173,903	173,903	175,980	1986 to 1995	9½
		61,918	61,918	62,751		10½
A. R. N. Ratcliff	13.6.69	21,614	21,614	21,742	1990	4

The loans to the late Mr. David C. G. Jessel and to 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 purchase 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 two officers, other than Directors, of the company who had loans outstanding at 31st December 1985. These loans were made by Eagle Star Insurance and the aggregate amount outstanding at the end of the year was £50,000.

19 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.

20 The Company's ultimate holding company is B.A.T Industries p.l.c. incorporated in Great Britain.

21 The following is a list of the group's major shareholdings in companies, other than subsidiaries, at 31st December 1985 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
England		
Philip Hill Investment Trust Ltd	ordinary	18.9
	5.25% preference	16.0
*Star Assurance Society Ltd	£2,000,000 ordinary	50.0
Barbados		
*Barbados Fire & General Insurance Co	B \$1,000,000 ordinary	30.0
Switzerland		
Rothschild 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.

NOTES TO THE ACCOUNTS

- 22 The following is a list of the company's principal subsidiaries at 31st December 1985 and particulars of the percentages of nominal value of issued shares then held:

Company and country of registration or incorporation	Class of share capital	Percentage of nominal value held by the company	Percentage of nominal value held by subsidiaries
England			
Ashdale Land and Property Co Ltd	ordinary	100.0	
City of London Insurance Co Ltd	ordinary		100.0
Eagle Pension Funds Ltd	ordinary		100.0
Eagle Star Farms Ltd	ordinary		100.0
Eagle Star Forests Ltd	ordinary		100.0
Eagle Star Group Engineering Insurance Ltd	ordinary		100.0
Eagle Star Insurance Co Ltd	ordinary	100.0	
Eagle Star Investments Ltd	ordinary		100.0
Eagle Star (Leasing) Ltd	ordinary		100.0
Eagle Star Properties Ltd	ordinary	100.0	
Eagle Star Trust Co Ltd	ordinary	100.0	
Eagle Star Unit Managers Ltd	ordinary		100.0
*Gresham Investment Trust PLC	ordinary	100.0	
*Groveswood Securities Ltd	ordinary	100.0	
*Home & Overseas Insurance Co Ltd	ordinary		100.0
Jas. W. King & Co Ltd	ordinary	100.0	
Liverpool Reversionary Co Ltd	ordinary		100.0
Midland Assurance Ltd	ordinary		100.0
Navigators & General Insurance Co Ltd	ordinary		100.0
	4½% preference		98.9
	6% preference		100.0
Threadneedle Insurance Co Ltd	ordinary		100.0
Australia			
Australian Eagle Insurance Co Ltd	ordinary		100.0
Bahamas			
Scypire Trust Ltd	ordinary		100.0
Belgium			
Groupe Eagle Star-Compagnie de Bruxelles 1821 SA	ordinary		99.8
Channel Islands			
Eagle Star Trust Co (Guernsey) Ltd	ordinary		100.0
Eagle Star Trust Co (Jersey) Ltd	ordinary		100.0
France			
Eagle Star-L'Indépendance SA	ordinary		92.3
Eagle Star Vie SA	ordinary		99.9
Hong Kong			
Asian Eagle Insurance Co Ltd	ordinary		100.0
Mollers' Insurance Agents (Hong Kong) Ltd	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 of Puerto Rico	ordinary		80.0
Republic of Ireland			
*Shield Insurance Co Ltd	ordinary		100.0
*Shield Life Insurance Co Ltd	ordinary		100.0
Republic of South Africa			
South African Eagle Insurance Co Ltd	ordinary		59.2
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 1985, excluding Groveswood Securities Ltd whose results are shown on pages 21 and 22, these companies contributed 9 per cent to the group premium income.