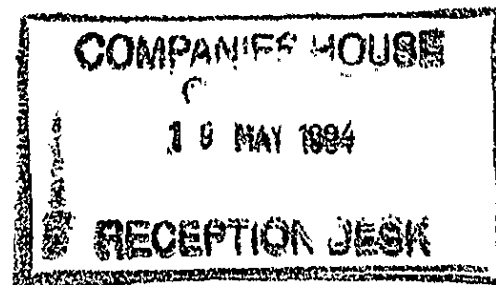


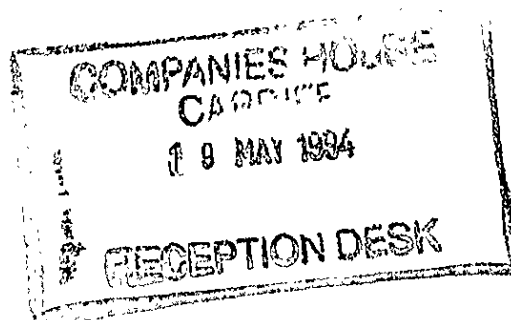
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NORWICH UNION FIRE
INSURANCE SOCIETY LIMITED
1993

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Norwich Union Fire Insurance Society Limited
Founded 1797
Registered in England & Wales no. 99122
Registered Office :
Surrey Street, Norwich, NR1 3NS

Directors' report

to the 197th Annual General Meeting 13 May 1994

The directors have pleasure in presenting to the members of Norwich Union Fire Insurance Society Limited their report on the Society during the year ended 31 December 1993 together with the accounts.

Principal activity

The principal activity of the Society is the transaction of general insurance business.

Results

Consolidated results - analysis :

	Gross premiums written 1993 £m	Net premiums written 1993 £m	Underwriting result 1993 £m	Attributable investment income 1993 £m	Insurance result	
					1993 £m	1992 £m
United Kingdom	1,170.4	1,105.2	(49.4)	155.5	106.1	9.9
Overseas - Europe	113.0	105.4	(10.1)	15.4	5.3	(1.3)
Overseas - International	5.6	1.1	(3.2)	-	(3.2)	(5.5)
	1,289.0	1,211.7	(62.7)	170.9	108.2	3.1

Less quota share treaty with:

Shareholders of associated undertakings	81.1	(5.4)	12.0	6.6	(2.5)
Other undertakings	50.6	(2.5)	7.5	5.0	0.8
Net worldwide total	1,080.0	(54.8)	151.4	96.6	4.8

Consolidated accounts - same features :

	1993 £m	1992 £m
Insurance result	96.6	4.8
Other investment income	27.7	17.3
Policyholders' Protection Board levy	(4.4)	(6.9)
Reorganisation costs	(4.8)	(10.0)
Associated undertakings	-	(40.1)
Result before taxation	119.4	(28.3)
Net result for the year	86.4	(0.6)

Consolidated investments and capital:

	1993 £m	1992 £m
Market value of investments	2,174.0	1,886.1
Capital and reserves	704.4	482.8
Free reserve ratio	65%	42%

Dividend

The directors have recommended a dividend for the year of £50.0m (1992 - £17.0m).

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Directors

Michael G Falcon CBE, DL - Chairman
Francis Cator - Vice Chairman
George Paul DL - Vice Chairman
Bryan Basset CBE
Allan Bridgewater
Andrew Buxton
David Keys
Albert Mills
Jonathan Peel CBE, MC, DL
Philip Scott
Peter Sharman CBE
Philip Sheridan

Management

Society

Albert Mills FIA
General Manager
(UK General Business)

Philip Sheridan FCII, CIMgt
General Manager
(Europe & International)

Stephen Blease BA, FCII
Assistant General Manager
(Europe & International)

Patrick Smith MA, FIA
Assistant General Manager
(UK General Business
Personal Insurances)

Patrick Snowball MA, PSC
Assistant General Manager
(UK General Business
Customer Services)

David Williams FCII
Assistant General Manager
(UK General Business
Commercial Insurances)

Group

Allan Bridgewater ACII,
FIPM, CIMgt
Group Chief Executive

Richard Harvey BSc, FIA
General Manager
(Finance)

Philip Scott FIA
General Manager
(UK Life)

John Stanforth ACII
General Manager and
Secretary

Michael Biggs MA, ACA
Group Financial Controller

Geoffrey Loades FCCA
Assistant General Manager
(Group Personnel &
Corporate Services)

Nicholas Price FRICS
Chief Estates Manager

Roger Ramsay FIA, APMI
Group Deputy Actuary

Michael Sandland MA, FIA,
AIIMR
Chief Investment Manager

Roger Stenson MA, FBCS
Assistant General Manager
(Group Information
Technology)

Raymond Wilson
Group Corporate Affairs
Manager

Auditors
Ernst & Young

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to the 197th Annual General Meeting 13 May 1994

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Directors' report

Share capital

At an Extraordinary General Meeting on 10 December 1993 the Society's authorised share capital was increased to 39,050,000 shares of £1 each. On 31 December 1993 20,000,000 shares were allotted to and subscribed by Norwich Union Holdings p.l.c. at par. The shares were allotted in order to strengthen the Society's capital base.

Business review

Great credit is due to our UK General Insurance operations for returning a £106 million insurance result in 1993. Memories are short, however, and some may be tempted to overlook the fact that we scarcely broke even in 1992, after a two-year period of shocking losses. Since our customers rightly expect us to be able to meet justifiable claims at all times, we must ensure that sufficient reserves are maintained. This is fundamental to the security of the products and services we offer.

Personal insurance business returned an excellent performance last year, but we cannot afford to be complacent. Latest national crime figures show rising losses from domestic burglaries and theft from cars. Our commercial insurance results were affected by the necessity to increase reserves against previous years' claims but the business has been successfully reshaped to concentrate on motor fleet plus property and package cover.

