

145 4212

TARGET HOLDINGS LIMITED

REPORT AND ACCOUNTS

31st December 1986

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DIRECTORS' REPORT

The directors have pleasure in submitting their reports and accounts for the year ended 31st December 1986.

Activities

The company is an investment holding company and the main activities of its principal subsidiaries and associate are the transaction of long-term life assurance and pension business and the management of unit trusts and the provision of mortgages to the public linked to pension plans and endowment policies. The directors foresee no material change in the nature and scope of the company's activities.

On 31st October 1986 the company acquired from Target Group PLC a shareholding in Target Home Loans Limited for a total consideration of £950.

Group Properties

Information relating to changes in tangible fixed assets is given in notes 9 and 10.

Results

The directors do not recommend the payment of a final dividend (1985 - £400,000). No interim dividend was paid.

The profit for the year retained in the group is £4,020,000 (1985 - £169,000). As noted in the accounting policies in note 1, the results of Target Life Assurance Company Limited and its subsidiary, Target Annuities Limited, ("the Target Life Group") have not been consolidated.

Separate abridged financial information for the Target Life Group is set out in Notes 24 to 29 on pages 21 to 26.

Directors

The directors and their interests are shown in note 23.



DIRECTORS' REPORT (continued)

Disabled Persons

It is the policy of the company to offer equal opportunities to disabled persons applying for employment having due regard to their aptitudes and abilities in relation to the jobs available.

If any existing employee becomes disabled, every effort is made to ensure continuity of employment and that appropriate training is given.

The same opportunities are available to disabled persons as to other employees within the limitations of each individual's abilities.

Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees of the company. This is achieved through formal and informal meetings and the company bulletin. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Auditors

The auditors, KMG Thomson McLintock, are merging with Peat Marwick Mitchell & Co and are now practising under the name of Peat Marwick McLintock. Accordingly they have signed the audit report in their new name. A resolution concerning the appointment of Peat Marwick McLintock as auditors and their remuneration will be submitted to the annual general meeting.

By order of the Board

Paul Roberts

Paul Roberts
Secretary

Target House
Gatehouse Road
Aylesbury
Buckinghamshire
HP19 3EB

16th June 1987

CONSOLIDATED PROFIT AND LOSS ACCOUNTFor the year ended 31st December 1986

	Notes	1986 £000	1985 £000
Turnover	2	332,611	222,522
Cost of sales		(325,692)	(217,552)
Gross profit		6,919	4,971
Administrative expenses		(6,045)	(3,691)
Trading profit	3	874	1,280
Dividend from life assurance subsidiary		3,469	-
Other operating income		184	198
Share of associate company profit		7	-
Other interest receivable	6	1,374	143
		5,908	1,621
Interest payable	7	(894)	(837)
Profit on ordinary activities before tax	2	5,014	784
Tax on profit on ordinary activities	8	(994)	(215)
Profit on ordinary activities after tax		4,020	569
Dividends paid and proposed		-	(400)
Retained profit for the year	18	4,020	169

The accounting policies and notes on pages 6 to 26 form part of these accounts.

BALANCE SHEETS

At 31st December 1986

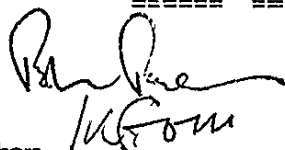
	Notes	Group		Company	
		1986 £000	1985 £000	1986 £000	1985 £000
FIXED ASSETS					
Tangible assets	9	1,711	1,498	1,340	1,350
Investments	10	55,171	40,228	58,143	43,200
		-----	-----	-----	-----
		56,882	41,726	59,483	44,550
CURRENT ASSETS					
Stocks	11	2,851	1,992	-	-
Debtors	12	23,449	14,887	11,099	4,930
Cash at bank and in hand		1,978	36	79	3
		-----	-----	-----	-----
		28,278	16,915	11,178	4,933
CREDITORS: Amounts falling due within one year	13	(25,185)	(16,781)	(7,785)	(5,116)
NET CURRENT ASSETS/(LIABILITIES)		3,093	134	3,393	(183)
		-----	-----	-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		59,975	41,860	62,876	44,367
CREDITORS: Amounts falling due after more than one year	14	(8,900)	(6,900)	(8,900)	(6,900)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(72)	(28)	(44)	-
		-----	-----	-----	-----
NET ASSETS		51,003	34,932	53,932	37,467
		=====	=====	=====	=====
CAPITAL AND RESERVES					
Called up share capital	16	14,002	14,002	14,002	14,002
Revaluation reserve	17	32,306	20,255	35,281	23,230
Profit and loss account	18	4,695	675	4,649	235
		-----	-----	-----	-----
SHAREHOLDERS' FUNDS		51,003	34,932	53,932	37,467
		=====	=====	=====	=====

