21487

Commercial Union Assurance Company plc

1995 Report & Accounts

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The directors submit their Report and Accounts for Commercial Union Assurance Company plc, together with the consolidated accounts of the Group, for the year ended 31 December 1995.

Principal activities

The principal activities continue to comprise the transaction of all classes of general insurance and life assurance, other than industrial life, through the Company, its subsidiaries, associates and branches in the United Kingdom, Continental Europe, North America and many other territories throughout the world. The Group also invests in stocks, shares, properties, mortgages and loans and carries on the business of trading in property.

Results

The Group results for the year are set out in the consolidated profit and loss accounts on pages 2 to 4.

Dividend

The directors, having declared interim dividends totalling £210m *(1994 total dividends £180m)*, do not recommend the payment of any further dividend for the year. The reconciliation of movements in consolidated shareholders' funds is set out on page 5.

Directors

The directors in office during the year were as follows:

J G T Carter
A H Clifton
P J Foster
K N Grant
R Kemp
J S Rattray
P G Ward
A B Wyand

There were no contracts of significance subsisting during or at the end of the financial year in which a director of the Company was materially interested. The interests in the shares of Commercial Union plc held by the directors of the Company who held office at 31 December 1995 are set out in note 9 (b) on page 17. The particulars of directors' transactions or arrangements requiring disclosure pursuant to section 232 of the Companies Act 1985 are disclosed in note 9 (c) on page 17.

Directors' and officers' liability insurance

During the financial year to 31 December 1995, the Company effected insurance cover for the directors and officers of the Company as permitted by section 310 of the Companies Act 1985.

Reappointment of auditors

It will be proposed at the Annual General Meeting that the retiring auditors, Coopers & Lybrand, be reappointed as auditors to the Company to hold office for the period prescribed by section 385(2) of the Companies Act 1985 and that the directors be authorised to determine the amount of the remuneration of the auditors.

Approved and signed on behalf of the Board

K N Grant, Secretary, 28 February 1996 K N Grant

Registered office: St Helen's, 1 Undershaft, London EC3P 3DQ
Registered in England No. 21487

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Consolidated profit and loss account – technical account – general business
For the year ended 31 December 1995

	£m	1995 £m	£m	1994 Restated £m
Gross premiums written		**5,834**		5,148
Outward reinsurance premiums		**(873)**		(832)
Net premiums written (B & 4a)		**4,961**		4,316
Change in the provision for unearned premiums				
– gross amount		**(35)**		(24)
– reinsurers' share		**(8)**		5
		(43)		(19)
Earned premiums, net of reinsurance		**4,918**		4,297
Allocated investment return transferred from the non-technical account (F)		**668**		487
Claims paid				
– gross amount	**(4,050)**		(3,492)	
– reinsurers' share	**688**		549	
		(3,362)		(2,943)
Change in the provision for claims				
– gross amount	**(401)**		(185)	
– reinsurers' share	**96**		(5)	
		(305)		(190)
Claims incurred, net of reinsurance (C)		**(3,667)**		(3,133)
Changes in other technical provisions, net of reinsurance, not shown under other headings				
– unexpired risks		**12**		10
Net operating expenses (7)		**(1,457)**		(1,284)
Balance on the technical account – general business (4b)		**474**		377

The accounting policies (identified alphabetically) on pages 11 and 12 and notes (identified numerically) on pages 13 to 30 are an integral part of these accounts. The auditors' report is on page 10.

Consolidated profit and loss account – technical account – long term business
For the year ended 31 December 1995

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	1995		1994 Restated	
	£m	£m	£m	£m
Gross premiums written		3,774		2,523
Outward reinsurance premiums		(88)		(77)
Earned premiums, net of reinsurance (B & 4a)		3,686		2,446
Investment income (F & 6)		2,592		1,465
Unrealised gains/(losses) on investments (K)		1,033		(1,646)
Claims paid				
– gross amount	(2,654)		(1,526)	
– reinsurers' share	73		60	
		(2,581)		(1,466)
Change in the provision for claims				
– gross amount	(20)		(44)	
– reinsurers' share	1		(5)	
		(19)		(49)
Claims incurred, net of reinsurance (C)		(2,600)		(1,515)
Changes in other technical provisions, net of reinsurance				
Long term business provision (P)				
– gross amount	(1,475)		(1,313)	
– reinsurers' share	(259)		19	
		(1,734)		(1,294)
Technical provision for linked liabilities, net of reinsurance (P)		72		59
		(1,662)		(1,235)
Bonuses and rebates, net of reinsurance (G)		(1,110)		(321)
Net operating expenses (7)		(581)		(436)
Investment expenses and charges (6)		(86)		(64)
Tax (charge)/credit attributable to long term business (T & 12b)		(251)		198
Transfers (to)/from the fund for future appropriations (Q)		(858)		1,221
Balance on the technical account – long term business (H)		163		113

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Consolidated profit and loss account – non-technical account
For the year ended 31 December 1995

	1995 £m	1995 £m	1994 Restated £m	1994 Restated £m
Balance on general business technical account (4b)		474		377
Balance on long term business technical account	163		113	
Taxation credit attributable to balance on the long term business technical account (T)	81		44	
Shareholders' pre-tax profit from long term business (4b)		244		157
Investment income (F & 6)	846		565	
Investment expenses and charges (F & 6)	(222)		(104)	
Allocated investment return transferred to the general business technical account (F)	(668)		(487)	
Investment return retained in the non-technical account comprised:				
Realised investment gains		130		45
Profit from associated undertakings (O & 17b)		13		13
Unallocated interest charges		(187)		(84)
		(44)		(26)
Other income				
Profit from non-insurance operations		7		2
Other charges, including value adjustments				
Unallocated expenses (8)	(22)		(16)	
Net loss on termination of activities (11)	(5)		(3)	
		(27)		(19)
Profit on ordinary activities before taxation comprised:				
Operating profit		529		449
Realised investment gains		130		45
Net loss on termination of activities		(5)		(3)
		654		491
Tax on profit on ordinary activities (T & 12a)				
Operating profit	(124)		(91)	
Realised investment gains	(49)		(5)	
		(173)		(96)
Profit on ordinary activities after taxation (A)		481		395
Minorities		(26)		(9)
Profit for the financial year		455		386
Dividends		(210)		(180)
Retained profits transferred to reserves (27)		245		206

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Consolidated statement of total recognised gains and losses
For the year ended 31 December 1995

	£m	1995 £m	1994 Restated £m
Profit for the financial year		**455**	386
Movements in revaluation reserve after taxation (25b)		**626**	(657)
Foreign exchange gains/(losses) (U & 27)		**85**	(14)
Total recognised gains and losses arising in the year		**1,166**	(285)
Adjustment to shareholders' funds at 1 January 1994 for changes in accounting policies (2b)	**(60)**		
Movement in 1994 arising from this change (2a)	**30**		
		(30)	
Total recognised gains and losses since the last annual report		**1,136**	

Reconciliation of movements in consolidated shareholders' funds
For the year ended 31 December 1995

	1995 £m	1994 Restated £m
Balance at 1 January	**3,567**	3,786
Change to accounting policies (2b)	**-**	(60)
Balance at 1 January (1994 restated)	**3,567**	3,726
Total recognised gains and losses arising in the year	**1,166**	(285)
Dividends	**(210)**	(180)
Increase in capital (23b)	**200**	700
Goodwill and other movements (R & 27)	**(10)**	(394)
Balance at 31 December	**4,713**	3,567

The accounting policies (identified alphabetically) on pages 11 and 12 and notes (identified numerically) on pages 13 to 30 are an integral part of these accounts. The auditors' report is on page 10.

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Consolidated balance sheet
At 31 December 1995

Assets	General insurance business and associated undertakings £m	Long term business £m	Other (14) £m	Group 1995 £m	Group 1994 Restated £m
Investments (K)					
Land and buildings (15)	1,561	1,912	–	3,473	2,902
Investments in Group undertakings and participating interests (17a)	88	19	5	112	156
Other financial investments (18a)	8,030	30,242	7	38,279	30,793
Valuation of in-force long term business (M & 19a)	–	–	1,566	1,566	1,352
Deposits with ceding undertakings	113	9	–	122	112
	9,792	32,182	1,578	43,552	35,315
Assets held to cover linked liabilities	–	4,674	–	4,674	4,255
Reinsurers' share of technical provisions					
Provision for unearned premiums	249	–	–	249	251
Long term business provision (P)	–	372	–	372	594
Claims outstanding (C)	1,771	16	–	1,787	1,618
Other technical provisions	–	4	–	4	5
	2,020	392	–	2,412	2,468
Debtors					
Debtors arising out of direct insurance operations (20)	1,310	321	–	1,631	1,530
Debtors arising out of reinsurance operations	349	13	–	362	498
Other debtors (21)	1,065	591	(489)	1,167	1,530
	2,724	925	(489)	3,160	3,558
Other assets					
Tangible assets (J)	97	15	–	112	103
Cash at bank and in hand	178	89	–	267	338
	275	104	–	379	441
Prepayments and accrued income					
Accrued interest and rent	133	770	–	903	787
Deferred acquisition costs (D)	525	483	–	1,008	919
Other prepayments and accrued income	93	7	–	100	72
	751	1,260	–	2,011	1,778
Total assets	15,562	39,537	1,089	56,188	47,815

The accounting policies (identified alphabetically) on pages 11 and 12 and notes (identified numerically) on pages 13 to 30 are an integral part of these accounts. The auditors' report is on page 10.