Expansion of Norwich Union Healthcare proceeds apace, with over half a million lives covered, and total premium income forecast to rise to the £140 million mark in 1994. After attaining profitability in the final quarter of last year, Norwich Union Healthcare is set to make an increasingly valuable contribution to our results.

Our high street broking subsidiary Hill House Hammond is also expanding its customer base, and competing successfully against some of the newer direct insurers. It has also launched its own direct operation, and early signs are that this, too, is progressing well.

Our approach to claims handling is to provide fair treatment for the genuine claimant. During the year we enhanced our procedures for settling claims quickly, and we also set up a new Claims Investigation Unit which will make maximum use of scientific and statistical methods of detecting fraudulent and exaggerated claims.

The vast majority of our policyholders are honest, and we do not want them to pay for the dishonest minority.

In recently sponsoring Truckwatch we gave evidence of our desire to be a 'Partner Against Crime' working with truck owners, drivers and the police. The aim is to reduce the cost of claims for stolen heavy goods vehicles which is costing the industry £150 million a year.

We withdrew last year from motor insurance knock-for-knock agreements which had begun to operate against the best interests of our policyholders. Working with other insurers, we have developed a fairer alternative based on agreed apportionment of blame for the most common road traffic accidents.

These initiatives are designed to give our customers a better service and at the same time act as a curb on premium increases.

Policyholders already carry in their premiums the cost of fraudulent and exaggerated claims, uninsured motorists costs and also the Policyholder Protection Board's levy. For this reason we were opposed to the imposition of an insurance premium tax.

However, following constructive discussion between the Association of British Insurers and Government, we were pleased that it was agreed the tax originally proposed as 3% of premiums net of commission will now be 2.5% of gross premiums. This means policyholders will pay no more than originally proposed but there will be considerable savings in administration costs.

Subsidiary and associated undertakings

With effect from 1 January 1993, the overseas subsidiaries of the Society, and CIC Holdings Limited, a principal associated undertaking, were transferred to Norwich Union Overseas Holdings BV, a company registered in the Netherlands, and which is a member of the Norwich Union Group.

Also with effect from 1 January 1993, Norwich Winterthur Holdings Limited and NW Reinsurance Corporation Limited, both principal associated undertakings, were transferred to the direct ownership of Norwich Union Holdings plc, the Society's immediate parent undertaking.

Employees

Provision of information

During the year the following policy has been continued:

- (i) providing information on matters of concern and interest to staff through circulars, an in-house newspaper, videos, regular conferences and courses;
- (ii) managers holding regular briefing and dissemination meetings to provide information and the opportunity for questions and discussions;
- (iii) consulting with staff representative bodies on various issues including terms and conditions of employment, job security, and health and safety.

The Society also involves employees in the Group's performance by way of participation in a staff profit sharing scheme.

Equal opportunities/disabled persons

The Society is committed to providing equal opportunities to all employees irrespective of sex, marital status, creed, colour, race or ethnic origin. This commitment extends to recruitment, training, career development, promotion and performance appraisal.

In respect of disabled persons the policy of the Society and its subsidiary undertakings continues to be to:

- (i) give full and fair consideration to applications for employment made by disabled persons taking into account their disability only to the extent to which it would affect their ability to perform the job and any health and safety considerations;
- (ii) retain if possible in its employment any staff member who becomes disabled, if necessary by providing appropriate training for an alternative job;
- (iii) provide equal opportunity to disabled persons regarding their consideration for training, career development and promotion, only taking into account their disability as outlined in (i) above.

Directors

The names of the directors are given on page 2.

Mr Geoffrey Copeman and Mr Ron Calver were directors from 1 January 1993 until their resignations on 14 May 1993 and 30 June 1993 respectively.

Mr Philip Scott and Mr Philip Sheridan were appointed directors from 9 July 1993. Both retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

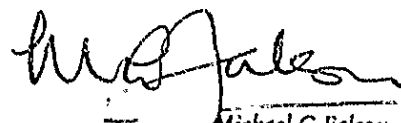
Mr Michael Falcon retires by rotation but in view of his retirement at the conclusion of the Annual General Meeting does not offer himself for re-election. Mr Bryan Basset, Mr David Keys and Mr Jonathan Peel retire by rotation and, being eligible, offer themselves for re-election.

According to the register kept under section 325 of the Companies Act 1985, no director has any interest in any share or debenture of the Society, the Society's parent undertaking or any other subsidiary undertaking of the Society's ultimate parent undertaking.

The Group has effected liability insurance on behalf of directors and officers.

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution will be submitted at the meeting to reappoint them as auditors and to authorise the directors to fix their remuneration.


Michael G Falcon
Chairman

Norwich 18 March 1994

Statement of directors' responsibilities

in respect of Norwich Union Fire Insurance Society accounts for the year ended 31 December 1993

Company law requires the directors to prepare accounts for each financial year in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the accounts comply with the Companies Act 1985 as applicable to insurance companies. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' report

to the members of Norwich Union Fire Insurance Society Limited

We have audited the accounts on pages 8 to 22, which have been prepared under the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 6 the Society's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion on whether the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies, based on our audit, 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 Society'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 after taking account of the provisions of the Companies Act 1985 applicable to insurance companies.

Opinion

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

Ernst & Young
Chartered Accountants
Registered Auditor

Norwich 18 March 1994

Accounting policies

A. Basis of preparation

The consolidated accounts are prepared in compliance with sections 255 and 255A of, and Schedule 9A and Schedule 4A to, the Companies Act 1985, on the bases applicable to insurance companies. As allowed by paragraph 28 of Schedule 9A, the aggregate cost and depreciation of fixed assets, aggregate amounts of listed and unlisted investments and movements on reserves are not disclosed. Subject to these exemptions, the accounts are also prepared in accordance with applicable accounting standards and with the statement of recommended practice issued by the Association of British Insurers.

