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NORMAN INSURANCE COMPANY LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1994



NORMAN INSURANCE COMPANY LIMITED

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NORMAN INSURANCE COMPANY LIMITED
DIRECTORS AND COMPANY INFORMATION

DIRECTORS	<p>I H Heatley J Y Barre J Dupont J P Galbrun L J McKinnes Dr C P Memin C W Skrzynski K J Walker P W Woolterton</p>	<p>Chairman (French) (French) (French) (French) (French)</p>
SECRETARY	S Whittaker, BSc (Econ), ACA	
MANAGEMENT	<p>Dr C P Memin G M Fearn, BA, ACII S Whittaker, BSc(Econ.), ACA W Wright, FCII, A.Inst.M.</p>	<p>General Manager</p>
BANKERS	<p>Midland Bank plc 56/58 Queens Road Reading RG1 4DB</p>	
AUDITORS	<p>Saffery Champness Chartered Accountants Fairfax House Fulwood Place Gray's Inn London WC1V 6UB</p>	
REGISTERED AND HEAD OFFICE	<p>Norman Insurance House Kings Road Reading RG1 4LL Registered in England 613259</p>	

NORMAN INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1994

The directors of Norman Insurance Company Limited submit the thirty-fifth annual report and accounts of the company for the year to 31 December 1994.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors are required to ensure that financial statements are prepared for each accounting period which comply with the relevant provisions of the Companies Act 1985, in respect of the state of affairs of the company 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 financial statements, using reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed, with any material departures being disclosed and explained. The financial statements have to be prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records, safeguarding the assets of the company and ensuring controls are in place for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY

The principal activity of the company is the transaction of non-life insurance business in the United Kingdom and overseas. The overseas activities are carried out through branches.

RESULTS

The main features of the company's operations during the year under review are:

	UK £	OVERSEAS £	TOTAL £
REVENUE ACCOUNT			
Gross premium income	63,797,510	2,555,219	66,352,729
Net premium income	52,928,296	2,311,977	55,240,273
Profit/(Loss)	8,793,800 =====	(21,493) =====	8,772,307 =====

PROFIT AND LOSS ACCOUNT

Profit before tax from continuing operations	8,888,061 =====	(5,922) =====	8,882,139 =====
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The directors propose the payment of a net dividend for the year amounting to £1,200,000 (1993 £500,000).

NORMAN INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS continued
FOR THE YEAR ENDED 31 DECEMBER 1994

GUARANTEE FUNDS

After taking into account the results of the year's operations, the company's guarantee funds now amount to:

	£
Share capital issued - fully paid	10,993,334
- partly paid	751,666
Revaluation reserve	1,053,218
Profit and loss account	12,055,988

	24,854,206
Underwriting reserves	70,650,075

	£95,504,281
	=====

DIRECTORS

The directors named on page 1 served throughout the year with the exception of Mr J Y Barre, who was appointed on 29 April 1994. Mr C G Barre also served until his resignation on 17 March 1994.

Messrs. I H Heatley, C W Skrzynski and L J McKinnes retire by rotation and being eligible, offer themselves for re-election.

None of the directors had an interest in the share capital of the company during the year.

AUDITORS

A resolution proposing the re-appointment of Saffery Champness as auditors and authorising the directors to fix their remuneration will be put to the Annual General Meeting.

By order of the board



S WHITTAKER

Secretary

28 April 1995

NORMAN INSURANCE COMPANY LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 financial statements 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 financial statements.

OPINION

In our opinion the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to Insurance Companies.


SALLY DRAYNER
Chartered Accountants
Registered Auditors
London

 1995

NORMAN INSURANCE COMPANY LIMITED

ACCOUNTING POLICIES

The principal accounting policies followed by the company are set out below.

CONSOLIDATION

There being no material subsidiary companies, the company has not prepared consolidated accounts.

PREMIUM RESERVE

Reserves in respect of unearned premiums are calculated, where practicable, on a proportional basis having regard to the premiums, net of commission, written each day; in other cases an appropriate percentage of the year's premiums is reserved. Unexpired risk reserves are maintained when required to cover the estimated excess of liabilities over the unearned premium reserves.

Portfolio premiums are accounted for in the movement in premium reserve.

CLAIMS RESERVE

Outstanding claims are calculated in accordance with estimates and information received by the company up to the close of the books one month after the end of the year. Provisions are also made to cover the anticipated additional cost of claims incurred in the year but not yet reported or in respect of which the reserves may prove inadequate and for expenses to be met in dealing with settlements.

Portfolio claims are accounted for in the movement in claims reserves.

FIXED ASSETS

Motor vehicles, computer expenditure and furniture and office equipment are capitalised and depreciated by equal annual instalments over their estimated useful lives.

INVESTMENT RESULTS

Investment results include realised gains and losses on the sale of investments and dividends and interest receivable in the year together with amortisation of bonds.