Consolidated balance sheet
At 31 December 1995

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Liabilities	General insurance business and associated undertakings £m	Long term business £m	Other (14) £m	Group 1995 £m	Group 1994 Restated £m
Capital and reserves					
Called up ordinary share capital (23a)				190	182
Share premium account (24)				1,361	1,169
Revaluation reserve (A & 25)				1,808	1,182
Other reserves (26)				150	150
Profit and loss account (A & 27)				1,204	884
Shareholders' funds				4,713	3,567
Minority interests				565	239
				5,278	3,806
Other liabilities					
Fund for future appropriations (Q)	–	2,561	–	2,561	1,617
Technical provisions					
Provision for unearned premiums (B)	2,290	–	–	2,290	2,247
Long term business provision (P & 29)	–	29,417	–	29,417	24,401
Claims outstanding (C)	8,098	220	–	8,318	7,602
Other technical provisions	10	–	–	10	22
	10,398	29,637	–	40,035	34,272
Technical provision for linked liabilities (P)	–	4,674	–	4,674	4,255
Provision for other risks and charges (31)	306	206	–	512	232
Deposits received from reinsurers	41	77	–	118	134
Creditors					
Creditors arising out of direct insurance operations	129	170	–	299	380
Creditors arising out of reinsurance operations	191	5	–	196	273
General business and other borrowings (32a)					
Debenture loans (S & 32c)	–	–	105	105	90
Amounts owed to credit institutions (32d)	2	–	–	2	678
Commercial paper (32e)	–	–	39	39	115
Long term business borrowings (32a)					
Debenture loans (S & 32c)	–	217	–	217	265
Amounts owed to credit institutions (32d)	–	–	–	–	1
Other creditors including taxation and social security (33)	224	525	1,197	1,946	1,390
	546	917	1,341	2,804	3,192
Accruals and deferred income (34)	156	50	–	206	307
Total other liabilities	11,447	38,122	1,341	50,910	44,009
Total liabilities				56,188	47,815

Approved by the Board on 28 February 1996 J G T Carter Director P J Foster Director

The accounting policies (identified alphabetically) on pages 11 and 12 and notes (identified numerically) on pages 13 to 30 are an integral part of these accounts. The auditors' report is on page 10.

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Parent Company balance sheet
At 31 December 1995

Assets	1995 £m	1994 Restated £m
Investments (K)		
Land and buildings (15)	**80**	75
Subsidiary undertakings (16)	**6,205**	4,237
Investments in Group undertakings and participating interests (17a)	**30**	32
Other financial investments (18b)	**1,288**	1,266
Deposits with ceding undertakings	**13**	12
	7,616	5,622
Reinsurers' share of technical provisions		
Provision for unearned premiums	**98**	108
Claims outstanding (C)	**633**	603
	731	711
Debtors		
Debtors arising out of direct insurance operations (20)	**358**	413
Debtors arising out of reinsurance operations	**175**	231
Other debtors (21)	**64**	148
	597	792
Other assets		
Tangible assets (J)	**36**	33
Cash at bank and in hand	**16**	27
	52	60
Prepayments and accrued income		
Accrued interest and rent	**20**	20
Deferred acquisition costs (D)	**135**	145
Other prepayments and accrued income	**38**	31
	193	196
Total assets	**9,189**	7,381

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Parent Company balance sheet
At 31 December 1995

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Liabilities	1995 £m	1994 Restated £m
Capital and reserves		
Called up ordinary share capital (23a)	**190**	182
Share premium account (24)	**1,361**	1,169
Revaluation reserve (A & 25b)	**2,088**	1,292
Other reserves (26)	**150**	150
Profit and loss account (A & 27)	**924**	774
Shareholders' funds	**4,713**	3,567
Other liabilities		
Technical provisions		
Provision for unearned premiums (B)	**637**	726
Claims outstanding (C)	**2,654**	2,511
	3,291	3,237
Provision for other risks and charges (31)	**79**	26
Deposits received from reinsurers	**3**	2
Creditors		
Creditors arising out of direct insurance operations	**30**	38
Creditors arising out of reinsurance operations	**71**	112
General business and other borrowings (32b)		
Amounts owed to credit institutions (32d)	**2**	2
Commercial paper (32e)	**–**	79
Other creditors including taxation and social security (33)	**954**	240
	1,057	471
Accruals and deferred income (34)	**46**	78
Total other liabilities	**4,476**	3,814
Total liabilities	**9,189**	7,381

Approved by the Board on 28 February 1996 J G T Carter Director P J Foster Director

The accounting policies (identified alphabetically) on pages 11 and 12 and notes (identified numerically) on pages 13 to 30 are an integral part of these accounts. The auditors' report is on page 10.

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Directors' responsibility for the accounts

The directors are required to ensure that accounts are prepared for each accounting period which comply with the relevant provisions of the Companies Act 1985, and which give a true and fair view of the state of affairs of the Company and the Group as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies have to be used and applied consistently in preparing accounts, using reasonable and prudent judgements and estimates on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business. Applicable accounting standards also have to be followed, with any material departures being disclosed and explained.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are also responsible for safeguarding the assets of the Company and the Group and for ensuring that controls are in place for the prevention and detection of fraud and other irregularities.

Auditors' report

To the members of Commercial Union Assurance Company plc.

We have audited the accounts on pages 2 to 9 and 11 to 30.

Respective responsibilities of directors and auditors
As described above, the Company's directors are responsible for the preparation of the accounts.
It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

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

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

Opinion
In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1995 and of the Group's profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
28 February 1996

Coopers & Lybrand

COOPERS & LYBRAND
INITIALLED FOR
IDENTIFICATION PURPOSES
ONLY

CB pe CH DATE 28.2.96

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A. **Basis of accounts.** The consolidated accounts have been prepared in accordance with section 255A of, and the special provisions relating to insurance companies of schedule 9A to, the Companies Act 1985 and with the guidance on accounting for insurance business issued by the Association of British Insurers in December 1995. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 1995, as considered appropriate for an insurance company. As explained in note 1, certain comparative figures for 1994 have been restated to reflect a number of changes in accounting policy primarily brought about by the implementation of the EC Insurance Accounts Directive into United Kingdom law.

The profit and loss account for the year reflects all income and expenditure, other than items charged to provisions set up in earlier years and the following items which are taken directly to reserves after taxation:

- unrealised gains and losses on non-life investments;
- gains and losses on movements in rates of exchange, except for certain items dealt with in the fund for future appropriations;
- goodwill arising on acquisition of subsidiaries, associated undertakings and agencies.

The general insurance technical result is determined on an annual basis, except for London market business in respect of marine and aviation and non-marine treaty reinsurance where in the opinion of the directors it is not currently possible to obtain all the information necessary to determine the result with the required degree of certainty at the end of the first year of development. This business is accounted for on a two year funded basis, with the result being determined at the end of the second year.

B. **Premiums.** General insurance premiums written reflect business incepted during the year. General insurance unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on either the daily or monthly pro rata basis. With the exception of investment-linked premiums, which are accounted for when units are created, long term business premiums are accounted for when receivable.

C. **Claims.** General insurance claims incurred comprise all claims occurring during the year, whether reported or not, together with related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain general insurance claims, particularly in respect of liability and marine business, including environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the balance sheet date. General insurance outstanding claims and provisions in the consolidated balance sheet are based upon the estimated ultimate cost of all claims incurred but not settled at the date of the balance sheet, whether reported or not, together with related claims handling costs, except for certain claims in overseas territories which are discounted. In the United States, claims provisions in respect of certain business no longer written are determined after taking account of the estimated future investment earnings from matched assets. General insurance outstanding claims and provisions also include the funds in respect of London market marine and aviation and non-marine treaty reinsurance business. Long term business claims reflect the cost of all claims arising during the year, together with policyholder bonuses paid in anticipation of a bonus declaration.

D. **Deferred acquisition costs.** Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. General business deferred acquisition costs are amortised over the period in which the related premiums are earned. Long term business deferred acquisition costs are amortised over a period no longer than that in which they are expected to be recoverable out of margins in revenues from the related policies.

E. **Unexpired risks.** Provision is made for any overall excess of expected claims and deferred acquisition costs over unearned premiums, after taking account of investment income expected to arise on assets relating to the relevant general insurance provisions.

F. **Investment income.** Investment income comprises interest, dividends and rents receivable for the year, after adding back any related tax credit, together with realised investment gains. Interest includes the interest rate differential on forward foreign exchange contracts. Realised investment gains and losses represent the difference between the net sale proceeds and the cost of acquisition. Investment income, excluding realised investment gains/losses, on the investments owned by general insurance operations is then transferred from the non-technical account to the general business technical account. Long term business investment income is included in the long term business technical account. Profits or losses arising on investment transactions with the long term funds are included in realised investment gains.

G. **Long term business bonuses.** These represent reversionary and similar policyholder bonuses declared for the year.

H. **Long term business result and fund valuations.** Transfers from the long term business technical account to the non-technical account are determined as a result of annual actuarial valuations, which are based on local practice, subject to the movements to or from the fund for future appropriations.

I. **Pension costs.** The Group operates defined-benefit pension schemes covering the majority of employees and contributions are made on a going concern basis as recommended by actuaries. Where separate pension schemes exist, they are fully funded on a discontinuance actuarial valuation basis. The pension costs, which are included in expenses, are calculated on actuarial valuation methods which give a substantially even charge over the expected service lives of employees. The costs of other material post-retirement benefits are charged as they accrue.

J. **Tangible assets.** In the balance sheets, tangible assets, including motor cars and computer equipment, are capitalised and depreciated over the estimated length of their useful lives. The depreciation charge for the year is included in administrative expenses.

K. **Investments.** Investments are stated at their current values at the end of the year, with the exception of non-linked long term business debt securities and fixed income securities which are shown at amortised cost as this basis more closely corresponds with the valuation of the relevant long term liabilities. Current values, for this purpose, comprise stock exchange mid-market values for listed securities, average trading prices for unlisted securities where a market exists and directors' valuations for unlisted securities, where no market exists, and for mortgages and loans.