B. Basis of consolidation

The consolidated financial statements comprise the accounts of Norwich Union Fire Insurance Society Limited and its subsidiary undertakings made up to 31 December 1993.

The results of subsidiary undertakings disposed of during the year are included up to the date of disposal.

Investments in the principal associated undertakings are stated at the Group's share of the net asset value less any provisions. The Group's share of the profits (less losses) of the principal associated undertakings is included in the consolidated profit and loss account. Other associated undertakings have been treated as investments and their results have only been included to the extent of dividends received as the amounts involved are immaterial.

C. Valuation of investments

In the balance sheets investments are stated as below:

- (i) Listed securities at middle market value.
- (ii) Unlisted securities at market value estimated by the directors.
- (iii) Property at open market value, making due allowance for purchasers' acquisition costs, valued by the Chief Estates Manager, a Fellow of the Royal Institution of Chartered Surveyors.
- (iv) Subsidiary undertakings at net asset value on the foregoing bases.

Profits and losses, after taxation, on the realisation of investments, together with the excess of market values over book values, are taken to the investment reserve.

D. Reserves

Investment reserve principally consists of unrealised appreciation of investments, profits and losses, after taxation, on realisation of investments and exchange adjustments from revenue.

E. Insurance funds

- (i) 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 a daily pro-rata basis.
- (ii) Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that unearned premiums will be insufficient to cover future claims and expenses on existing contracts.
- (iii) Provision has been made for the cost of all claims incurred during the year, whether reported or not, which are outstanding at the balance sheet date. The estimated cost of these claims has been determined after considering anticipated claims settlement patterns and future increases in settlement costs together with related handling expenses.

The outstanding claims provision includes an actuarially calculated permanent health insurance fund.

Amounts in respect of domestic mortgage indemnity are included on the basis that claims are provided from the date of repossession of the mortgaged property, whether reported or not. Potential claims in respect of domestic mortgage indemnity business, where repossession has not yet taken place, are considered in the unexpired risk calculation.

- (iv) Marine and aviation business is provided for in a separate fund. The fund is arrived at by considering the adequacy of each year having regard to estimates of future premiums and settlements.

Any difference between the provisions at the balance sheet date and settlements and provisions in the following year is included in the revenue account for that year.

F. Underwriting results

The results of general insurance business are determined on an annual basis.

G. Deferred acquisition expenses

Commission and other acquisition expenses incurred are attributable to the insurance business written in the accounting period. To the extent that a proportion of the premiums written in the accounting period is deferred to a subsequent accounting period, an equivalent proportion of the related acquisition expenses has been deferred in accordance with the accruals concept.

H. Capital expenditure

Expenditure on computing and other office equipment and furniture, motor vehicles and machinery is capitalised and charged to revenue over an appropriate period. Computer software is not capitalised. Certain start up distribution costs are deferred and charged to revenue when matched against resulting income in future periods.

The Society makes purchases in the United Kingdom on behalf of most of the Group undertakings. Such purchases are leased to the undertakings concerned under operating leases and amounts recovered have been credited to investment income.

The written down balance in the balance sheets includes assets acquired under finance leases shown at the value of the minimum lease payments less depreciation with the net obligation to the lessor being included in the balance sheets as a liability.

I. Rates of exchange

Assets, liabilities and revenue transactions in currencies other than sterling have been translated into sterling at approximate rates of exchange ruling at 31 December. Exchange adjustments are taken to investment reserve.

Insurance funds held at the beginning of the year in currencies other than sterling have been revalued at rates of exchange ruling at 31 December and the resulting exchange adjustments taken to investment reserve.

J. Deferred taxation

Deferred taxation is calculated using the liability method, but is only provided for where the amount is likely to become payable in the foreseeable future.

K. Premiums

Premiums are principally accounted for in the year in which the risk commences. The overall effect of new business premiums, mid term adjustments and lapses of renewal premiums not accounted for in the year of risk inception is not material.

L. Investment income

Income from listed stocks and shares is included in the accounts when the security becomes ex-dividend, except for income from certain overseas stocks and shares which is accounted for when received.

Interest and rents receivable are accounted for on an accruals basis.

All investment income is shown net of investment expenses.

M. Other operations

Commission and fee income of the Society's other operating subsidiary undertakings is recognised on an accruals basis.

N. Pension plans

The expected cost of pensions in respect of the defined benefit staff pension plans is charged to the revenue account so as to spread the cost of pensions over the service lives of employees in the plans.

O. Goodwill

Goodwill arising on the purchase of subsidiary undertakings, representing the difference between purchase consideration and the fair value of assets acquired, is written off to investment reserve in the year of acquisition.