PETER PARKER

Chairman

JOHN STONE

Managing Director



These accounts were approved by the Board of Directors on 16th June 1987.
The accounting policies and the notes on pages 6 to 26 form part of these accounts.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended 31st December 1986

	1986 £000	1985 £000
SOURCE OF FUNDS		
Profit on ordinary activities before tax	5,014	784
Adjustments for items not involving the movement of funds:		
Depreciation	93	73
(Profit)/Loss on sale of tangible fixed assets	9	(5)
Loss on sale of fixed asset investment	-	4
Tax credit on dividend from life assurance subsidiary	(534)	-
Provision for loss in associate company	44	-
Profit from associate company	(7)	-
	-----	-----
Total generated from operations	4,619	856
FUNDS FROM OTHER SOURCES		
Medium-term bank loan	2,000	1,000
Proceeds of sale of tangible fixed assets	18	28
Proceeds of sale of fixed asset investments	-	21
	-----	-----
	2,018	1,049
	-----	-----
	6,637	1,905
APPLICATION OF FUNDS		
Dividends paid	(384)	(80)
Tax and group relief paid	(159)	(435)
Purchase of tangible fixed assets	(333)	(1,443)
Purchase of shares in life assurance subsidiary	(749)	-
Purchase of shares in associate company	(1)	-
Purchase of other investments	(2,142)	-
	-----	-----
	(3,768)	(1,958)
	-----	-----
	2,869	(53)
	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Increase in stocks	859	130
Increase/(Decrease) in debtors (excluding tax)	8,609	(924)
(Increase)/Decrease in creditors (excluding tax and proposed dividends)	(11,370)	1,353
	-----	-----
	(1,902)	559
Movement in net liquid funds:		
Increase/(decrease) in cash at bank and in hand	1,942	(612)
Decrease in bank overdrafts	2,829	-
	-----	-----
	2,869	(53)
	=====	=====

The accounting policies and the notes on pages 6 to 26 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Basis of preparation and consolidation

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain assets of Target Life Assurance Company Limited, and in accordance with s228 and s230 of, and Schedule 4 to, the Companies Act 1985. A consolidated profit and loss account has been presented for the group only as provided by s228(7) of the Companies Act 1985.

The group accounts consolidate the accounts of the company and all its subsidiaries with the exception of the Target Life Group, ("TLG").

TLG carries on long term life assurance, pensions and annuity business and the directors believe that this business is so dissimilar from those of other companies within the group that full consolidation of the TLG accounts would be misleading. Accordingly, group accounts have been prepared in the form of consolidated accounts for the company and its subsidiaries excluding TLG, together with separate abridged financial information for TLG extracted from the audited consolidated accounts of Target Life Assurance Company Limited for the year to 31st December 1986.

The consolidated financial statements include the appropriate share of the associated company's results and retained reserves based on audited accounts for the year.

b) Investment in Target Life Assurance Company Limited

Each year the investment in TLA is revalued by the directors, based on an independent actuarial appraisal. This takes into account the net assets of the company and the value of policies in force at that time. Any increase in valuation is converted into a tangible asset at the relevant date.

c) Investments

Investments are included at cost except for the investment in TLG which is valued in accordance with the above accounting policy.

Investments held by TLG are valued at close of business on the last dealing day of the year as follows:

Unit trust holdings	-	at published bid price
Listed investments	-	at middle market price
Unlisted investments	-	at directors' valuation

Investment properties are included at valuations made by independent chartered surveyors on the basis of open market values at the balance sheet date, less estimated selling expenses.