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K. Investments. (continued)
All properties are valued annually by qualified external valuers or members of staff, at market value. No depreciation is provided on properties held for own use since such property represents an immaterial proportion of total assets. No depreciation is provided on investment properties as the directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view.
Investments are stated after providing for the costs of realisation where they are to be disposed of within three months of the balance sheet date. Unrealised gains and losses on long term business investments are included in the long term business technical account. Other unrealised gains and losses are transferred to the revaluation reserve after providing for deferred tax and minority interests.

L. Financial instruments. For hedging purposes, the Group makes use of financial instruments, including forward foreign exchange contracts, interest rate swaps, futures and options. Except in the case of certain specific debt-related transactions, where they are accounted for as though they were part of the underlying transactions, financial instruments are accounted for as follows:
- forward foreign exchange contracts. The interest rate differential is included in investment income while the effect of the currency movements on these contracts is treated as an exchange difference;
- interest rate swaps. The interest payable and receivable is included within investment expenses or investment income as appropriate;
- futures contracts and purchased options. These are valued at market value and shown under the category of investments to which the contracts relate. No adjustment is made to the classification of existing investments to reflect the effect of the future settlement of these transactions.

M. Valuation of in-force long term business. The valuation of in-force long term business is included in the consolidated balance sheet at the directors' valuation, based on advice from consulting actuaries. The valuation represents the discounted value of projected future cashflows applicable to shareholders from business in force after deducting prudent risk margins. Shareholders' and policyholders' assets backing the long term business are managed on a unified basis. The valuation is calculated after averaging realised and unrealised investment gains and losses on equities and property over five years, or since the date of acquisition if shorter, after allowing for the effect of interest rate changes. Movements in the valuation of in-force long term business are taken to the revaluation reserve.

N. Consolidation of subsidiary undertakings. The results of all material subsidiaries are consolidated on the basis of audited accounts prepared to 31 December either from 1 January or the effective date of acquisition. A number of overseas subsidiaries, which do not represent a material part of the Group's income or assets, have not been consolidated but have been treated as investments and included within other participating interests. In the Parent Company balance sheet, subsidiary undertakings are stated at current value which, for this purpose, is net asset value.

O. Participating interests. Companies in which the Group has an equity interest, held on a long-term basis, in excess of 20% and not more than 50%, are classified as participating interests. Where the interests are beneficial and significant influence is exercised, such interests are classified as associated undertakings. The appropriate proportion of the profit or loss on ordinary activities before taxation of associated undertakings is shown separately in the non-technical account. The appropriate proportion of the shareholders' funds of associated undertakings is included in the consolidated balance sheet. A number of associated undertakings, which do not represent a material part of the Group's income or assets, have been treated as investments and included within other participating interests.

P. Long term business provision and technical provision for linked liabilities. The long term business provision is calculated separately for each life operation, mainly using the net premium method, based on local actuarial principles consistent with principles applied in the United Kingdom. Within the long term business provision, explicit allowance is made for vested bonuses and bonuses declared as a result of the current valuation, but not for future reversionary or terminal bonuses. The provisions held for linked business and unitised with-profits business are the unit liabilities together with certain non-unit provisions.

Q. Fund for future appropriations. The fund for future appropriations is used in connection with long term business funds containing liabilities in respect of participating policies or in respect of other non-linked policies under which benefits reflect current resources and the future experience of the fund. In such funds, the division between shareholders' reserves and policyholders' liabilities is uncertain and so all amounts whose allocation either to policyholders or shareholders has not been determined by the end of the financial year are held in the fund for future appropriations. Transfers between the fund for future appropriations and the long term business technical account represent the changes in the unallocated amounts between balance sheet dates.

R. Goodwill. Goodwill arising on the acquisition of subsidiaries, associates and agencies is written off directly to reserves.

S. Debenture loans. Borrowings issued at a discount are included in the consolidated balance sheet at their proceeds, net of expenses, together with amortised discount to the balance sheet date. The discount, amortised on a compound basis, and expenses are charged to loan interest in the profit and loss account over the term of the borrowing. The treatment of specific debt-related financial instruments is detailed in policy L above.

T. Taxation. The taxation charge in the non-technical account is based on the taxable profits for the year. Taxation, including taxation relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves. In the long term business technical account, the taxation charge is based on the method of assessing taxation for long term funds applicable in the relevant territory of operation. Where any part of the balance on the long term business technical account is computed on an after tax basis, that part is grossed up at the full rate of taxation in the non-technical account. Provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future. No provision is made for taxation that might arise if profits retained by overseas subsidiary and associated undertakings were remitted to the United Kingdom.

U. Exchange rates. Assets, liabilities and revenue transactions in non-sterling currencies are translated into sterling at the relevant rates of exchange ruling at 31 December. Exchange differences arising within life businesses are taken direct to the fund for future appropriations and other exchange differences are taken direct to reserves.

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1. Accounting changes

A number of changes to the format of the accounts and to accounting policies have been made following the implementation of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (the "1993 Regulations"), which implemented the EC Insurance Accounts Directive into United Kingdom law, and the issue by the Association of British Insurers of guidance on accounting for insurance companies.

Changes to the format of the accounts affect both the profit and loss account and the balance sheet.

The profit and loss account is now split into three parts:

- the general business technical account, which shows the general insurance result;
- the long term business technical account, which shows the life results after taxation;
- the non-technical account, which includes the balances on the technical accounts together with other profit and loss account items.

Extensive changes have also been made to the balance sheet with the majority of items being subject to reclassification.

The principal changes in accounting policy are explained below:

(i) unrealised investment gains and losses for long term business are now accounted for in the long term business technical account. Certain of these gains and losses are transferred to the fund for future appropriations. In 1994, all these gains and losses were dealt with in the investment reserve.

(ii) the long term business fund and investment reserves have been reallocated between the long term business provision, the provision for linked liabilities, the fund for future appropriations and deferred acquisition costs.

(iii) acquisition costs for long term business are deferred and amortised over a period no longer than that in which they are expected to be recoverable out of margins in revenues from the related policies. In prior years, such costs were treated in accordance with local practice.

(iv) where any part of the long term business profit is computed on an after taxation basis, that part is grossed up at the full rate of taxation. In prior years, the effective rate of taxation was used.

(v) non-linked long term business debt securities and fixed income securities are now shown at amortised cost, rather than current value, as this basis more closely corresponds to the valuation of the relevant long term liabilities.

(vi) the accounting policy for certain London market business has changed from a three year funded basis to a two year funded basis. This change in policy reflects better information being available at an earlier date.

2. Effect of changes in accounting policy

(a) The effect of the changes in accounting policies on the comparative profit and loss account figures is as follows:

	1994 £m
Profit for the financial year as previously stated	356
Change from three year to two year funded basis for certain London market business	30
Restated profit for the financial year	386

It is estimated that this change has benefited the 1995 profit before taxation for the financial year by £30m. The change to the basis of grossing up certain life profits for taxation increased both 1994 pre-tax life profits and the taxation charge by £3m but had no effect on shareholders' funds.

(b) The prior year adjustments made to shareholders' funds at 1 January 1994, as a result of the changes in accounting policies, are:

	£m
General business	
Change from three year to two year funded basis for certain London market business	(60)
Long term business	
Reduction in shareholders' interest in long term business previously included in retained profits	(29)
Increase in the valuation of in-force long term business	29
	(60)

(c) Both the consolidated and parent company balance sheets have been subject to extensive reclassification, following the introduction of the new formats required by the 1993 Regulations. Assets and liabilities have both been increased by £2,561m and £77m in the respective restated 1994 balance sheets.

3. Exchange rates

Principal rates of exchange used for translation are:

	1995	1994
France	**Ffr. 7.59**	Ffr. 8.35
Netherlands	**Fl. 2.49**	Fl. 2.71
United States	**$1.55**	$1.56

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4. Territorial segmental information

(a) Written premiums

(i) General insurance business premium income by territory of origin is:	Premiums before reinsurance 1995 £m	1994 £m	Premiums after reinsurance 1995 £m	1994 £m
Europe – United Kingdom	**1,855**	2,156	**1,523**	1,715
– Continental Europe	**1,854**	1,006	**1,555**	826
North America	**1,453**	1,388	**1,282**	1,206
Overseas	**672**	598	**526**	468
Group reinsurance retentions	**–**	–	**75**	101
	5,834	5,148	**4,961**	4,316

(ii) Long term business premium income by territory of origin is:	Premiums before reinsurance 1995 £m	1994 £m	Premiums after reinsurance 1995 £m	1994 £m
Europe – United Kingdom	**690**	590	**681**	585
– Continental Europe	**2,763**	1,667	**2,718**	1,627
North America	**273**	265	**245**	233
Overseas	**48**	1	**42**	1
	3,774	2,523	**3,686**	2,446

(iii) Premium income by territory of destination does not differ materially from premium income by territory of origin as most risks are located in the territories where the policies were written.

(b) Balance on the technical accounts

(i) The amounts included in the non-technical account in respect of general business are:	£m	1995 £m	£m	1994 Restated £m
Europe – United Kingdom		**229**		250
– Continental Europe				
France	**22**		(31)	
Netherlands	**40**		15	
Other	**12**		6	
		74		(10)
North America		**75**		54
Overseas		**57**		47
Group reinsurance retentions		**39**		36
		474		377

(ii) The amounts included in the non-technical account in respect of long term business are:	£m	1995 £m	£m	1994 Restated £m
Europe – United Kingdom		**48**		48
– Continental Europe				
France	**66**		21	
Netherlands	**118**		84	
Other	**(6)**		(8)	
		178		97
North America		**15**		13
Overseas		**3**		(1)
		244		157

(c) Operating profit before taxation

The operating profit on ordinary activities before taxation by territory is:	1995 £m	1994 Restated £m
Europe – United Kingdom	**284**	300
– Continental Europe	**260**	94
North America	**90**	67
Overseas	**65**	52
Group reinsurance retentions	**39**	36
Territorial operating profit	**738**	549
Unallocated interest charges	**(187)**	(84)
Unallocated expenses	**(22)**	(16)
	529	449

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4. Territorial segmental information (continued)

(d) Net assets

The net assets of territorial operations are:	General insurance business and associated undertakings 1995 £m	1994 Restated £m	Long term business 1995 £m	1994 Restated £m
Europe – United Kingdom	**864**	1,065	**–**	–
– Continental Europe	**1,700**	1,260	**1,253**	1,040
North America	**982**	652	**146**	137
Overseas	**418**	246	**16**	–
Group reinsurance retentions	**151**	107	**–**	–
	4,115	3,330	**1,415**	1,177

Group reinsurance retentions consist of certain reinsurance covers which are retained by the Group rather than being placed with third parties.