Consolidated revenue account

for the year ended 31 December 1993

	Notes	1993 £m	1992 £m
Gross premiums written - continuing operations		1,239.2	1,237.3
- discontinued operations	9	49.8	128.7
		1,289.0	1,366.0
Reinsurance ceded		(209.0)	(225.9)
Net premiums written		1,080.0	1,140.1
Increase in unearned premiums		(26.6)	(16.5)
Premiums earned		1,053.4	1,123.6
Gross claims incurred		987.1	1,352.1
Reinsurance recoveries		(160.4)	(334.3)
Net claims incurred		826.7	1,017.8
Decrease in unexpired risks		-	(65.4)
Commission and expenses	8,17,18,19	281.5	322.5
Underwriting result		(54.8)	(151.3)
		1,053.4	1,123.6

Consolidated profit and loss account

for the year ended 31 December 1993

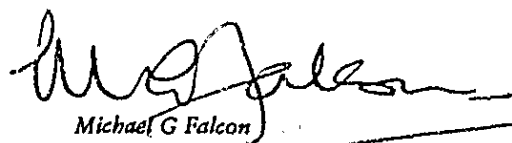
	Notes	1993 £m	1993 £m	1992 £m	1992 £m
Underwriting result	9		(54.8)		(151.3)
Attributable investment income	9,10		151.4		156.1
Insurance result - continuing operations	9	93.2		4.1	
- discontinued operations	9	3.4		0.7	
- total	9		96.6		4.8
Other investment income	10	27.7		17.3	
Other operations	11	4.3		6.6	
Reorganisation costs		(4.8)		(10.0)	
Policyholders Protection Board levy	20	(4.4)		(6.9)	
			22.8		7.0
Result before associated undertakings			119.4		11.8
Associated undertakings	21		-		(40.1)
Result before taxation			119.4		(28.3)
Taxation:					
Society and subsidiary undertakings	13	(33.0)		24.7	
Associated undertakings		-		3.2	
			(33.0)		27.9
Minority interests			-		(0.2)
Net result for the year	7		86.4		(0.6)
Dividend			(50.0)		(17.0)
Profit/(loss) retained for the year			36.4		(17.6)
Retained profits at 1 January 1993			39.8		58.7
Investment reserve transfers			27.6		(1.3)
Retained profits at 31 December 1993	7		103.8		39.8

Balance sheets

at 31 December 1993

		Society		Consolidated	
	Notes	1993	1992	1993	1992
		£m	£m	£m	£m
Investments	1	1,730.2	1,382.5	2,174.0	1,886.1
Other assets					
Capitalised equipment		37.9	46.2	48.4	56.0
Debtors		293.2	366.4	333.7	430.3
Other current assets	3	282.7	216.4	270.4	189.9
Total assets		2,344.0	2,011.5	2,826.5	2,562.3
Liabilities and insurance funds					
Creditors		73.2	92.3	112.1	130.7
Insurance funds	4	1,408.1	1,333.6	1,849.8	1,838.0
Other liabilities and provisions	5	158.3	102.8	159.5	110.0
		1,639.6	1,528.7	2,121.4	2,078.7
Net assets		704.4	482.8	705.1	483.6
Minority interests of outside shareholders in subsidiaries		-	-	0.7	0.8
		704.4	482.8	704.4	482.8
Capital and reserves					
Share capital	6	39.0	19.0	39.0	19.0
Share premium		28.1	28.1	28.1	28.1
Investment reserve		615.9	435.6	533.5	395.9
Retained profits	7	21.4	0.1	103.8	39.8
Shareholders' funds		704.4	482.8	704.4	482.8

The notes on pages 14 to 22 form an integral part of these accounts



Michael G Falcon
Chairman



Allan Bridgewater
Group Chief Executive

Norwich 18 March 1994

Cash flow statement

for the year ended 31 December 1993

	Notes	1993 £m	1993 £m	1992 £m	1992 £m
Operating activities					
Net cash inflow from operating activities	16		180.6		7.7
Servicing of finance					
Dividends paid			(50.0)		(17.0)
Taxation					
Corporation and income tax (paid)/recovered			1.0		(2.8)
Investing activities					
(Purchases) less sales of investments, excluding cash deposits					
Ordinary stocks		(25.0)		14.7	
Property		29.4		14.9	
Government and other public securities		(211.3)		(131.9)	
Debentures and loan stocks		(74.8)		48.3	
Preference stocks		19.3		3.8	
Mortgages and loans		(39.1)		(5.9)	
Disposal of associated undertakings	21	68.0		-	
		(233.5)		(56.1)	
Net realised investment gains before tax		31.4		127.2	
Disposal of subsidiary undertakings	16	15.9		12.7	
(Purchases)less sales of tangible fixed assets		(11.9)		(8.8)	
Net cash inflow from investing activities			(198.1)		75.0
Net cash inflow before financing			(66.5)		52.9
Financing					
Issue of ordinary share capital to minority interests			(0.1)		0.8
Issue of ordinary share capital			20.0		-
Increase/(decrease) in cash and cash equivalents	16		(46.6)		63.7

Notes to the accounts

1. Investments

	Society		Consolidated	
	1993	1992	1993	1992
	£m	£m	£m	£m
Ordinary stocks	356.5	304.2	359.6	314.3
Property	55.8	6.5	57.6	77.0
Government and other public securities	736.5	527.0	1,116.6	880.4
Debentures and loan stocks	108.9	65.8	249.2	178.6
Preference stocks	17.1	31.3	22.7	42.1
Mortgages and loans	225.4	158.9	342.0	281.1
Deposits	26.0	68.3	25.3	71.5
Shares in subsidiary undertakings	204.0	179.4	-	-
Shares in principal associated undertakings	-	41.1	-	41.1
	1,730.2	1,382.5	2,174.0	1,886.1

The Society's mortgage operations are carried out through fellow Group undertakings, and are financed by loans from the Society. Certain investments were on loan to the market under a stock lending scheme authorised by the Bank of England. Also some investments are specifically deposited under local laws in various places outside the United Kingdom as security to holders of policies issued there.

2. Subsidiary undertakings

Particulars of subsidiary undertakings at 31 December 1993 are given below. Those undertakings which have been omitted do not materially affect the amount of the result or assets shown in the accounts. Unless otherwise stated, the undertakings have share capital comprising shares of one class only, and are engaged in the transaction of general insurance business.