NOTES TO THE ACCOUNTS (continued)

d) Income

Turnover comprises amounts derived from the group's ordinary activities consisting of trading in units and fees receivable for the management of unit trusts.

Income from unlisted investments is brought into account when received.

Income distributions from unit trust holdings and listed investments are accounted for at the dates that such holdings are quoted ex-distribution.

Income received under deduction of tax is brought into account after taking credit for such tax.

The income earned from funding the initial commission payments made by the company's life assurance subsidiary in relation to certain types of policy, is included in Other Income so as to provide a constant rate of return on the amounts outstanding. Any amounts of principal or income that become irrecoverable are charged against that income.

e) Depreciation

Depreciation is provided so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful lives as follows:

Equipment - Five years
Motor vehicles - Four years

f) Stocks

Stocks of units held at the balance sheet date are valued at the lower of cost and published bid value.

g) Deferred tax

Deferred tax is provided on short term timing differences and on the excess of capital allowances over depreciation if material, only to the extent that it is probable that an actual liability will crystallise.

NOTES TO THE ACCOUNTS (continued)

h) Group pension scheme

Certain employees and directors are included in the group pension scheme on the grounds of age or emoluments. No contributions were made to the scheme during the year as it continues to be fully funded. The scheme is financed through a separate self-administered fund.

i) Computer development expenditure

All costs related to computer development expenditure have been treated as revenue items and written off when incurred. The costs of externally produced software packages are amortised over a period not exceeding three years.

j) Leasing

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the life fund revenue account in equal annual amounts over the periods of the leases.

k) Premiums

Premiums are shown net of reinsurance. Premiums received in respect of proposals which were not accepted at the balance sheet date are not included in the life fund.

NOTES TO THE ACCOUNTS (continued)

1) Claims

Claims are brought into account when notified and are shown net of reinsurance.

m) Commission

Commission is shown net of reinsurance.

n) Foreign currencies

Foreign currency balances have been converted into sterling at rates ruling at the balance sheet date. Any differences arising therefrom are taken to the consolidated profit and loss account or, in the case of TLG, to the life fund revenue account.

2. TURNOVER AND PROFIT BEFORE TAX

	Turnover		Attributable pre-tax profit	
	1986	1985	1986	1985
	£000	£000	£000	£000
Unit trust and offshore fund management	332,611	222,407	1,023	1,623
Unit trust administration	-	11.5		7
Mortgage business				
-Profit/(Loss) of associated company	-	-	7	(81)
Life assurance	-	-	3,469	-
Interest received/(paid)	-	-	515	(765)
	332,611	222,522	5,014	784
	=====	=====	=====	=====

Turnover includes sales of units to TLA of £141,974,000 (1985: £109,189,000).

Cost of sales includes repurchases from TLA of £117,507,000 (1985: £78,340,000)

All of the turnover arises in the UK with the exception of £14,539,000 relating to unit trust offshore fund management which arises in the Isle of Man, Jersey and Luxembourg.

NOTES TO THE ACCOUNTS (continued)

3. TRADING PROFIT

	1986 £000	1985 £000
Trading profit is stated after charging:		
Depreciation of tangible fixed assets	93	73
(Profit)/Loss disposal of tangible fixed assets	9	(5)
Auditors' remuneration	43	35
	=====	=====

4. GROUP EMPLOYEES (including TLG)

	1986 No.	1985 No.
Average number of employees by activity:		
Marketing	150	138
Administration	545	459
	-----	-----
	695	597
	=====	=====
	£000	£000
Wages and salaries	8,057	5,828
Social security costs	788	505
	-----	-----
	8,845	6,333
	=====	=====

The number of employees whose remuneration fell into the following bands was:

	No. of employees			No. of employees	
	1986	1985		1986	1985
£30,001-£35,000	14	6	£55,001-£60,000	-	1
£35,001-£40,000	12	5	£60,001-£65,000	1	-
£40,001-£45,000	9	2	£65,001-£70,000	3	-
£45,001-£50,000	5	3	£95,001-£100,000	1	-
£50,001-£55,000	2	1			

No pension fund contributions were made by the Group during the year.