5. Premiums written

(a) The analysis of the general business premiums written before reinsurance is:	1995 £m	1994 £m
Fire	**2,007**	1,725
Motor	**1,627**	1,377
Other accident	**1,537**	1,347
Marine, aviation and transport	**663**	699
	5,834	5,148

(b) The analysis of long term business premiums written before reinsurance by business segment and class of insurance business is:	New business: Single premiums 1995 £m	New business: Single premiums 1994 Restated £m	New business: Periodic premiums 1995 £m	New business: Periodic premiums 1994 Restated £m	Total premiums written 1995 £m	Total premiums written 1994 £m
Premiums written before reinsurance						
Life:						
– non-linked	**1,426**	644	**114**	106	**2,287**	1,322
– linked	**411**	211	**60**	30	**491**	292
Annuity:						
– non-linked	**219**	197	**19**	18	**286**	250
Pensions:						
– non-linked	**114**	143	**40**	39	**447**	497
– linked	**28**	35	**6**	11	**67**	79
Health and accident	**187**	43	**3**	1	**196**	83
	2,385	1,273	**242**	205	**3,774**	2,523

Single premiums are those relating to products issued by the Group which provide for the payment of one premium only. Periodic premiums are those payable on a regular basis.

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6. Analysis of investment return	Long term business £m	Non-technical account 1995 £m	Long term business £m	Non-technical account 1994 £m
Profit from associated undertakings	–	13	–	13
Income from other participating interests	1	–	–	2
Income from other investments:				
– Land and buildings	172	83	159	35
– Listed investments	1,553	397	769	309
– Other investments	604	223	480	161
Realised investment gains	262	130	57	45
Investment income	2,592	846	1,465	565
Expenses and charges, including allocated interest charges	(86)	(35)	(64)	(20)
Unallocated interest charges:				
– External	–	(82)	–	(24)
– Intra-group	–	(105)	–	(60)
	(86)	(222)	(64)	(104)
Investment return before unrealised gains	2,506	624	1,401	461
Movement in unrealised investment gains	1,033	470	(1,646)	(704)
Total investment return before taxation	3,539	1,094	(245)	(243)

Unrealised investment gains not relating to long term business are dealt with in the revaluation reserve. External unallocated interest charges include amounts payable to the ultimate holding company, Commercial Union plc.

7. Net operating expenses	1995 £m	General business 1994 £m	1995 £m	Long term business 1994 £m
Acquisition costs	(1,277)	(1,115)	(427)	(314)
Changes in deferred acquisition costs	11	8	30	29
Administrative expenses	(299)	(264)	(190)	(154)
	(1,565)	(1,371)	(587)	(439)
Reinsurance commissions receivable	108	87	6	3
Net operating expenses	(1,457)	(1,284)	(581)	(436)

Administrative expenses in 1995 include exceptional costs of £11m for general business and £6m for long term business in respect of relocation and restructuring in France. The 1994 administrative expenses included exceptional costs of £10m and £18m for general business and long term business respectively, in respect of the reorganisation in the Netherlands.

8. Unallocated expenses

Unallocated expenses comprise:	1995 £m	1994 £m
Staff profit sharing scheme costs	(18)	(14)
Sundry corporate expenses	(4)	(2)
	(22)	(16)

9. Directors

(a) Directors' emoluments

All directors are remunerated by Commercial Union Employment Services Limited, a fellow subsidiary of the ultimate holding company, Commercial Union plc.

Messrs Carter, Foster, Ward and Wyand are directors, and Mr Grant is Group Company Secretary, of Commercial Union plc. The emoluments of these five directors of the Company are recharged, as part of a head office management charge under management service agreements, to all operating divisions of the Commercial Union Group, and it is not practical to calculate the exact charge retained by the Company. Their total emoluments in respect of services to the Commercial Union Group as a whole are therefore included in the information shown below.

Mr Clifton is also remunerated in respect of his services to the Commercial Union Group as a whole. His costs are charged in full to Commercial Union Asset Management Limited, which is not part of the Commercial Union Assurance Group, and full details may be found in that company's accounts.

Messrs Kemp and Rattray are remunerated as territorial general managers of, respectively, CU Europe and CU Overseas Divisions of the Company. Their total emoluments in these roles and as directors of the Company are included in the information shown below.

(i) The total emoluments (including performance-related payments and pension contributions) of the directors of the Company was £2,146,120 *(1994 £1,780,800)*. All such emoluments relate solely to executive remuneration.

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9. Directors (continued)

(a) Directors' emoluments (continued)

(ii) The emoluments, including performance-related bonuses but excluding pension contributions, of the individual directors (including the Chairman and highest paid director) fall within the following ranges:

	1995 Number	1994 Number
£0 – £5,000	1	1
£125,001 – £130,000	–	1
£135,001 – £140,000	1	–
£165,001 – £170,000	–	1
£175,001 – £180,000	–	1
£190,001 – £195,000	2	–
£235,001 – £240,000	–	1
£260,001 – £265,000	–	1
£290,001 – £295,000	1	–
£310,001 – £315,000	1	–
£315,001 – £320,000	–	1
£370,001 – £375,000	–	1
£385,001 – £390,000	1	–
£465,001 – £470,000	1	–

(iii) The emoluments, including pension contributions, of Mr Carter, who is the Chairman and highest paid director, were £507,332 *(1994 £398,315)*.

(b) Statement of directors' interests

The directors of the Company who held office at 31 December 1995 had the following interests in the ordinary shares of 25p each in Commercial Union plc:

	At 1 January 1995				At 31 December 1995	
	Fully paid	Share options	Options granted during the year	Options exercised during the year	Fully paid	Share options
A H Clifton	864	135,720	–	–	2,397	135,720
K N Grant	773	51,718	1,574	30,187	1,859	23,105
R Kemp	17,779	72,960	2,195	–	16,976	75,155
J S Rattray	6,053	67,830	3,770	–	2,522	71,600
	25,469	328,228	7,539	30,187	23,754	305,580

Messrs Carter, Foster, Ward and Wyand are directors of the holding company, Commercial Union plc, and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) are not required to disclose their share interests in Commercial Union plc in the Company's accounts. Their interests can be found in the Report and Accounts of Commercial Union plc.

None of the directors who held office at 31 December 1995 had any interest in the Company's shares.

(c) Transactions involving directors and other officers

In accordance with section 232 of, and schedule 6 to, the Companies Act 1985, the transactions or arrangements made between the Company or a subsidiary undertaking and any of the Company's directors, or persons connected with them, are listed below. These transactions subsisted during the financial year ended 31 December 1995.

Life assurance policy loan

Under normal practice relating to life assurance policies, a subsidiary undertaking has made the following loan to the undermentioned director. The loan, which is fully secured, is repayable not later than on maturity of the relevant policy or death of the director concerned. Interest is payable half yearly.

			Liability for principal and interest		
Name of director	Final maturity date	Rate of interest	At 1 January 1995 £	At 31 December 1995 £	Maximum liability for principal and interest during the year £
A B Wyand	October 2003	9.5% p.a.	11,971	10,648	11,971

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9. Directors (continued)

(c) Transactions involving directors and other officers (continued)

Season ticket loan

The Company made the following quasi-loan to the undermentioned director. No interest was payable on this loan which was repaid in February 1995.

Name of director	Liability At 1 January 1995 £	Liability At 31 December 1995 £	Maximum liability during the year £
A H Clifton	2,646	Nil	2,646

Mortgages and other loans

(i) The Company has made the following loans to the undermentioned directors, on terms available to all staff, which are repayable by endowment assurance policies or capital instalments as indicated. They are repayable on the earliest of maturity of the relevant policy or final instalment date (as appropriate), sale of the mortgaged property or death of the director. All loans are fully secured. There were no amounts of interest due but unpaid at 31 December 1995 in respect of any loan. No provision has been made for any failure to repay any loan or interest thereon.

Name of director	Method of repayment/final instalment maturity date	Rate of interest/ when payable	Liability for principal and interest At 1 January 1995 £	Liability for principal and interest At 31 December 1995 £	Maximum liability for principal and interest during the year £
J G T Carter	Endowment assurance	3%-5% p.a.	30,000	Nil	30,000
	This loan was repaid on 31 October 1995	Monthly			
P J Foster	Endowment assurance	3%-5% p.a.	65,000	61,400	65,000
	December 2006	Monthly			
K N Grant	Endowment assurance	5%-8.25% p.a.	136,668	152,400	152,400
	November 2014	Monthly			
R Kemp	Endowment assurance	3%-5% p.a.	45,500	45,500	45,500
	October 2002	Monthly			
J S Rattray	Endowment assurance	3%-5% p.a.	60,000	60,000	60,000
	April 2000	Monthly			
P G Ward	Endowment assurance	3% p.a.	19,668	Nil	19,668
	This loan was repaid on 1 March 1995	Monthly			
A B Wyand	Endowment assurance	3%-5% p.a.	22,568	21,849	22,568
	October 2003	Monthly			
	Capital instalments	.			
	February 2004				

(ii) During the finanical year, 3 persons *(1994: 4 persons)* who were officers of the Company, other than directors, had staff house purchase and other loans, from the Company, amounting in aggregate to £217,827 at 31 December 1995 *(1994 £257,772)*.

10. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

(a) Auditors' remuneration

Total remuneration for 1995 of the auditors in respect of these accounts is £2.168m *(1994 £1.682m)*, of which £0.684m *(1994 £0.610m)* relates to the Company and United Kingdom insurance subsidiaries including overseas branches. A further £2.398m *(1994 £5.929m)* was paid to Coopers & Lybrand for other audit and non-audit work worldwide during the year, of which £1.076m *(1994 £4.408m)* relates to amounts paid to Coopers & Lybrand in the United Kingdom. The 1994 fees for other audit and non-audit work include £3.335m in respect of the acquisition of Groupe Victoire.

(b) Depreciation and operating lease costs which are not material to the Group.

11. Net loss on termination of activities

In June 1995, the Group agreed to transfer its self-employed commission-based life direct sales force in the United Kingdom to Abbey Life Assurance Company Limited. The loss of £12m relating to this transfer comprises redundancy costs of support staff and the future estimated costs of vacated leasehold property. In November 1995, the Group disposed of its New Zealand subsidiary, Commercial Union General Insurance Company Limited, realising a profit of £7m. Also included in the sale is the Group's 50% interest in the New Zealand company, International Marine Insurance Agency Limited.

The 1994 loss arose from the future costs of ceasing business in a number of countries in South America.

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12. Taxation

(a) Tax on profit on ordinary activities

United Kingdom and overseas taxation charged in the non-technical account comprises:	1995 £m	1994 Restated £m
United Kingdom corporation tax at 33% *(1994 33%)* based on taxable profits for the year	**51**	11
Tax credit on United Kingdom dividends received	**5**	7
Advance corporation tax written off	**30**	30
Overseas taxation	**17**	14
Relief for overseas taxation	**(14)**	(13)
Taxation attributable to shareholders' long term business profits	**81**	44
Associated undertakings	**3**	3
	173	96

The charge of £173m *(1994 £96m)* includes a deferred taxation credit of £8m *(1994 credit £3m)* arising from short-term timing differences. The taxation charge has benefited by £53m *(1994 £44m)* from the utilisation of prior year tax losses. No credit has been taken for tax losses carried forward to future years.

(b) Long term business

United Kingdom and overseas taxation, charged/(credited) in the long term business technical account, comprises:	1995 £m	1994 Restated £m
United Kingdom corporation tax charge based on profits and income for the year	**26**	11
Tax credit on United Kingdom dividends received (net of available reliefs)	**13**	10
Overseas taxation charge/(credit)	**212**	(219)
	251	(198)

The charge of £251m *(1994 credit £198m)* includes a deferred taxation credit of £7m *(1994 £10m)* arising from short-term timing differences and deferred gains and a deferred tax charge of £145m *(1994 credit £265m)* arising from unrealised gains/losses.

In the United Kingdom, the balance on the long term business technical account is computed on an after tax basis. The gross rate of tax of 33% *(1994 33%)* has been used to determine the taxation attributable to this balance.

(c) Balance sheet

The provision for deferred taxation, included within the provision for other risks and charges, comprises:	Group				Company	
	Non long term business		Long term business		Non long term business	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Unrealised gains/(losses) on investments	**147**	113	**107**	(11)	**68**	55
Provisions and other timing differences	**48**	33	**38**	42	**–**	(6)
Advance corporation tax recoverable	**(29)**	(27)	**–**	–	**(29)**	(27)
	166	119	**145**	31	**39**	22

The potential amount of taxation not expected to become a liability in the foreseeable future, for which a provision has not been made, is:	Group				Company	
	Non long term business		Long term business		Non long term business	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Unrealised gains on investments	**204**	111	**115**	94	**40**	35
Provisions and other timing differences less tax losses carried forward	**(42)**	83	**–**	–	**(34)**	(4)
	162	194	**115**	94	**6**	31

13. Parent Company

The profit for the financial year dealt with in the profit and loss account of Commercial Union Assurance Company plc for the year ended 31 December 1995, including dividends paid or proposed by subsidiaries, is £245m *(1994 £237m)*. As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company has not been included in these accounts.

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14. Balance sheet segmentation

Segmented assets comprise:

	General insurance business and associated undertakings 1995 £m	General insurance business and associated undertakings 1994 Restated £m	Long term business 1995 £m	Long term business 1994 Restated £m	Other 1995 £m	Other 1994 Restated £m
Investments						
Land and buildings	**1,561**	1,290	**1,912**	1,612	–	–
Investments in Group undertakings and participating interests	**88**	129	**19**	21	**5**	6
Other financial investments	**8,030**	6,807	**30,242**	23,984	**7**	2
Valuation of in-force long term business	–	–	–	–	**1,566**	1,352
Deposits with ceding undertakings	**113**	104	**9**	8	–	–
	9,792	8,330	**32,182**	25,625	**1,578**	1,360
Assets held to cover linked liabilities	–	–	**4,674**	4,255	–	–
Reinsurers' share of technical provisions						
Provision for unearned premiums	**249**	251	–	–	–	–
Long term business provision	–	–	**372**	594	–	–
Claims outstanding	**1,771**	1,605	**16**	13	–	–
Other technical provisions	–	3	**4**	2	–	–
	2,020	1,859	**392**	609	–	–
Debtors						
Debtors arising out of direct insurance operations	**1,310**	1,314	**321**	216	–	–
Debtors arising out of reinsurance operations	**349**	488	**13**	10	–	–
Other debtors	**1,065**	1,580	**591**	641	**(489)**	(691)
	2,724	3,382	**925**	867	**(489)**	(691)
Other assets						
Tangible assets	**97**	88	**15**	15	–	–
Cash at bank and in hand	**178**	130	**89**	208	–	–
	275	218	**104**	223	–	–
Prepayments and accrued income						
Accrued interest and rent	**133**	128	**770**	659	–	–
Deferred acquisition costs	**525**	512	**483**	407	–	–
Other prepayments and accrued income	**93**	69	**7**	3	–	–
	751	709	**1,260**	1,069		–
Total assets	**15,562**	14,498	**39,537**	32,648	**1,089**	669

'Other' comprises non-insurance activities, unallocated external and intra-group borrowings, and the valuation of the in-force long term business. The negative figures for other debtors included in this column of £489m *(1994 £691m)* reflects the elimination, on consolidation, of balances due to and from different business segments.

The cost of assets held to cover linked liabilities is £4,413m *(1994 £3,899m)*.

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14. Balance sheet segmentation (continued)

Segmented liabilities excluding capital and reserves comprise:	General insurance business and associated undertakings 1995 £m	1994 Restated £m	Long term business 1995 £m	1994 Restated £m	Other 1995 £m	1994 Restated £m
Fund for future appropriations	–	–	2,561	1,617	–	–
Technical provisions						
Provision for unearned premiums	2,290	2,247	–	–	–	–
Long term business provision	–	–	29,417	24,401	–	–
Claims outstanding	8,098	7,424	220	178	–	–
Other technical provisions	10	22	–	–	–	–
	10,398	9,693	29,637	24,579	–	–
Technical provision for linked liabilities	–	–	4,674	4,255	–	–
Provision for other risks and charges	306	158	206	73	–	1
Deposits received from reinsurers	41	61	77	73	–	–
Creditors						
Creditors arising out of direct insurance operations	129	195	170	185	–	–
Creditors arising out of reinsurance operations	191	265	5	8	–	–
General business and other borrowings						
Debenture loans	–	–	–	–	105	90
Amounts owed to credit institutions	2	2	–	–	–	676
Commercial paper	–	–	–	–	39	115
Long term business borrowings						
Debenture loans	–	–	217	265	–	–
Amounts owed to credit institutions	–	–	–	1	–	–
Other creditors including taxation and social security	224	551	525	351	1,197	488
	546	1,013	917	810	1,341	1,369
Accruals and deferred income	156	243	50	64	–	–
Total liabilities, excluding capital and reserves	11,447	11,168	38,122	31,471	1,341	1,370

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15. Land and buildings

The carrying value of land and buildings comprises:	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Freeholds	**3,359**	2,759	**46**	45
Long leaseholds – over 50 years	**105**	105	**33**	28
Short leaseholds – under 50 years	**9**	38	**1**	2
	3,473	2,902	**80**	75

The cost of land and buildings in the Group at 31 December 1995 was £3,311m *(1994 £2,541m)*. The carrying value of land and buildings occupied by the Group and the Company for its own activities was £477m *(1994 £509m)* and £66m *(1994 £66m)* respectively. The cost of land and buildings in the Company at 31 December 1995 was £30m *(1994 £28m)*.

The valuation of properties has been undertaken by qualified external valuers or members of staff reporting to the Managing Director of Commercial Union Properties Limited, who is a Fellow of The Royal Institution of Chartered Surveyors. All properties are valued at market value.

In carrying on the business of investment, the Group has entered into future commitments, including property development, after 31 December 1995. These amounts are not reflected in the consolidated balance sheet on pages 6 and 7. The Group has in hand a number of property developments which will require expenditure of £13m *(1994 £24m)* for general insurance and £41m *(1994 £19m)* for long term business operations. Of these amounts, £2m *(1994 £7m)* and £15m *(1994 £7m)* respectively have been the subject of signed contracts.

16. Subsidiary undertakings

(a) Subsidiary undertakings, appearing in the Company balance sheet, comprise:	1995 £m	1994 Restated £m
Shares at net asset value	**5,893**	4,174
Amounts receivable (including dividends proposed)	**3,393**	596
	9,286	4,770
Amounts payable (after deducting dividends proposed)	**(3,081)**	(533)
	6,205	4,237

Shares in subsidiaries are valued at net asset value computed in accordance with the Company's accounting policies. The resulting gain over book value of £1,958m *(1994 £1,211m)* has been credited to the Company's unrealised gains on investments.