	Country of registration or incorporation	Percentage of allotted share capital held by	
		Society	Subsidiaries
Subsidiary undertakings of Norwich Union Fire Insurance Society Limited			
Scottish Union and National Insurance Company	unregistered		
'A' shares of £5 each (50p paid)		100	-
Ordinary shares of £1 each		100	-
Haven Insurance Policies Limited	England & Wales	100	-
NUFIS Investment Holdings Limited (Investment holding company)	England & Wales	100	-
Other operating subsidiary undertakings			
Ajax Insurance Holdings Limited (Holding company)	England & Wales	100	-
The Ajax Insurance Association Limited (Engineering inspections)	England & Wales	-	100
Hill House Hammond Limited (Insurance intermediaries)	England & Wales	100 (voting)	-
Norwich Union Healthcare Limited (Marketing and administration company)	England & Wales	100	-
Worldwide Assistance Limited (Medical emergency service)	England & Wales	100	-

3. Other current assets

	Society		Consolidated	
	1993	1992	1993	1992
	£m	£m	£m	£m
Amounts due from The Norwich Union Life Insurance Society	12.2	-	9.2	-
Amounts due from subsidiary undertakings	165.4	112.5	-	-
Amounts due from other Group undertakings	9.4	15.9	9.2	18.0
Amounts due from associated and their subsidiary undertakings	-	0.7	-	0.7
Cash in hand and on current account	16.8	9.4	145.9	63.8
Deferred acquisition expenses	78.9	77.9	106.0	107.4
Deferred taxation	-	-	0.1	-
	282.7	216.4	270.4	189.9

4. Insurance funds

	Society		Consolidated	
	1993	1992	1993	1992
	£m	£m	£m	£m
Unearned premiums:				
Gross	535.5	518.4	553.7	542.6
Reinsurance ceded	(178.5)	(184.0)	(74.7)	(72.5)
Outstanding claims:				
Gross	1,605.1	1,578.2	1,645.2	1,632.4
Reinsurance recoveries	(554.0)	(579.0)	(274.4)	(265.2)
Marine and aviation fund	-	-	-	0.7
	1,408.1	1,333.6	1,849.8	1,838.0

Due to revaluation and portfolio adjustments the movement on unearned premium reserve does not reconcile to the amount shown in the revenue account.

5. Other liabilities and provisions

	Society		Consolidated	
	1993	1992	1993	1992
	£m	£m	£m	£m
Amounts due to The Norwich Union Life Insurance Society	-	1.5	-	6.6
Amounts due to subsidiary undertakings	-	1.0	-	-
Amounts due to other Group undertakings	28.6	35.5	28.5	37.0
Amounts due to associated and their subsidiary undertakings	-	17.7	-	17.7
Bank loans and overdrafts	129.7	47.1	131.0	47.5
Deferred taxation	-	-	-	1.2
	158.3	102.8	159.5	110.0

Notes to the accounts

6. Share capital

	1993	1992
	£m	£m
Authorised and allotted fully paid		
39,050,000 (1992 - 19,050,000) ordinary shares of £1 each	39.0	19.0

7. Profit and loss account

As permitted by section 230 of the Companies Act 1985, the parent undertaking's profit and loss account has not been included in these financial statements.

	1993	1992
	£m	£m
(i) Net result dealt with in the accounts of the Society	72.6	14.7
(ii) Consolidated retained profits comprise:		
The Society	21.4	0.1
Subsidiary undertakings	82.4	74.8
Associated undertakings	-	(35.1)
	103.8	39.8

8. Commission and expenses

	1993	1992
	£m	£m
Commission	165.5	177.1
Expenses	115.7	147.5
Increase in deferred acquisition expenses	0.3	(2.1)
	281.5	322.5

9. Analysis of consolidated insurance result

	Continuing		Discontinued		Total	
	1993	1992	1993	1992	1993	1992
	£m	£m	£m	£m	£m	£m
Underwriting result	(49.2)	(137.8)	(5.6)	(13.5)	(54.8)	(151.3)
Attributable investment income	142.4	141.9	9.0	14.2	151.4	156.1
Insurance result	93.2	4.1	3.4	0.7	96.6	4.8

With effect from 1 January 1994 the Society transferred the business of its Republic of Ireland branch to a subsidiary undertaking Norwich Union General Insurance (Ireland) Limited. On 21 February 1994 this subsidiary was transferred to a fellow subsidiary undertaking within the Norwich Union Group. The business written in the Republic of Ireland has been treated as a discontinued operation.

10. Investment income

Investment income in the consolidated profit and loss account is shown after deduction of investment expenses of £1.2m (1992 - £1.0m) and interest payable of £12.3m (1992 - £9.1m) on loans and other current balances. It includes rents receivable on property of £10.6m (1992 - £10.2m).

11. Other operations

The trading results of the Society's other operating subsidiary undertakings listed in note 2 are derived as follows:

	1993	1992
	£m	£m
Net commission receivable	66.1	72.7
Investment income	1.4	2.0
Expenses	(63.2)	(68.1)
Trading result	4.3	6.6

Included in commission is approximately £26.2m (1992 - £48.3m) from other Group undertakings.

12. Segmental information

	1993	1992
	£m	£m
(i) Gross premiums written		
United Kingdom	1,170.4	1,185.4
Overseas - Europe	113.0	157.7
Overseas - International	5.6	22.9
	1,289.0	1,366.0
(ii) Result before taxation		
United Kingdom	116.0	15.3
Overseas - Europe	5.5	1.6
Overseas - International	(2.1)	(5.1)
	119.4	11.8
Share of results of associated undertakings	-	(40.1)
	119.4	(28.3)
(iii) Net assets		
United Kingdom	636.7	361.5
Overseas - Europe	57.0	54.5
Overseas - International	10.7	25.7
	704.4	441.7
Share of net assets of associated undertakings	-	41.1
	704.4	482.8

(iv) For the purposes of Statement of Standard Accounting Practice 25, 'Segmental Reporting', the directors consider that the Society and its subsidiary undertakings operate principally in only one class of business, that of general insurance.