NOTES TO THE ACCOUNTS (continued)

	1986 £000	1985 £000
5. DIRECTORS' EMOLUMENTS		
Fees	20	20
Management remuneration	373	238
	=====	=====
	393	258
	=====	=====

Emoluments

	1986 £000	1985 £000
of the chairman	20	20
of the highest paid director	134	109
	=====	=====

The emoluments of other directors fell within the following bands:

	1986 No.	1985 No.
£30,001 - £35,000	1	-
£40,001 - £45,000	1	-
£55,001 - £60,000	1	1
£105,001 - £110,000	1	1
	=====	=====

No pension fund contributions were made by the Group during the year.

6. OTHER INTEREST RECEIVABLE	1986 £000	1985 £000
Interest from commission funding arrangement	1250	-
Interest receivable on loans and deposits	124	143
	=====	=====
	1374	143
	=====	=====
7. INTEREST PAYABLE	1986 £000	1985 £000
Bank overdrafts and loans wholly repayable within five years	894	837
	=====	=====

NOTES TO THE ACCOUNTS (continued)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1986 £000	1985 £000
UK Corporation tax at an average rate of 36.25% (41.25%)	356	79
Share of tax on associated company profits	7	(33)
Group relief receivable	(15)	105
Tax credits attributable to franked investment income	690	84
Prior year adjustments	(44)	(20)
	-----	-----
	994	215
	=====	=====

NOTES TO THE ACCOUNTS (continued)

9. TANGIBLE FIXED ASSETS

GROUP	Freehold Investment Property £000	Plant and Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1st January 1986	1,257	50	298	1,605
Additions		280	53	333
Disposals	(12)	-	(35)	(47)
At 31st December 1986	1,245	330	316	1,891
Depreciation				
At 1st January 1986	-	27	80	107
Charge for the year	-	12	81	93
Disposals	-	-	(20)	(20)
At 31st December 1986	-	39	141	180
Net book value				
At 31st December 1986	1,245	291	175	1711
At 31st December 1985	1,257	23	218	1,498
COMPANY				
Cost				
At 1st January 1986	1,257	-	115	1,372
Additions		5	39	44
Disposals	(12)	-	(12)	(24)
At 31st December 1986	1,245	5	142	1392
Depreciation				
At 1st January 1986	-	-	22	22
Charge for the year	-	1	34	35
Disposals	-	-	(5)	(5)
At 31st December 1986	-	1	51	52
Net book value				
At 31st December 1986	1,245	4	91	1,340
At 31st December 1985	1,257	-	93	1,350

NOTES TO THE ACCOUNTS (continued)

10. FIXED ASSET INVESTMENTS

GROUP

	As at 1st January 1986 £000	Revaluation £000	Additions £000	As at 31st December 1986 £000
Investment in life assurance subsidiary	40,200	12,051	749	53,000
Units in authorised unit trusts	28	-	-	28
Mortgage loans	-	-	2,142	2,142
Investment in associate company	-	-	1	1
	----- 40,228 =====	----- 12,051 =====	----- 2,892 =====	----- 55,171 =====

The investment in the insurance subsidiary, Target Life Assurance Company Limited, was valued by the directors at £53,000,000 at 31st December 1986 in accordance with the procedure described in accounting policy note 1(b).

No provision has been made for any tax which might arise if the group were to dispose of the investment at this value as it is not the intention of the directors to make such a disposal in the foreseeable future; the maximum amount of such taxation is estimated to be £11.1 million.

The investments in unit trusts, all of which are managed by group companies, have been deposited with the trustees of certain unit trusts to secure provision for future management expenses. The market values of the investments in unit trusts at 31st December 1986 amounted to £87,000 (1985 - £74,000).

COMPANY

The company's investments in other subsidiary companies are shown at their original costs and the directors consider that they are worth not less than these amounts.

	Mortgage Loans £000	Insurance Subsidiary £000	Other Subsidiaries £000	Total £000
At 1st January 1986	-	40,200	3,000	43,200
Revaluation	-	12,051	-	12,051
Additions	2,142	749	1	2,892
	----- 2,142 =====	----- 53,000 =====	----- 3,001 =====	----- 58,143 =====

On 31st October 1986 Target Group PLC's holding in the unlisted company, Target Home Loans Limited, was acquired by Target Holdings Limited for a consideration of £950. Further information on Target Home Loans Limited is set out in note 22.