(b) During the year, the Group acquired further shares in Commercial Union of South Africa Limited, increasing its shareholding from 36% to 51%. Accordingly, Commercial Union of South Africa Limited has been accounted for as a subsidiary from 27 July 1995, previously having been accounted for as an associated undertaking. The cost to the Group of acquiring the additional share capital was £33m, including goodwill of £10m. The directors do not consider that this acquisition is sufficiently material to the Group to require further details to be disclosed.

(c) Principal subsidiary undertakings at 31 December 1995 are listed on page 31.

17. Investments in Group undertakings and participating interests

(a) Investments in participating interests included in the balance sheets comprise:	Group Carrying value £m	Group Cost 1995 £m	Group Carrying value £m	Group Cost 1994 £m	Company Carrying value £m	Company Cost 1995 £m	Company Carrying value £m	Company Cost 1994 £m
Investments in associated undertakings	**59**	**9**	109	9	**28**	**5**	32	5
Other participating interests	**53**	**57**	47	40	**2**	**2**	–	–
	112	**66**	156	49	**30**	**7**	32	5

None of the other participating interests is listed on a recognised investment exchange.

(b) Associated undertakings Movements in investments in associated undertakings comprise:	Share of capital £m	Share of reserves £m	Group Total investment £m	Company Total investment £m
Profit for the year after taxation	–	10	10	3
Foreign exchange gains	–	1	1	–
Realised investment losses after taxation	–	(1)	(1)	–
Unrealised investment losses after taxation	–	(1)	(1)	(4)
Dividends received	–	(6)	(6)	(3)
Reductions	–	(53)	(53)	–
Movements in investments in associated undertakings	–	(50)	(50)	(4)
Balance at 1 January	9	100	109	32
Balance at 31 December	9	50	59	28

As explained in note 16 (b), Commercial Union of South Africa Limited changed from associate to subsidiary during the year. The effect of this change is shown under 'reductions' in the table above.

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17. Investments in Group undertakings and participating interests (continued)

(b) Associated undertakings (continued)

The associated undertakings included above are:

Company	Class of share	Proportion held	Country of incorporation and operation
Compania de Seguros La Republica SA	Ordinary shares – no par value	31.8%	Chile
Hibernian Group Public Limited Company (30 June 1995)	Ordinary IR 25p shares	28.3%	Republic of Ireland
Plant Safety Limited	"A" Ordinary £1 shares	50.0%	England
The British Aviation Insurance Company Limited (31 December 1994)	Ordinary £1 shares	29.7%	England

All investments in associated undertakings are held by the Company and are unlisted, with the exception of Hibernian Group Public Limited Company, which is held by a subsidiary and is listed on a recognised investment exchange. Where the figures included in the accounts are not for the year ended 31 December 1995, the relevant accounting date is shown in brackets. The principal activity of these companies is the transaction of insurance business, with the exception of Plant Safety Limited which carries on the business of engineering plant inspection and health and safety and environmental consultancy.

(c) In France, the Group holds the majority interest in a number of SICAVs. As these invest mainly in equities and bonds and they distribute most of their income, the Group's interests in the SICAVs are included in other financial investments in these accounts.

18. Other financial investments

(a) These financial investments comprise:	Group General business and other £m	Long term business £m	Carrying value Total £m	Cost 1995 £m	General business and other £m	Long term business £m	Carrying value Total £m	Cost 1994 £m
Shares and other variable yield securities and units in unit trusts	**2,430**	**6,952**	**9,382**	**6,475**	1,935	5,312	7,247	4,946
Debt securities and other fixed income securities:								
At current value	**4,779**	**–**	**4,779**	**4,688**	4,076	–	4,076	4,306
At amortised cost	**–**	**17,177**	**17,177**	**16,957**	–	13,487	13,487	13,379
Participation in investment pools	**–**	**267**	**267**	**267**	–	398	398	424
Loans secured by mortgages	**163**	**1,494**	**1,657**	**1,583**	148	1,257	1,405	1,427
Other loans:								
Loans secured on policies	**–**	**573**	**573**	**573**	–	442	442	442
Other loans	**263**	**3,416**	**3,679**	**3,450**	207	2,888	3,095	3,170
Deposits with credit institutions	**402**	**363**	**765**	**765**	443	200	643	643
	8,037	**30,242**	**38,279**	**34,758**	6,809	23,984	30,793	28,737

(b) These financial investments comprise:	Company Carrying value £m	General business and other Cost 1995 £m	Carrying value £m	General business and other Cost 1994 £m
Shares and other variable yield securities and units in unit trusts	**610**	**609**	552	535
Debt securities and other fixed income securities	**593**	**568**	496	498
Loans secured by mortgages	**32**	**32**	30	30
Other loans	**4**	**4**	–	–
Deposits with credit institutions	**49**	**49**	188	188
	1,288	**1,262**	1,266	1,251

All investments above are shown at current value unless otherwise indicated.

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18. Other financial investments (continued)

(c) Included in the carrying value above are:	Group: Listed on a recognised United Kingdom investment exchange 1995 £m	Group: Other listed investments 1995 £m	Group: Listed on a recognised United Kingdom investment exchange 1994 £m	Group: Other listed investments 1994 £m	Company: Listed on a recognised United Kingdom investment exchange 1995 £m	Company: Other listed investments 1995 £m	Company: Listed on a recognised United Kingdom investment exchange 1994 £m	Company: Other listed investments 1994 £m
Shares and other variable yield securities and units in unit trusts	**3,338**	**5,690**	2,676	3,904	**298**	**277**	266	136
Debt securities and other fixed income securities	**2,667**	**18,183**	2,477	14,215	**388**	**153**	296	143

(d) The long term debt securities and other fixed income securities, which are shown at amortised cost, are analysed below:	1995 £m	1994 £m
Cost	**16,957**	13,379
Cumulative amortisation	**220**	108
Amortised cost	**17,177**	13,487
Market value	**18,388**	13,426

The redemption value of investments held at the year end was £2,518m greater *(1994 £1,948m greater)* than the amortised cost.

(e) In addition to the investments in participating interests detailed in note 17, the Group holds investments exceeding 10% of a class of the equity capital in a number of other companies in the United Kingdom and elsewhere. These investments do not represent a material part of the assets or investment income of the Group. These include the Group's 11.6% shareholding in Delta Lloyd Investment Fund NV. As this company invests mainly in equities and all dividends received are passed on to the shareholders, the Group's interest has been shown in other financial investments in these accounts. The economic benefits of ownership of an additional holding of 16.7% belong to the Delta Lloyd Pension Fund.

(f) Included within debt securities and other fixed income securities are interests in United States leveraged leases of £17m *(1994 £25m)*. These leases are consolidated to reflect their remaining equity value and are owned by trusts which are financed by debt on conditions whereby the lenders have no recourse against any part of the Group.

(g) Included within other financial investments are shareholdings held on a long-term basis in the issued share capital of Société Générale, a banking company incorporated in France, and Münchener Rückversicherungs-Gesellschaft, a reinsurance company incorporated in Germany. The market values of these holdings at 31 December 1995 were £247m and £550m respectively *(1994 £202m and £330m respectively)* and represented 3.6% and 4.6% *(1994 3.6% and 3.5%)* of the respective issued share capitals of these companies.

In the Parent Company balance sheet, ordinary shares include investments in Société Générale and Münchener Rückversicherungs-Gesellschaft with market values at 31 December 1995 of £73m *(1994 £56m)* and £87m *(1994 £36m)* respectively.

(h) Prior to 31 December 1995, the Group purchased equity futures, maturing in 1996 amounting to £10m *(1994 £1m)* for long term business operations and made net purchases of government securities futures amounting to £1m *(1994 Nil)* and Nil *(1994 £4m)* for long term business and general insurance operations respectively. No adjustment has been made to the classification of existing investments to reflect the effect of the future settlement of these transactions.

(i) The Company and certain subsidiaries have an agreement to finance certain United Kingdom staff residential mortgages with deposits from a third party on a non-recourse basis. The mortgages and related deposits do not represent an economic benefit or risk to the Group and consequently have not been included in the consolidated balance sheet. The balance of these mortgages as at 31 December 1995 was £166m *(1994 £164m)*.

19. Valuation of in-force long term business

(a) Movements in the valuation of in-force long term business comprise:	1995 £m	1994 Restated £m
Foreign exchange movements	**89**	40
In-force long term business acquired	**4**	198
Other movements during the year	**121**	(35)
Movements in the valuation of in-force long term business	**214**	203
Balance at 1 January (restated)	**1,352**	1,149
Balance at 31 December	**1,566**	1,352

(b) The reserve arising from the valuation of in-force long term business, which is included in the revaluation reserve, comprises:	1995 £m	1994 Restated £m	Movement in the year £m
Valuation of in-force long term business at 31 December	**1,566**	1,352	214
Disposal value of in-force long term business	**3**	–	3
Purchased value of in-force long term business	**(219)**	(196)	(23)
Amount attributable to minority interests	**(22)**	(12)	(10)
At 31 December	**1,328**	1,144	184

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19. Valuation of in-force long term business (continued)

(c) The embedded value of the long term operations comprises:

	1995 £m	1994 Restated £m
Net assets of long term operations	**1,415**	1,177
Valuation of in-force long term business	**1,566**	1,352
	2,981	2,529

20. Debtors arising out of direct insurance operations

Debtors arising out of direct insurance operations comprise:

	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Amounts owed by policyholders	**798**	691	**266**	314
Amounts owed by intermediaries	**833**	839	**92**	99
	1,631	1,530	**358**	413

The Group has taken advantage of the transitional exemption included in the amendment to Financial Reporting Standard 5 'Reporting the Substance of Transactions' available to insurers, which allows the offset of balances arising from insurance broking transactions.