(v) The directors consider that turnover on the destination basis is not materially different from turnover on an origin basis.

Notes to the accounts

13. Taxation

Provision for taxation on the result for the year has been made as shown below. Group relief relates to intercompany payments for losses transferred. The investment reserve transfer represents relevant taxation on items credited or charged to investment reserve.

	1993	1992
	£m	£m
UK corporation tax at 33% (1992 - 33)	39.9	24.4
less double taxation relief	0.7	-
Net charge for UK corporation tax	39.2	24.4
Tax on franked investment income	3.8	6.3
Group relief	11.5	3.6
Overseas taxation	0.6	1.6
Deferred taxation	(0.1)	7.0
Total taxation for the year	55.0	42.9
Adjustment in respect of prior years including deferred taxation	7.4	(0.2)
Utilisation of prior year losses	(12.2)	(24.4)
	50.2	18.3
Investment reserve transfer	(17.2)	(43.0)
Charge/(credit) to profit and loss account	33.0	(24.7)

Details of the full potential liability for deferred taxation are given below :

	Society		Consolidated	
	1993	1992	1993	1992
	£m	£m	£m	£m
Provided in accounts :				
Insurance funds	-	-	-	1.1
Accelerated capital allowances	-	-	0.2	
Short term timing differences	-	-	(0.3)	0.1
	-	-	(0.1)	1.2
Not provided in accounts :				
Unrealised appreciation of investments	122.0	78.0	137.0	94.0
Accelerated capital allowances	(1.7)	(1.3)	(1.8)	(1.4)
Short term timing differences	(3.7)	(1.7)	(4.3)	(1.8)
Trading losses unrelieved	-	(3.8)	-	(3.8)
	116.6	71.2	130.9	87.0
	116.6	71.2	130.8	88.2

14. Leases and hire purchase

	1993 £m	1992 £m
(i) The Society's commitment under finance leases is as lessee and comprises:		
Net amount included in capitalised equipment	13.7	0.7
Total depreciation charged for the year	4.7	0.5
Payments due:		
Next year	5.8	0.4
Subsequent four years	7.7	-
Finance charges of £0.7m were incurred in 1993.		
(ii) The Society's commitment under hire purchase agreements comprises:		
Net amount included in capitalised equipment	-	9.4
Total depreciation charged for the year	-	4.7
Payments due:		
Next year	-	2.6
Subsequent four years	-	8.7
(iii) The Society's involvement under operating leases as lessor comprises:		
Amount included in capitalised equipment:		
Gross	134.3	128.4
Accumulated depreciation	(114.8)	(100.5)
Net	19.5	27.9
Rents receivable	12.0	15.2
(iv) The annual commitments under operating leases of the Society's subsidiary undertakings as lessees, of which £nil in 1993(1992 - £1.5m) is in respect of land and buildings, are as follows:		
Operating leases which expire:		
Next year	5.8	0.2
Subsequent four years	7.6	0.4
After five years	-	1.0
	13.4	1.6

15. Capital commitments

Contracts exist at 31 December 1993 for capital expenditure excluding investments amounting to approximately £0.2m (1992 - £nil) for which provision has not been made in the accounts.

The directors have authorised capital expenditure, other than on investments, of £12.2m (1992 - £7.7m) which has not yet been contracted for.

Notes to the accounts

16. Cash flow statement

(i) Reconciliation of result before taxation to net cash inflow from operating activities

	1993	1992
	£m	£m
Result before taxation	119.4	(28.3)
Adjustments to convert revenue to a cash basis:		
Depreciation charges	18.4	22.6
Result of associated undertakings	-	40.1
Tax on franked investment income included within operating income	(3.8)	(6.3)
Fees and interest included in investment reserve	(3.4)	-
Movements in:		
Debtors excluding taxation	59.1	(60.8)
Deferred acquisition expenses	1.4	4.4
Insurance funds	56.1	(4.6)
Creditors excluding taxation	(22.7)	1.2
Current account with The Norwich Union Life Insurance Society excluding group relief	(15.8)	7.9
Current account with other Group undertakings excluding group relief	(28.1)	29.7
Current account with associated undertakings	-	1.8
Net cash inflow from operating activities	180.6	7.7

(ii) Analysis of changes in investments, excluding cash deposits, during the year

Purchases less sales of investments	233.5	56.1
Foreign exchange gains/(losses)	(19.5)	18.9
Changes in market value	158.3	(34.5)
Investments held in subsidiaries sold	(39.2)	(74.1)
Movements in investments	333.1	(33.6)
Balance at 1 January 1993	1,814.6	1,848.2
Balance at 31 December 1993	2,147.7	1,814.6

Separate figures for purchases and sales of investments are not readily available.

(iii) Analysis of the balance of cash and cash equivalents as shown in the balance sheet

	Change in year	1993	1992
	£m	£m	£m
Cash at bank and in hand	82.1	145.9	63.8
Short term deposits	(45.2)	26.3	71.5
Bank overdrafts	(83.5)	(131.0)	(47.5)
Total cash and cash equivalents	(46.6)	41.2	87.8

(iv) With effect from 1 January 1993, the Society's overseas subsidiaries were transferred to Norwich Union Overseas Holdings BV for a consideration of £18.0m in cash and cash equivalents. The following net assets were sold :-

	1993
	£m
Cash and cash equivalents	2.1
Investments (excluding deposits)	39.2
Debtors	13.2
Creditors	(11.3)
Insurance funds	(25.6)
Total	17.6