NOTES TO THE ACCOUNTS (continued)

	1986 £000	1985 £000
11. STOCKS		
GROUP		
Units in authorised unit trusts	2,851 =====	1,992 =====
12. DEBTORS		
GROUP		
Due within one year:		
Amount due from associate company	468	-
Trade debtors	13,233	4,739
Amounts owed by group companies:		
- TLA commissions agreement	4,693	2,403
- TLA other	-	6,141
Other debtors	749	114
Tax	290	337
Prepayments and accrued income	-	57
Proposed dividend	2,935	-
	22,368	13,791
Due after one year:		
TLA commissions agreement	1,035	1,030
Other debtors	46	66
	23,449 =====	14,887 =====
COMPANY		
Due within one year:		
Amounts owed by subsidiaries:		
- TLA commissions agreement	4,693	2,403
Group dividends receivable	4,179	800
Group relief receivable	389	580
Corporation tax receivable	273	114
Other debtors	530	3
	10,064	3,900
Due after one year:		
TLA commissions agreement	1,035	1,030
	11,099 =====	4,930 =====

The amounts recoverable from TLA include £5,281,000 (1985 - £3,433,000) which arises under an agreement whereby Target Holdings Limited makes advances to the subsidiary of amounts equivalent to the initial commission payable on certain types of policy. TLA repays these advances and charges them to its life fund revenue account when the premiums from the related policies are received.

NOTES TO THE ACCOUNTS (continued)

13. CREDITORS: Amounts falling due within one year

	1986	1985
	£000	£000
GROUP		
Bank overdrafts	270	3,099
Trade creditors	11,079	1,143
Amounts owed to group companies		
- TIA	10,086	5,438
- Holding company and fellow subsidiaries	2,610	2,488
- Associated companies	-	3,236
Other creditors	283	574
Group relief payable	139	-
Tax and social security	312	204
Accruals and deferred income	406	199
Proposed dividend	-	400
	-----	-----
	25,185	16,781
	=====	=====
COMPANY		
Amounts owed to group companies:		
- Holding company and fellow subsidiaries	1,481	433
- Own subsidiaries	6,283	1,225
- Related company	-	3,000
- Accruals and deferred income	-	37
- Other creditors	21	21
- Proposed dividend	-	400
	-----	-----
	7,785	5,116
	=====	=====

14. CREDITORS: Amounts falling due after more than one year.

	1986		1985	
	Group	Company	Group	Company
	£ 000	£ 000	£ 000	£ 000
Unsecured bank loans				
repayable between two and				
five years	8,900	8,900	6,900	6,900
	=====	=====	=====	=====

Interest on the bank loans is repayable at a fixed margin above LIBOR.

NOTES TO THE ACCOUNTS (continued)

15. PROVISIONS FOR LIABILITIES AND CHARGES

	1986	1985
	£000	£000
Provision for losses in associated company	44	"
Provision for future management expenses (see note 10)	28	28
	-----	-----
	72	28
	=====	=====

16. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

	As at 31st December 1986 and 31st December 1985	
	No.	£000
'A' Ordinary shares of 1p each	140,000	1
'B' Ordinary shares of £1 each	1,000	1
'C' Ordinary shares of £1 each	1	-
Deferred shares of £1 each	14,000,000	14,000

		14,002
		=====

17. REVALUATION RESERVE

	Group	Company
	£000	£000
At 1st January 1986	20,255	23,230
Revaluation during the year (note 10)	12,051	12,051
	-----	-----
At 31st December 1986	32,306	35,281
	=====	=====

18. PROFIT AND LOSS ACCOUNT

	Group	Company
	£000	£000
Balance at 1st January 1986	675	235
Retained profit for the year	4,020	4,414
	-----	-----
Balance at 31st December 1986	4,695	4,649
	=====	=====

NOTES TO THE ACCOUNTS (continued)