FOREIGN CURRENCIES

Foreign currencies are translated into sterling at the approximate rates of exchange ruling at 31 December each year. Exchange adjustments resulting from the revaluation of assets and liabilities are transferred to revaluation reserve. Realised exchange differences are dealt with through profit and loss account.

INVESTMENTS

The values of investments are based on market quotations where available. Subsidiary companies are included at directors' valuation on a net assets basis. All other investments are included at cost or directors' valuation. Accumulated net surpluses arising from balance sheet valuations of investments are carried forward in revaluation reserve out of which provision is made for taxation which would be payable on realisation.

NORMAN INSURANCE COMPANY LIMITED

ACCOUNTING POLICIES continued

REVALUATION RESERVE

Any net deficiency arising on this account is written off to profit and loss account.

DEFERRED TAXATION

Provision is made for corporation tax at the rate current at the balance sheet date in respect of items where there is a timing difference between their treatment for accounts and taxation purposes, to the extent that it is probable that a material asset or liability will crystallise in the foreseeable future.

NORMAN INSURANCE COMPANY LIMITED

REVENUE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994		1993	
		£	£	£	£
GROSS PREMIUMS	2	66,352,729		63,826,368	
REINSURANCE PREMIUMS		(11,112,456)		(11,460,957)	
PREMIUMS		55,240,273		52,365,411	
Premium reserve increase		(597,952)		(7,009,659)	
EARNED PREMIUMS		54,642,321		45,355,752	
Claims paid and outstanding		37,915,768		32,320,022	
Commission		8,555,695		8,779,489	
Expenses		4,681,664		3,956,123	
		51,153,127		45,055,634	
NET UNDERWRITING PROFIT BEFORE INVESTMENT RESULTS		3,489,194		300,118	
INVESTMENT RESULTS		5,283,113		4,640,648	
PROFIT - TRANSFERRED TO PROFIT AND LOSS ACCOUNT		£8,772,307		£4,940,766	

NORMAN INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994	1993
		£	£
UNDERWRITING RESULT			
Transfer from revenue account		8,772,307	4,940,766
INVESTMENT RESULTS			
		1,795,486	1,544,591
OTHER RESULTS			
Currency losses		(157,855)	(8,139)
		<u>10,409,938</u>	<u>6,477,218</u>
GENERAL EXPENSES			
Provision for contribution payable under the Policyholders Protection Act		480,016	389,217
Management expenses	3	<u>1,047,783</u>	<u>866,151</u>
		1,527,799	1,255,368
OPERATING PROFIT			
		8,882,139	5,221,850
Loss on disposal of subsidiary		-	(75,379)
Loss on cessation of branch		-	(237,809)
		<u>-</u>	<u>(313,188)</u>
PROFIT BEFORE TAXATION			
		8,882,139	4,908,662
TAXATION	4	<u>2,932,356</u>	<u>1,674,264</u>
PROFIT FOR THE FINANCIAL YEAR			
		5,949,783	3,234,398
DIVIDENDS			
	5	1,200,000	500,000
RETAINED PROFIT			
	12	<u>£4,749,783</u>	<u>£2,734,398</u>

The notes on pages 12 to 15 form part of these accounts.

NORMAN INSURANCE COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1994

	1994 £	1993 £
Profit for the financial year	5,949,783	3,234,398
Other recognised gains/(losses):		
Unrealised investment (losses)/gains	(5,734,984)	4,106,913
Unrealised exchange (losses)/gains	(10,307)	220,965
TOTAL RECOGNISED GAINS	<u>£204,492</u>	<u>£7,562,276</u>

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1994

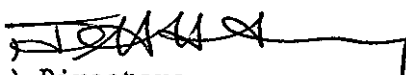
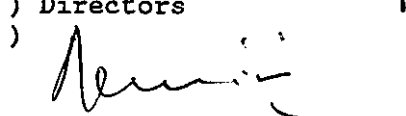
	1994 £	1993 £
Total recognised gains	204,492	7,562,276
Less proposed dividend	1,200,000	500,000
Net (reduction in)/addition to shareholders' funds	<u>(995,508)</u>	<u>7,062,276</u>
Shareholders' funds at beginning of year	25,849,714	18,787,438
SHAREHOLDERS' FUNDS AT END OF YEAR	<u>£24,854,206</u>	<u>£25,849,714</u>