21. Other debtors

Other debtors comprise:

	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Banking assets (22a)	**648**	633	**–**	–
Amounts due by holding company	**–**	363	**–**	17
Amounts due by fellow subsidiaries	**1**	4	**1**	4
Other	**518**	530	**63**	127
	1,167	1,530	**64**	148

22. Banking activities of overseas subsidiaries

(a) Banking assets, excluding intra-group balances, comprise:

	1995 £m	1994 £m
Investments	**20**	20
Loans and advances to banks	**109**	172
Loans and advances to customers	**496**	407
	625	599
Short term deposits and cash	**–**	20
Other banking assets	**23**	14
	648	633

(b) Banking liabilities, excluding intra-group balances, comprise:

	1995 £m	1994 £m
Deposits by banks	**105**	105
Bank customer accounts	**316**	349
Other banking liabilities	**47**	17
	468	471

Deposits by banks are all repayable within one year.

23. Ordinary share capital

(a) The ordinary share capital of the Company at 31 December 1995 was:

	1995 £m	1994 £m
Authorised		
760,000,000 *(1994: 728,534,597)* ordinary shares of 25p each	**190**	182
Issued and paid up		
760,000,000 *(1994: 728,534,597)* ordinary shares of 25p each	**190**	182

(b) During the year 31,465,403 ordinary shares of 25p each in the Company, having an aggregate nominal value of £7,866,351, were issued at a premium of £6.10 per share to Commercial Union plc.

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24. Share premium account

Movements in share premium account comprise:	1995 £m	1994 £m
Shares issued	**192**	665
Balance at 1 January	**1,169**	504
Balance at 31 December	**1,361**	1,169

25. Revaluation reserve

(a) The balance on the Group revaluation reserve, after taxation and minority interests, comprises:	1995 £m	1994 Restated £m
Unrealised investment gains	**480**	38
Reserve arising on the valuation of in-force long term business (M & 19b)	**1,328**	1,144
	1,808	1,182

(b) Movements in the revaluation reserve, after taxation and minority interests, comprise:	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Total gains/(losses) on investments, excluding valuation of in-force long term business	**523**	(620)	**807**	(867)
Reserve arising on the valuation of in-force long term business (19b)	**184**	1	–	–
	707	(619)	**807**	(867)
Less:				
Realised gains included in the non-technical account	**(81)**	(38)	**(11)**	(8)
Movements in the revaluation reserve after taxation and minority interests	**626**	(657)	**796**	(875)
Balance at 1 January (restated)	**1,182**	1,839	**1,292**	2,167
Balance at 31 December	**1,808**	1,182	**2,088**	1,292

26. Other reserves

Movements in other reserves comprise:	Special reserve 1995 £m	Special reserve 1994 £m	Capital contribution 1995 £m	Capital contribution 1994 £m	Total 1995 £m	Total 1994 £m
Transfer to profit and loss account (27)	–	(79)	–	–	–	(79)
Balance at 1 January	–	79	**150**	150	**150**	229
Balance at 31 December	–	–	**150**	150	**150**	150

Following the increase in the Company's share capital in December 1994, the balance in the special reserve was transferred to the profit and loss account in 1994, in accordance with an undertaking given to the High Court on 13 December 1993.

27. Profit and loss account

Movements in the profit and loss account comprise:	Group 1995 £m	Group 1994 Restated £m	Company 1995 £m	Company 1994 Restated £m
Transfer from non-technical account	**245**	206	**35**	57
Foreign exchange gains/(losses)	**85**	(14)	**108**	(29)
Goodwill and other movements	**(10)**	(394)	**7**	(12)
Transfer from special reserve (26)	–	79	–	79
Movements in the profit and loss account	**320**	(123)	**150**	95
Balance at 1 January	**884**	1,067	**774**	739
Prior year adjustments (2b)	–	(60)	–	(60)
Balance at 31 December	**1,204**	884	**924**	774

The cumulative amounts of positive and negative goodwill charged or credited to the consolidated profit and loss account, attributable to subsidiary undertakings acquired after 1 January 1968 and not subsequently sold, are £~~407~~m and £20m respectively. Similar information relating to subsidiary undertakings acquired before 1968 is not readily available.
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28. Long term business

(a) The Group underwrites long term business in a number of territories as follows:

(i) In the United Kingdom in

– the Commercial Union Life fund, where the 'with-profits' policyholders are entitled to at least 90% of the distributed profits, the shareholders receiving the balance; and

– the Northern Non-Participation Life fund, where shareholders are entitled to 100% of the distributed profits. The fund contains non-participation business and liabilities in respect of certain 'with-profits' policies reassured from the Commercial Union Life fund. New business mainly comprises unit-linked policies, where shareholders' profits are derived largely from a management fee and policyholders' benefits are determined by investment performance.

(ii) In France, where the majority of policyholders' benefits are determined by investment performance, subject to certain guarantees, and shareholders' profits are derived largely from management fees. In addition, a substantial number of policies participate in investment gains with the balance being attributable to shareholders.

(iii) In the Netherlands, where the balance of profits, after providing appropriate returns for policyholders, accrues for the benefit of the shareholders. The bases for determining returns for policyholders are complex, but are consistent with methods and criteria followed generally in the Netherlands.

(iv) In other territories, using methods similar to those described above.

(b) The directors have been advised by the Group Actuary that the assets of each of the long term operations were at least sufficient to meet their respective liabilities at 31 December 1995.

29. Long term business provision

The assumptions used to calculate the long term business provision depend on the circumstances prevailing in each of the life operations. The principal assumptions for life funds in the United Kingdom, France and the Netherlands are:

Contract type	Interest %	Mortality tables used
United Kingdom		
Assurances		
– Life	3 to 4.25	A67/70, plus further allowances for AIDS
– Pensions	5	A67/70, plus further allowances for AIDS
Annuities		
– Individual	4 to 5	IM80/IF80 (C=2010), less 2 years from age
– Group in deferment	6	A67/70, less 4 years from age
– Group in payment	4 to 6	PA90, less 4 years from age
France		
Life assurances		
– up to 8 years	6	TD 88/90
– 8 years and over	3.5	TD 88/90
Annuities	3.5 to 4.5	TPRV 93 (prospective table)
Netherlands		
Life assurance	4	GBM 61-65, 76-80, 80-85 and GBM/V 85-90
Annuities in deferment and in payment	4	GBM/V 76-80, 80-85, 85-90, and Coll. 1993, plus further allowance for future mortality improvement

In each territory, published standard mortality tables are used for different categories of business as appropriate. These tables are based on relevant experience and show mortality rates, by age, for specific groupings of people.

30. Discounting of provisions for outstanding claims

In the Netherlands, Belgium and the United States, claims on certain classes of business are discounted as follows:

	Class	Rate	Mean term of liabilities
Netherlands	Permanent health and injury	4%	8 years
Belgium	Workers' compensation	4%	19 years
United States	Workers' compensation	7%	8 years
	Business no longer written	9%	4 years

The effect of discounting these claims is to reduce net outstanding claims by £130m *(1994 £117m)* and to increase the profit on ordinary activities before taxation by £1m *(1994 decrease £15m)*.

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31. Provisions for other risks and charges

Movements in provisions for other risks and charges were:

	Group: Pensions and similar obligations £m	Group: Deferred taxation (note 12(c)) £m	Group: Other £m	Group: Total £m	Company: Pensions and similar obligations £m	Company: Deferred taxation (note 12(c)) £m	Company: Other £m	Company: Total £m
At 1 January 1995 as restated	12	150	70	232	1	22	3	26
Exchange movements on opening provisions	–	10	5	15	–	–	–	–
General business	8	39	91	138	–	17	36	53
Long term business	–	112	15	127	–	–	–	–
At 31 December 1995	20	311	181	512	1	39	39	79

32. Debenture loans, amounts owed to credit institutions and commercial paper

(a) The Group analysis by business segment is:

	Debenture loans 1995 £m	Debenture loans 1994 £m	Amounts owed to credit institutions 1995 £m	Amounts owed to credit institutions 1994 £m	Commercial paper 1995 £m	Commercial paper 1994 £m	Total 1995 £m	Total 1994 £m
General business	–	–	**2**	2	–	–	**2**	2
Long term business	**217**	265	–	1	–	–	**217**	266
Other	**105**	90	–	676	**39**	115	**144**	881

(b) The Company analysis by business segment is:

	Amounts owed to credit institutions 1995 £m	Amounts owed to credit institutions 1994 £m	Commercial paper 1995 £m	Commercial paper 1994 £m	Total 1995 £m	Total 1994 £m
General business	**2**	2	–	–	**2**	2
Other	–	–	–	79	–	79

General business borrowings comprise loans taken out by the Company in relation to insurance operations. 'Other' comprises borrowings by holding companies within the Group which are not allocated to insurance operations.

(c) Debenture loans comprise:

	Group: Long term business 1995 £m	Group: Long term business 1994 £m	Group: Other 1995 £m	Group: Other 1994 £m
4.5% Swiss Franc 200m bonds 2000	–	–	**105**	90
Institutional borrowings 1996/2005 (average rate 8%)	**217**	265	–	–
	217	265	**105**	90
Repayable as follows:				
1 year or less	**105**	26	–	–
Between 1 and 2 years	–	77	–	–
Between 2 and 5 years	–	–	**105**	–
After 5 years	**112**	162	–	90
	217	265	**105**	90
The interest charge for the year on the above loans was as follows:				
On loans repayable within 5 years	**9**	7	**6**	–
On loans repayable after 5 years	**9**	12	–	5
	18	19	**6**	5

The long term institutional borrowings arise wholly in the Netherlands and are mainly in respect of a segregated pool for the insurance of the metals industry pension schemes. Funds are lent to Delta Lloyd for investment on terms of 10, 15 or 20 years, where annual repayments are usually borrowed back immediately on new conditions.