19. CAPITAL COMMITMENTS

	1986 £000	1985 £000
Capital expenditure contracted for but not provided	60	-

20. PRINCIPAL SUBSIDIARY COMPANIES

Company	Registered Office	Activity
Target Life Assurance Company Limited	Target House Gatehouse Road Aylesbury Buckinghamshire HP19 3EJ	Long-term life assurance and pensions
Target Annuities Limited*	As above	Reassurance of annuity policies
Target Trust Managers Limited	As above	Unit trust management
Target Investment Management Limited*	As above	Investment management and advice
Target International Management Limited	As above	Holding company for offshore and overseas operations

* Owned indirectly

On 25th March 1987 the company acquired Carlisle Unit Fund Managers Limited's holding in Target Investment Management Limited for a consideration of £92,000.

All the above companies are incorporated and, except Target International Management Limited, operate in Great Britain.

All the above companies are wholly owned subsidiaries of Target Holdings Limited except Target Life Assurance Company Limited and its wholly owned subsidiary, Target Annuities Limited.

Target Holdings Limited owns all the share capital of Target Life Assurance Company Limited except for 30% of the 5% Non-cumulative Redeemable Participating and Preference shares.

10. FIXED ASSET INVESTMENTS

GROUP

	As at 1st January 1986 £000	Revaluation £000	Additions £000	As at 31st December 1986 £000
Investment in life assurance subsidiary	40,200	12,051	749	53,000
Units in authorised unit trusts	28	-	-	28
Mortgage loans	-	-	2,142	2,142
Investment in associate company	-	-	1	1
	40,228	12,051	2,892	55,171
	=====	=====	=====	=====

The investment in the insurance subsidiary, Target Life Assurance Company Limited, was valued by the directors at £53,000,000 at 31st December 1986 in accordance with the procedure described in accounting policy note 1(b).

No provision has been made for any tax which might arise if the group were to dispose of the investment at this value as it is not the intention of the directors to make such a disposal in the foreseeable future; the maximum amount of such taxation is estimated to be £11.1 million.

The investments in unit trusts, all of which are managed by group companies, have been deposited with the trustees of certain unit trusts to secure provision for future management expenses. The market values of the investments in unit trusts at 31st December 1986 amounted to £87,000 (1985 - £74,000).

COMPANY

The company's investments in other subsidiary companies are shown at their original costs and the directors consider that they are worth not less than these amounts.

	Mortgage Loans £000	Insurance Subsidiary £000	Other Subsidiaries £000	Total £000
At 1st January 1986	-	40,200	3,000	43,200
Revaluation	-	12,051	-	12,051
Additions	2,142	749	1	2,892
At 31st December 1986	2,142	53,000	3,001	58,143
	=====	=====	=====	=====

On 31st October 1986 Target Group PLC's holding in the unlisted company Target Home Loans Limited, was acquired by Target Holdings Limited for a consideration of £950. Further information on Target Home Loans Limited is set out in note 22.

NOTES TO THE ACCOUNTS (continued)

21. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Target Group PLC which is incorporated in Great Britain and registered in England,

22. INVESTMENT IN ASSOCIATED COMPANY

The associated company is Target Home Loans Limited, a company incorporated in Great Britain and registered in England which grants variable rate mortgages in Great Britain.

The issued share capital of Target Home Loans Limited at 31st December 1986 and the company's interests are as follows:

10 Ordinary Shares of £1 each	100%
40 Preferred Ordinary Shares of £1 each	100%
50 'A' Non-Cumulative Preference Shares of £1 each	Nil
900 'B' Non-Cumulative Preference Shares of £1 each	100%

Balance sheet summary at 31st December

	1986 £000	1985 £000
Mortgages on residential property (repayable over next 30 years)	90,754	6,004
Net current liabilities	(1,947)	(6,047)
	-----	-----
	88,807	(43)
Less: Medium term bank loan (secured)	(88,850)	-
	-----	-----
	(43)	(43)
	=====	=====
Share capital	1	1
Profit and loss account		
Loss at 1 January 1986	(44)	-
Profit/(loss) for the year	7	(81)
Tax payable	(7)	37
	-----	-----
	(43)	(43)
	=====	=====

Under the terms of the bank loan, the group has underwritten up to 5% of losses arising in the underlying portfolio of mortgages. The directors consider that no material losses will arise under this limited recourse. The group has also indemnified the lenders against any deficiency arising in the net worth of Target Home Loans Limited.