16. Cash flow statement (continued)

- (v) On 31 December 1992, the Society sold its shares in Maritime Insurance Company Limited for a consideration of £14.7m. This consideration consisted of £13m in cash and cash equivalents and £1.7m in intercompany balances with other Group undertakings. The following net assets were sold :-

	1992
	£m
Cash and cash equivalents	0.3
Investments (excluding deposits)	74.1
Debtors	38.2
Creditors	(3.8)
Insurance funds	(94.1)
Total	14.7

17. Directors' emoluments

	1993	1992
	£	£
(i) The total emolument of the directors of the Society for the year comprised :		
Fees to non-executive directors	47,891	62,519
Consideration paid to third parties for the services of non-executive directors	13,050	5,453
Contributions to the Chairman's and non-executive directors' pension schemes, which were closed to new members in October 1990 and made paid up for existing members in December 1993	2,484	17,500
Executive directors - Emoluments	308,474	263,616
- Contributions to a staff pension plan	37,844	29,829
Total	409,743	378,917
(ii) A supplement to a past director's widow's pension in respect of services as a director but not payable out of the non-executive directors' pension scheme, amounted to	565	1,626
(iii) The emoluments of the Chairman comprised :		
Fees	22,500	22,500
Contributions to the Chairman's pension schemes	563	15,297
Total	23,063	37,797
(iv) The emoluments of the highest paid director comprised :		
Emoluments	144,035	144,457
Contributions to a staff pension plan	17,732	16,188
Total	161,767	160,645
(v) In 1992 emoluments amounting to £11,250 were waived by one director.		
(vi) The number of directors whose emoluments fell within the ranges indicated was:		
	1993	1992
nil - £5,000	8	10
£5,001 - £10,000	2 *	2 *
£10,001 - £15,000	1	1
£15,001 - £20,000	1	1
£20,001 - £25,000	1	-
£25,001 - £30,000	1	-
£30,001 - £35,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	-
£45,001 - £50,000	1	1
£50,001 - £55,000	-	-
£55,001 - £60,000	-	-
£60,001 - £65,000	-	-
£65,001 - £70,000	-	-
£70,001 - £75,000	-	-
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	-	-
£90,001 - £95,000	-	-
£95,001 - £100,000	-	-
£100,001 - £105,000	-	-
£105,001 - £110,000	-	-
£110,001 - £115,000	-	-
£115,001 - £120,000	-	1
£120,001 - £125,000	1	-
£125,001 - £130,000	-	-
£130,001 - £135,000	1	-
£135,001 - £140,000	-	-
£140,001 - £145,000	1	1
£145,001 - £150,000	-	-
£150,001 - £155,000	-	-
£155,001 - £160,000	-	-
£160,001 - £165,000	-	-
£165,001 - £170,000	-	-
£170,001 - £175,000	-	-
£175,001 - £180,000	-	-
£180,001 - £185,000	-	-
£185,001 - £190,000	-	-
£190,001 - £195,000	-	-
£195,001 - £200,000	-	-
£200,001 - £205,000	-	-
£205,001 - £210,000	-	-
£210,001 - £215,000	-	-
£215,001 - £220,000	-	-
£220,001 - £225,000	-	-
£225,001 - £230,000	-	-
£230,001 - £235,000	-	-
£235,001 - £240,000	-	-
£240,001 - £245,000	-	-
£245,001 - £250,000	-	-
£250,001 - £255,000	-	-
£255,001 - £260,000	-	-
£260,001 - £265,000	-	-
£265,001 - £270,000	-	-
£270,001 - £275,000	-	-
£275,001 - £280,000	-	-
£280,001 - £285,000	-	-
£285,001 - £290,000	-	-
£290,001 - £295,000	-	-
£295,001 - £300,000	-	-
£300,001 - £305,000	-	-
£305,001 - £310,000	-	-
£310,001 - £315,000	-	-
£315,001 - £320,000	-	-
£320,001 - £325,000	-	-
£325,001 - £330,000	-	-
£330,001 - £335,000	-	-
£335,001 - £340,000	-	-
£340,001 - £345,000	-	-
£345,001 - £350,000	-	-
£350,001 - £355,000	-	-
£355,001 - £360,000	-	-
£360,001 - £365,000	-	-
£365,001 - £370,000	-	-
£370,001 - £375,000	-	-
£375,001 - £380,000	-	-
£380,001 - £385,000	-	-
£385,001 - £390,000	-	-
£390,001 - £395,000	-	-
£395,001 - £400,000	-	-
£400,001 - £405,000	-	-
£405,001 - £410,000	-	-
£410,001 - £415,000	-	-
£415,001 - £420,000	-	-
£420,001 - £425,000	-	-
£425,001 - £430,000	-	-
£430,001 - £435,000	-	-
£435,001 - £440,000	-	-
£440,001 - £445,000	-	-
£445,001 - £450,000	-	-
£450,001 - £455,000	-	-
£455,001 - £460,000	-	-
£460,001 - £465,000	-	-
£465,001 - £470,000	-	-
£470,001 - £475,000	-	-
£475,001 - £480,000	-	-
£480,001 - £485,000	-	-
£485,001 - £490,000	-	-
£490,001 - £495,000	-	-
£495,001 - £500,000	-	-
£500,001 - £505,000	-	-
£505,001 - £510,000	-	-
£510,001 - £515,000	-	-
£515,001 - £520,000	-	-
£520,001 - £525,000	-	-
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£530,001 - £535,000	-	-
£535,001 - £540,000	-	-
£540,001 - £545,000	-	-
£545,001 - £550,000	-	-
£550,001 - £555,000	-	-
£555,001 - £560,000	-	-
£560,001 - £565,000	-	-
£565,001 - £570,000	-	-
£570,001 - £575,000	-	-
£575,001 - £580,000	-	-
£580,001 - £585,000	-	-
£585,001 - £590,000	-	-
£590,001 - £595,000	-	-
£595,001 - £600,000	-	-
£600,001 - £605,000	-	-
£605,001 - £610,000	-	-
£610,001 - £615,000	-	-
£615,001 - £620,000	-	-
£620,001 - £625,000	-	-
£625,001 - £630,000	-	-
£630,001 - £635,000	-	-
£635,001 - £640,000	-	-
£640,001 - £645,000	-	-
£645,001 - £650,000	-	-
£650,001 - £655,000	-	-
£655,001 - £660,000	-	-
£660,001 - £665,000	-	-
£665,001 - £670,000	-	-
£670,001 - £675,000	-	-
£675,001 - £680,000	-	-
£680,001 - £685,000	-	-
£685,001 - £690,000	-	-
£690,001 - £695,000	-	-
£695,001 - £700,000	-	-
£700,001 - £705,000	-	-
£705,001 - £710,000	-	-
£710,001 - £715,000	-	-
£715,001 - £720,000	-	-
£720,001 - £725,000	-	-
£725,001 - £730,000	-	-
£730,001 - £735,000	-	-
£735,001 - £740,000	-	-
£740,001 - £745,000	-	-
£745,001 - £750,000	-	-
£750,001 - £755,000	-	-
£755,001 - £760,000	-	-
£760,001 - £765,000	-	-
£765,001 - £770,000	-	-
£770,001 - £775,000	-	-
£775,001 - £780,000	-	-
£780,001 - £785,000	-	-
£785,001 - £790,000	-	-
£790,001 - £795,000	-	-
£795,001 - £800,000	-	-
£800,001 - £805,000	-	-
£805,001 - £810,000	-	-
£810,001 - £815,000	-	-
£815,001 - £820,000	-	-
£820,001 - £825,000	-	-
£825,001 - £830,000	-	-
£830,001 - £835,000	-	-
£835,001 - £840,000	-	-
£840,001 - £845,000	-	-
£845,001 - £850,000	-	-
£850,001 - £855,000	-	-
£855,001 - £860,000	-	-
£860,001 - £865,000	-	-
£865,001 - £870,000	-	-
£870,001 - £875,000	-	-
£875,001 - £880,000	-	-
£880,001 - £885,000	-	-
£885,001 - £890,000	-	-
£890,001 - £895,000	-	-
£895,001 - £900,000	-	-
£900,001 - £905,000	-	-
£905,001 - £910,000	-	-
£910,001 - £915,000	-	-
£915,001 - £920,000	-	-
£920,001 - £925,000	-	-
£925,001 - £930,000	-	-
£930,001 - £935,000	-	-
£935,001 - £940,000	-	-
£940,001 - £945,000	-	-
£945,001 - £950,000	-	-
£950,001 - £955,000	-	-
£955,001 - £960,000	-	-
£960,001 - £965,000	-	-
£965,001 - £970,000	-	-
£970,001 - £975,000	-	-
£975,001 - £980,000	-	-
£980,001 - £985,000	-	-
£985,001 - £990,000	-	-
£990,001 - £995,000	-	-
£995,001 - £1,000,000	-	-