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32. Debenture loans, amounts owed to credit institutions and commercial paper (continued)

(c) Debenture loans (continued)

The Swiss franc bonds were issued with warrants entitling the holders to subscribe for shares in the Company at any time before 11 June 1991. The value attributed to these warrants was Sfr 24m (£12m) which, together with the issue expenses of Sfr 7m (£3m), is being amortised over the full term of the bonds. At 31 December 1995, the unamortised amount was Sfr 12m (£7m) *(1994 Sfr 15m (£7m))*. The bonds are now redeemable in total at the option of the issuer at any time at a decreasing premium but are shown in the above table as repayable on the due date.

(d) Amounts owed to credit institutions comprise:	Group						Company	
	General business		Long term business		Other		General business	
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m
Multi-currency facility agreement (average rate 6.3%)	–	–	–	–	–	676	–	–
Other loans	2	2	–	–	–	–	2	2
Bank borrowings	–	–	–	1	–	–	–	–
	2	2	–	1	–	676	2	2
Repayable as follows:								
1 year or less	2	2	–	–	–	–	2	2
Between 1 and 2 years	–	–	–	–	–	–	–	–
Between 2 and 5 years	–	–	–	–	–	676	–	–
After 5 years	–	–	–	1	–	–	–	–
	2	2	–	1	–	676	2	2
The interest charge for the year on the above loans was as follows:								
On loans repayable within 5 years	–	1	–	–	38	14		
On loans repayable after 5 years	–	–	–	–	–	–		
	–	1	–	–	38	14		

(e) Commercial paper comprises:	Group Other 1995 £m	Group Other 1994 £m	Company Other 1995 £m	Company Other 1994 £m
1995 (average rate 5%)	39	–	–	–
1994 (average rate 5%)	–	115	–	79
	39	115	–	79
The interest charge for the year on the above loans was:	1	5		

The commercial paper is all repayable within one year.

(f) Loans exclude intra-group borrowings, certain of which are guaranteed by third parties.

33. Other creditors including taxation and social security

Other creditors including taxation and social security comprise:	Group 1995 £m	Group 1994 Restated £m	Company 1995 £m	Company 1994 Restated £m
Banking liabilities (22b)	468	471	–	–
Amounts due to holding company	216	–	658	–
United Kingdom and overseas taxation	357	281	187	151
Bank overdrafts	77	140	11	11
Other	828	498	98	78
	1,946	1,390	954	240

Bank overdrafts arise substantially from unpresented cheques.

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34. Accruals and deferred income

Accruals and deferred income comprise:	Group 1995 £m	Group 1994 Restated £m	Company 1995 £m	Company 1994 Restated £m
Deferred reinsurance commissions	**33**	39	**12**	13
Other accruals and deferred income	**173**	268	**34**	65
	206	307	**46**	78

35. Pension and other post-retirement benefit costs

(a) In the United Kingdom, France, the Netherlands and the United States, there are pension schemes whose membership comprises over 85% of pension scheme members throughout the Group. These schemes are for defined benefits except in France which is now on a defined contribution basis. With the exception of the Netherlands, where the scheme is written in the Delta Lloyd Life fund, the assets of these schemes are held in separate trustee-administered funds. An actuarial report has been submitted for each of the three defined-benefit schemes within the last twelve months, using appropriate methods for the respective territories. There are no material surpluses or deficiencies.

In the United Kingdom, the review carried out by the Group Actuary as at 31 December 1994, using the projected unit method, assumed a margin between investment return and salary and pension increases of 1.5% and 4.0% per annum respectively. The assets of the fund at market value amounted to £1,136m and the level of funding was 106%. The employers' contribution rate for 1995 was 12.5% of pensionable salaries.

In France, pension arrangements supplementing other national and insurance industry arrangements were harmonised on a defined contribution basis at the end of 1995 without giving rise to an additional liability. The assets of the fund at market value amounted to £48m. Under the new arrangements, the employer's contribution is 2.15% of salaries. A deficit in the French insurance industry pension fund is being charged to companies over a maximum ten year period. The Group's share of the deficit is £53m, which is being recognised over a ten year period in accordance with United Kingdom accounting practice.

In the Netherlands, the accruing liabilities each year are fully insured. Life assurance contracts are taken out in the Delta Lloyd Life fund and the premiums are calculated individually for each member.

For the United States scheme, the valuation carried out by independent actuaries as at 31 December 1994, using the projected unit method, assumed a margin of 4.25% per annum between investment return and salary increases. The assets of the fund at market value amounted to £62m and the level of funding was 112%. The employers' contribution rate for 1995 was approximately 4.5% of salaries.

The 1995 pension costs for the Group were £48m *(1994 £37m)*. There were no significant contributions outstanding or prepaid as at 31 December 1995.

(b) Post-retirement health care benefits are provided to employees in the United States through a comprehensive medical plan, whereby participants are reimbursed for a proportion of medical expenses. At 31 December 1995, 1,453 current employees and 2,154 retired employees were eligible to receive these benefits.

Since 1 January 1993, the estimated present cost of providing these future benefits has been charged to expenses. The estimated liability at 31 December 1992 of £39m is being charged over a 20 year period from 1 January 1993 and annual costs incurred after that date are charged as they arise. Tax relief is only available on these costs as payments are made.

There are no material schemes in the other territories.

36. Contingent liabilities

The Group has contingent liabilities in respect of insurance and other agreements entered into in the normal course of business and in respect of litigation arising therefrom. The Group is continuing with a review of past sales of those personal pension policies which resulted in transfers and opt outs from occupational schemes, as required by the Personal Investment Authority and the Securities and Investments Board. Because of the complexity of the review, it is still not possible to give a reliable estimate of the cost to the Group. However, the directors remain of the opinion that suitable provision has been made. It continues to be the Group's view that there will be no material effect either on the Group's ability to meet the expectations of policyholders or on shareholders.

The Group also has contingent liabilities amounting to £2m *(1994 £2m)* arising from activities not directly related to insurance. In addition, the Company has guaranteed the overdrafts and borrowings of certain subsidiary and associated undertakings. In the opinion of the directors, no material loss will arise in respect of these guarantees and indemnities.

37. General

(a) The ultimate holding company is Commercial Union plc, which is incorporated in England and Wales. Its group accounts are available on application to the Group Company Secretary, Commercial Union plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

(b) As the Company is a wholly owned subsidiary of Commercial Union plc, the cash flows of the Company are included in the consolidated group cash flow statement of Commercial Union plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

Commercial Union Assurance Group companies

21487

Parent Company

Commercial Union Assurance Company plc (in which is merged the Hand-in-Hand Fire and Life Insurance Society)

Subsidiaries

The Company's principal subsidiaries are listed below by country of incorporation. All are wholly owned, directly or indirectly, and transact insurance or reinsurance business, or services in connection therewith, unless otherwise stated.

United Kingdom

British & European Reinsurance Company Limited
Commercial Union Properties Limited
Commercial Union Risk Management Limited
Commercial Union Underwriting Limited (85.0%)
Indemnity Marine Assurance Company Limited
Northern Assurance Company Limited and its subsidiaries
  Commercial Union Financial Services Limited
  Commercial Union Life Assurance Company Limited
  Commercial Union Pensions Management Limited
Ocean Accident and Guarantee Corporation Limited
Ocean Marine Insurance Company Limited
Travellers' Insurance Association, Limited
All the above companies are incorporated in England and Wales

Australia

National Commercial Union Limited (79.6%)
  and its principal subsidiary
  Commercial Union Assurance Company of Australia
    Limited (79.6%)

Belgium

NV Commercial Union Belgium SA (99.9%)

Bermuda

Curepool Limited

Canada

Commercial Union of Canada Holdings Ltd and its subsidiaries
  Commercial Union Assurance Company of Canada
  Commercial Union Life Assurance Company of Canada

Cyprus

Commercial Union Assurance (Cyprus) Limited (60.0%)

France

Commercial Union Participations SA (99.9%) and its
  principal subsidiaries
  Commercial Union France SA (99.7%)
    and its principal subsidiaries
    Abeille assurances SA (99.7%)
    Abeille vie SA (99.7%)
    Commercial Union Assurances SA (99.7%)
    Eurofil SA (99.7%)
Société Foncière Lyonnaise SA (54.1%)

Greece

Commercial Union Life AEAZ

Indonesia

PT Asuransi Commercial Union Indonesia (80.0%)

Italy

Commercial Union Italia SpA

Luxembourg

Commercial Union Luxembourg SA

Malaysia

Commercial Union Assurance (Malaysia) Sdn. Bhd.(60.0%)

Netherlands

Commercial Union Finance BV
Delta Lloyd Verzekeringsgroep NV (99.9%) and its
  principal subsidiaries
  Delta Lloyd Bank NV (99.9%) *(Banking)*
  Delta Lloyd Levensverzekering NV (99.9%)
  Delta Lloyd Schadeverzekering NV (99.9%)

Poland

Commercial Union Towarzystwo Ubezpieczen Na Zycie
  (Polska) SA (90.0%)

South Africa

Commercial Union of South Africa Limited (51.0%)

Spain

Commercial Union España, Seguros y Reaseguros
  Generales, SA

Switzerland

Commercial Union Réassurance SA

Thailand

Commercial Union Assurance Company (Thailand)
  Limited (49.0%)

Turkey

Commercial Union Hayat Sigorta AS (55.0%)
Commercial Union Sigorta AS (54.9%)

United States

Commercial Union Corporation and its subsidiary
  Commercial Union of America (a Massachusetts business
    trust) and its principal subsidiaries
    American Employers' Insurance Company
    Commercial Union Insurance Company
    Commercial Union Life Insurance Company
      of America
    The Employers' Fire Insurance Company
    The Northern Assurance Company of America

Zimbabwe

CU Fire, Marine and General Insurance Company Limited

Principal associated undertakings are set out in note 17(b) on page 23.