NORMAN INSURANCE COMPANY LIMITED

BALANCE SHEET
31 DECEMBER 1994

	Notes	1994	1993
		£	£
FIXED ASSETS		1,008,374	644,161
INVESTMENTS	6	91,565,587	89,368,328
DEFERRED TAXATION	9	467,788	-
CURRENT ASSETS			
Broker balances		8,924,267	9,467,959
Accrued interest		2,226,032	1,688,721
Sundry debtors		1,151,771	620,006
Insurance companies			
deposits		32,371	36,324
current accounts		2,539,972	3,370,862
Bank balances		3,845,590	4,281,468
		18,720,003	19,465,340
		111,761,752	109,477,829
UNDERWRITING RESERVES			
Premium reserve		22,785,534	22,162,469
Claims reserve	7	47,864,541	39,642,648
		70,650,075	61,805,117
CURRENT LIABILITIES			
Insurance companies	8		
deposits		7,613,790	5,367,306
current accounts		2,514,616	9,967,286
Sundry creditors		4,784,209	3,110,408
Bank overdraft		144,856	778,685
Proposed dividend		1,200,000	500,000
		16,257,471	19,723,685
DEFERRED TAXATION	9	86,907,546	81,528,802
		-	2,099,313
NET ASSETS		£24,854,206	£25,849,714
Financed by:			
SHARE CAPITAL	10	11,745,000	11,745,000
REVALUATION RESERVE	11	1,053,218	6,798,509
PROFIT AND LOSS ACCOUNT	12	12,055,988	7,306,205
SHAREHOLDERS' FUNDS		£24,854,206	£25,849,714

I H HEATLEY


) Directors

)

DR C P MEMIN

The notes on pages 12 to 15 form part of these accounts.

NORMAN INSURANCE COMPANY LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994	1993
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	14,330,838	18,407,355
SERVICING OF FINANCE			
Dividend paid		(500,000)	(300,000)
TAXATION			
Corporation tax paid		(2,101,798)	(1,387,779)
INVESTING ACTIVITIES			
Sale of subsidiary		-	3,351,293
Purchases of investments	(53,208,273)	(41,935,220)	(41,935,220)
Sales of investments	40,913,269	27,275,068	27,275,068
	-----	-----	-----
Net purchases of investments	(12,295,004)	(11,308,859)	(11,308,859)
Purchases of fixed assets	(723,928)	(446,100)	(446,100)
Sales of fixed assets	6,800	24,148	24,148
	-----	-----	-----
Net cash outflow from investing activities		(13,012,132)	(11,730,811)
		-----	-----
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		£(1,283,092)	£4,988,765
		=====	=====
CHANGES IN CASH AND CASH EQUIVALENTS			
(Decrease)/increase in cash and cash equivalents		(1,283,092)	4,988,765
Exchange translation		(23,751)	(6,532)
		-----	-----
(Decrease)/increase for year		(1,306,843)	4,982,233
Balance at 1 January 1994		8,002,783	3,020,550
		-----	-----
Balance at 31 December 1994		£6,695,940	£8,002,783
		=====	=====
Comprising:			
Bank balances		3,845,590	4,281,468
Bank overdraft		(144,856)	(778,685)
Cash equivalents	6	2,995,206	4,500,000
		-----	-----
		£6,695,940	£8,002,783
		=====	=====

NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS
31 DECEMBER 1994

1 BASIS OF ACCOUNTS

These accounts have been prepared in accordance with the provisions of section 255 of, and Schedule 9A to the Companies Act 1985 applicable to insurance companies, and applicable accounting standards.

2 GROSS PREMIUMS AND NET ASSETS

Analysis within geographic areas:

	GROSS PREMIUMS		NET ASSETS	
	1994	1993	1994	1993
	£	£	£	£
Continuing operations				
United Kingdom	63,797,510	58,348,818	24,511,070	24,641,016
France	2,555,219	5,477,550	343,136	1,208,698
	-----	-----	-----	-----
	£66,352,729	£63,826,368	£24,854,206	£25,849,714
	=====	=====	=====	=====

3 MANAGEMENT EXPENSES

	1994	1993
	£	£
(a) Emoluments of the directors		
Management remuneration	119,785	109,520
Additional particulars of directors' emoluments:		
Chairman	30,225	26,816
Highest paid director	69,590	63,655
Other directors within the scale	Number	Number
£0 - £5,000	5	6
£5,001 - £10,000	3	3
(b) Remuneration of the auditors	£	£
Audit	37,693	38,462
Other services in the United Kingdom	9,362	12,681
	=====	=====

4 TAXATION

	1994	1993
	£	£
The charge for taxation based upon the profit for the year comprises:		
Corporation tax at 33% (1993:33%)	2,974,217	1,867,613
Adjustment to prior years	14,688	(8,516)
Tax credits on franked investment income	92,464	57,421
Deferred taxation	(149,013)	(242,254)
	-----	-----
	£2,932,356	£1,674,264
	=====	=====

NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued
31 DECEMBER 1994

	1994 £	1993 £
5 DIVIDENDS		
Proposed dividend (net)	£1,200,000 =====	£500,000 =====
6 INVESTMENTS		
(a) The investments are:	1994 £	1993 £
Fixed Interest Securities	67,874,275	72,016,771
Ordinary shares	15,371,680	12,655,260
Short term bills and deposits:		
Cash equivalents	2,995,206	4,500,000
Other	4,750,000	-
Investment in subsidiary companies:		
Ordinary shares	61,633	51,785
Current and loan accounts	168,287	144,512
Freehold property	344,506	-
	£91,565,587 =====	£89,368,328 =====

- (b) The company's wholly-owned subsidiaries at 31 December 1994 are:

	ACTIVITY
Gateway Insurance Agency Limited	Insurance Broker
Goldenera Property Co Limited	Dormant
Newstalk Limited	Dormant
Newsbright Limited	Dormant

The subsidiaries are registered in England and Wales.