* Includes consideration paid to third parties for the services of 2 (1992 - 1) non-executive directors.

Notes to the accounts

18. Auditors' remuneration

Auditors' remuneration, including amounts paid to local auditors overseas, comprised:

	1993	1992
	£	£
For auditing the accounts	362,328	495,037
For other services provided by Ernst & Young	134,702	309,957
Total	497,030	804,994

19. Staff pension plans

Pensions are provided for eligible full and part-time employees in the United Kingdom through a number of fully funded defined benefit plans. The Society is a member of the Norwich Union Group plan and the contributions are based on pension costs across the Group as a whole. These plans are valued annually by a professionally qualified Actuary employed by the Group. The most recent valuation of the United Kingdom staff plans was at 30 September 1993 and the details of this valuation are disclosed in the accounts of The Norwich Union Life Insurance Society. The full cost of providing pensions is met by the Group through contributions based on a percentage of salaries of eligible staff. The Group also provides a number of pension plans for overseas staff which operate in accordance with local practice and regulations.

The cost to the Society of providing pensions charged to the revenue account for the year was £10.2m (1992 - £9.3m).

20. Policyholders Protection Board levy

A provision has been made for the maximum levy payable under the requirements of the Policyholders Protection Act. The charge for 1993 has been reduced as a result of the release of an over-provision in 1992.

21. Associated undertakings

With effect from 1 January 1993, Norwich Winterthur Holdings Limited, NW Reinsurance Corporation Limited and CIC Holdings Limited, all principal associated undertakings, were transferred to other undertakings within the Norwich Union Group.

22. Contingent liabilities

There are contingent liabilities in respect of:

(i) Uncalled capital on certain shares held.

(ii) As a result of an order made under Section 68 of the Insurance Companies Act 1982, the Society, the Scottish Union and National Insurance Company and Haven Insurance Policies Limited have been granted a concession to deposit consolidated annual returns with the Department of Trade and Industry. As a condition of this concession the above companies have mutually guaranteed respective liabilities in a manner approved by the Department of Trade and Industry. They also continue to guarantee the liabilities of a Group undertaking, the Maritime Insurance Company Limited, which was included under the Section 68 order until 31 December 1992.

(iii) Levies arising under the Policyholders Protection Act 1975.

23. Parent undertaking

The Society is a member of the Norwich Union Group and its ultimate parent undertaking is The Norwich Union Life Insurance Society, registered in England and Wales. The accounts of the ultimate parent undertaking are available from the registered office, the address of which is noted on page 1.

The immediate parent undertaking is Norwich Union Holdings plc, registered in England and Wales.