NOTES TO THE ACCOUNTS (continued)

23. DIRECTORS AND THEIR INTERESTS

The directors during the year were:

Sir Peter Parker MVO
 John Stone
 Paul Taylor
 John Rathbone (appointed 22nd May 1986)
 David Scott (appointed 22nd May 1986 and resigned 11th May 1987)
 Brian Weston

The interest of the directors (including the interests of their families) in shares of Target Group PLC and in Target Directors Limited (a company which owns approximately 4% of the share capital of Target Holdings Limited) at the beginning of the year (or date of appointment) and at the end of the year (or date of retirement) are set out below:

	Ordinary 25p shares in Target Group PLC 31st December 1986 and 1985	Options on Ordinary 25p shares in Target Group PLC 31st December 1986 and 1985	Ordinary £1 shares in Target Directors Limited 31st December 1986 and 1985
Sir Peter Parker	-	-	-
John Stone	808,754	191,000	534
Paul Taylor	608,754	175,000	490
John Rathbone	81,250	84,000	178
David Scott	238,750	75,000	211
Brian Weston	138,750	60,000	168

NOTES TO THE ACCOUNTS (continued)

24. TARGET LIFE GROUP LIFE FUND REVENUE ACCOUNT

For the year ended 31st December 1986

	Notes	1986 £000	1985 £000
INCOME			
Premiums - Annual		82,416	67,064
- Single		194,383	71,334
Interest, dividends and rents		20,071	16,319
Appreciation in value of investments		98,376	29,693
		-----	-----
		395,246	184,410
		=====	=====
OUTGOINGS			
Annuities		70	108
Death claims		3,543	2,548
Surrenders		65,729	54,621
Maturities		8,357	11,213
Commission	25	28,388	14,033
Management expenses	25	17,351	14,172
Establishment account transfer		-	3,000
Tax	25	543	-
Transfer to profit and loss accounts	26	2,957	-
		-----	-----
		126,938	99,745
		=====	=====
Increase in fund for the year		268,308	84,665
Fund brought forward		357,348	272,683
		-----	-----
Fund carried forward		625,656	357,348
		=====	=====

NOTES TO THE ACCOUNTS (continued)

25. NOTES TO TARGET LIFE GROUP LIFE FUND REVENUE ACCOUNT

COMMISSION

The company received from its immediate parent company, Target Holdings Limited, sums equivalent to the initial commission payable on certain types of business. These sums are repaid as the commission becomes earned over the first two years of the relevant policies' lives. Both the receipt of the sums from Target Holdings Limited and their subsequent repayment are reflected within commissions payable. The liability to make the repayments is accounted for within the actuarial valuation.

MANAGEMENT EXPENSES

	1986	1985
Management expenses include:	£000	£000
Auditors' remuneration	81	49
Interest payable - finance leases and hire purchase contracts	129	65
Hire of plant and machinery - operating leases	429	445
Hire of other assets - operating leases	697	553
	=====	=====
	1986	1985
	£000	£000
UK corporation tax at a rate of 29.25%	543	-
	=====	=====

The UK Corporation Tax liability is calculated on the basis applicable to companies transacting long-term life assurance business.

The company had unrelieved management expenses for tax purposes at 31st December 1986 estimated to amount to £4.6m (1985 £16.6m).

OPERATING LEASE COMMITMENTS

The annual charge in respect of operating lease rentals comprises the following

	Plant & Machinery £000	Other Assets £000	Total £000
Lease expiring within 1 year	26	10	36
Lease expiring after 1 year but within 5 years	165	72	237
Leases expiring after 5 years	-	872	872
	-----	-----	-----
	191	954	1,145
	=====	=====	=====

NOTES TO THE ACCOUNTS (continued)26. TARGET LIFE GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31st December 1986

	Notes	1986 £000	1985 £000
Transfer from long term assurance fund		2,957	-
		-----	-----
Profit on ordinary activities after tax		2,957	-
Dividends paid and proposed	27	2,957	-
		-----	-----
Retained profit for the year		-	-
		=====	=====