7 CLAIMS RESERVES

The claim reserves on certain long-tail reinsurance underwritten in 1960 to 1963 are expected to settle in the next 15 years. The anticipated liabilities have been discounted at the rate of 8% p.a., over the expected average period to settlement of 7 years based on the life-expectancy of claimants.

The total amount of these provisions before discounting is £1,650,000.

8 GROUP COMPANY BALANCES

Included in balances with insurance companies are the following:

	1994 £	1993 £
Due to:		
Parent company	1,149,398	7,727,637
Fellow subsidiary	505,333	3,147,575

The ultimate parent company is La Mutuelle du Mans Assurances IARD, a company incorporated in France. Copies of the group accounts prepared by the parent company can be obtained from the registered office shown on page 1.

NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued
31 DECEMBER 1994

9 DEFERRED TAXATION

Full provision for deferred taxation at 33% has been made as follows:

	1994	1993
	£	£
Balance brought forward	2,099,313	848,052
Unrealised surplus (see note 11)	(2,418,088)	1,493,515
Other timing differences	(149,013)	(242,254)
	<u>£(467,788)</u>	<u>£2,099,313</u>
The balance carried forward relates to:		
Unrealised revaluation surplus	-	2,418,088
Other timing differences	(467,788)	(318,775)
	<u>£(467,788)</u>	<u>£2,099,313</u>

10 SHARE CAPITAL

	1994		1993	
	No.	£	No.	£
Authorised				
Ordinary Shares of £1 each	15,000,000	15,000,000	15,000,000	15,000,000
Issued - fully paid	10,993,334	10,993,334	10,993,334	10,993,334
Issued - 25p paid	3,006,666	751,666	3,006,666	751,666
	<u>14,000,000</u>	<u>£11,745,000</u>	<u>14,000,000</u>	<u>£11,745,000</u>

11 REVALUATION RESERVE

	£	£
Balance Brought Forward		6,798,509
Deficit on revaluation of investments	(8,153,072)	
Differences on exchange	(10,307)	
	<u>-----</u>	<u>(8,163,379)</u>
		<u>(1,364,870)</u>
Transfers from deferred taxation (note 9)		2,418,088
		<u>£1,053,218</u>

12 PROFIT AND LOSS ACCOUNT

	£
Balance brought forward	7,306,205
Retained profit	4,749,783
	<u>£12,055,988</u>

NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS continued
31 DECEMBER 1994

13 PENSION SCHEME

The company operates a pension scheme providing benefits based on final pensionable salary with assets held in separate trust administered accounts. The amount contributed for the year was £108,663 (1993 - £88,784).

The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Contributions are made on the advice of an independent qualified actuary using the projected unit method. The latest actuarial assessment was as at 1 January 1994. The main actuarial assumptions are a rate of interest of 8% per annum and a rate of salary increase of 7% per annum.

The scheme had assets with a market value of £3,626,500 at 1 January 1994. The actuarial value of the scheme assets represented 118% of the liabilities for benefits that had accrued to members, allowing for expected future increases in salaries. The level of contributions was 5.5% of pensionable salaries during 1994. This increased to 7% of pensionable salary on 1 January 1995.

14 RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW

	1994	1993
	£	£
Operating profit before taxation	8,882,139	5,221,850
Depreciation of fixed assets	352,915	214,342
Tax on franked investment income	(92,465)	(57,421)
Increase in accrued interest	1,454,232	1,164,651
Amortisation of fixed interest securities	(994,921)	(649,051)
Increase in underwriting reserves	8,716,368	10,344,004
(Decrease)/increase in net amounts due to insurance companies	(5,005,587)	2,087,209
Movement in other debtors and creditors	835,613	47,681
Exchange differences	182,544	34,090
	5,448,699	13,185,505
Net cash inflow from operating activities	£14,330,838	£18,407,355

15 COMMITMENTS UNDER OPERATING LEASES

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 1994	1993
Expiring within one year	-	-
Expiring between two and five years inclusive	246,510	227,153
Expiring in five years or more	-	19,357
	£246,510	£246,510

16 DATE OF APPROVAL

The accounts were approved by the directors on 28 April 1995.