NOTES TO THE ACCOUNTS (continued)27. NOTES TO TARGET LIFE GROUP PROFIT AND LOSS ACCOUNT

DIVIDENDS PAID AND PROPOSED

	1986 £000	1985 £000
Proposed final dividend		
10% Non-cumulative Participating and Preference shares	2,420	-
7% Non-cumulative Redeemable Preference shares	413	-
5% Non-cumulative Redeemable Participating and Preference shares	74	-
1% Non-cumulative Deferred shares	40	-
Ordinary shares	10	-
	-----	-----
	2,957	-
	=====	=====

NOTES TO THE ACCOUNTS (continued)

28. TARGET LIFE GROUP BALANCE SHEET

As at 31st December 1986

	Notes	1986 £000	1985 £000
ASSETS EMPLOYED			
INVESTMENTS			
Issued or guaranteed by the British Government or a local authority		12,575	38,698
Debentures and loan stock		56	1,915
Unit trust funds		306,460	185,145
Equity investments		158,531	90,546
Investment properties		56,837	13,935
Secured loans		23,578	15,334
		-----	-----
		559,037	345,573
Freehold property, equipment and motor vehicles		3,202	1,272
Net current assets	29	76,527	20,733
Obligations under finance leases repayable between two and five years inclusive		(1,110)	(230)
		-----	-----
		636,656	367,348
		=====	=====
FINANCED BY			
Share capital	29	11,000	10,000
Life fund		625,656	357,348
		-----	-----
		636,656	367,348
		=====	=====

NOTES TO THE ACCOUNTS (continued)

29. NOTES TO TARGET LIFE GROUP BALANCE SHEET

NET CURRENT ASSETS	1986 £000	1985 £000
CURRENT ASSETS		
Brokers and agents	289	-
Reinsurers	788	666
Tax recoverable	3,991	3,941
Fellow subsidiaries	10,086	5,438
Debtors	13,838	7,767
Short term loans and deposits	69,639	11,880
Cash at bank and in hand	3,741	8,822
	-----	-----
	102,372	38,514
	-----	-----

CURRENT LIABILITIES

Proposed dividend	2,957	-
Claims notified but not yet paid	1,192	749
Fellow subsidiaries	-	6,141
Brokers and agents	-	178
Reinsurers	-	39
Premiums received in respect of proposals not yet accepted	5,099	4,719
Creditors	16,167	5,552
Bankers	-	266
Obligations under finance leases falling due within one year	430	137
	-----	-----
	25,845	17,781
	-----	-----

NET CURRENT ASSETS	76,527	20,733
	=====	=====

SHARE CAPITAL

Authorised, allotted, issued and fully paid:

	31st December 1986 No.	£000	31st December 1985 No.	£000
10% Non-Cumulative Participating and Preference £1 shares	100,000	100	100,000	100
7% Non-cumulative Participating and Preference £1 shares	5,899,600	5,899	5,899,600	5,899
5% Non-cumulative Redeemable Participating and Preference £1 shares	1,000,000	1,000	-	-
1% Non-cumulative Deferred £1 shares	4,000,000	4,000	4,000,000	4,000
Ordinary 10p shares	4,000	1	4,000	1
		-----		-----
		11,000		10,000
		=====		=====

AUDITORS' REPORT TO THE MEMBERS OF TARGET HOLDINGS LIMITED

We have audited the financial statements on pages 3 to 26 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December 1986 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

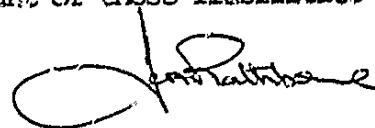
PEAT MARWICK McLINTOCK
Chartered Accountants

London

16th June 1987

CERTIFICATE OF ACTUARY OF LIFE ASSURANCE SUBSIDIARIES

In my opinion, the aggregate amount of the liabilities of Target Life Assurance Company Limited in relation to its long-term business as at 31st December 1986 did not exceed the aggregate amount of those liabilities shown in its balance sheet.



J.C.A. Rathbone
Fellow of the Institute of Actuaries
16th June 1987