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NORMAN INSURANCE COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1995



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**NORMAN INSURANCE COMPANY LIMITED  
DIRECTORS AND COMPANY INFORMATION**

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**DIRECTORS**

Ian Heatley	Chairman
Jean-Yves Barré	(French)
Jacques Dupont	(French)
Jean-Paul Galbrun	(French)
Leslie McKinnis	
Dr Claude Mémin	(French)
Charles Skrzynski	(French)
Kenneth Walker	
Peter Woolterton	

**SECRETARY**

Steven Whittaker

**MANAGEMENT**

Dr Claude Mémin	General Manager
Garry Fearn	Assistant General Manager
Steven Whittaker	Assistant General Manager
Tony Wright	Assistant General Manager

**MANAGEMENT AND  
SENIOR STAFF****Financial  
Personnel and  
Office  
Services****Claims****Marketing****Information  
Technology****Underwriting**Steven Whittaker  
Bsc (Econ), ACADavid Dawson  
ACIITony Wright  
FCIIDavid Preston  
MBCSGarry Fearn  
BA, ACII*Credit Control*  
Paul Brooker, BA,  
MICM (Grad)*Control*  
Ashley Boardman*Sales*  
Paul Inskip,  
ACII, DipIT*Systems  
Development*  
Clive Bryant*Motor*  
Mike Pickard, Bsc  
ACII*Management  
Accounts*  
Paul Giles, ACMA*Household and  
Construction*  
Julian Millar*Operations*  
Mike Hayling*Travel/Schemes*  
Peter Harfleet,  
ACII*Personnel and  
Training*  
Ann Meyer, MIPM*Motor*  
Andrew Woods*Systems Support*  
Baden Jones*Construction*  
Kevin Norris, ACII*Financial Accounts*  
Lawrence Proctor,  
FCCA*Home*  
Tony Shaw*Office Services*  
Martin Spooner,  
MBIM

## NORMAN INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 1995

The directors of Norman Insurance Company Limited submit the thirty-sixth annual report and financial statements of the company for the year to 31 December 1995.

## 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 activity was carried out through a branch.

## RESULTS

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

	UK £000	OVERSEAS £000	TOTAL £000
REVENUE ACCOUNT			
Gross premium income	64,517	292	64,809
Net premium income	54,372	216	54,588
Balance on the general business technical account	6,408	(223)	6,185
	-----	-----	-----
PROFIT AND LOSS ACCOUNT			
Balance on the general business non technical account	1,993	423	2,416
	-----	-----	-----
Profit on ordinary activities before tax	8,401	200	8,601
	=====	=====	=====

The overseas activity, being the company's French branch, ceased underwriting on 1 January 1995.

The directors propose the payment of a dividend for the year amounting to £1,950,000 (1994 £1,200,000).

NORMAN INSURANCE COMPANY LIMITED

REPORT OF THE DIRECTORS continued  
FOR THE YEAR ENDED 31 DECEMBER 1995

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DIRECTORS

The Directors named on page 1 served throughout the year.

Messrs Jacques Dupont, Kenneth Walker and Peter Woolterton 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

9 May 1996

NORMAN INSURANCE COMPANY LIMITED

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

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We have audited the financial statements on pages 5 to 23.

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 financial 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 give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Saffery Champness*

Chartered Accountants  
Registered Auditors  
London

13 May 1996

**NORMAN INSURANCE COMPANY LIMITED****ACCOUNTING POLICIES**

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

**CONSOLIDATION**

There being no material subsidiary companies, the company does not prepare consolidated accounts.

**PREMIUM RESERVE**

Reserves in respect of unearned premiums are calculated, where practicable, on a proportional basis having regard to the premiums, gross 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.

**DEFERRED ACQUISITION COSTS**

The commission cost of acquiring business is deferred using the same basis as applied in calculating the relevant 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.

**LAND AND BUILDINGS**

Land and buildings held for long term use by the company are treated as fixed assets and depreciated accordingly.

All other land and buildings are treated as investments and held at market value.

**TANGIBLE FIXED ASSETS**

Tangible fixed assets are capitalised and depreciated by the straight line method over their estimated useful lives which range from 2 to 5 years.

**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. The difference between cost and redemption value of bonds is charged to profit and loss account over the remaining term of the investment.

The amount allocated to the non technical account represents the yield on the shareholders funds for the year. All other investment income is allocated to the technical account.

**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 investments are transferred to revaluation reserve. Exchange differences arising on trading liabilities and matching assets and all realised exchange differences are dealt with through profit and loss account.

NORMAN INSURANCE COMPANY LIMITED

ACCOUNTING POLICIES continued

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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.

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 liability or asset will crystallise in the foreseeable future.



## NORMAN INSURANCE COMPANY LIMITED

 PROFIT & LOSS ACCOUNT  
 TECHNICAL ACCOUNT  
 GENERAL BUSINESS  
 FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £ 000	1994 £000
Premiums			
Gross written premiums	2	64,809	66,353
Outward reinsurance premiums		(10,221)	(11,113)
		<u>54,588</u>	<u>55,240</u>
Decrease/(increase) in the gross provision for unearned premiums		403	(319)
Change in the provision for unearned premiums, reinsurers' share		(18)	(99)
		<u>385</u>	<u>(418)</u>
Earned premiums, net of reinsurance		54,973	54,822
Allocated investment return transferred from the non-technical account		6,227	5,283
Claims paid			
Gross amount		38,233	35,978
Reinsurers' share		(7,498)	(6,215)
		<u>30,735</u>	<u>29,763</u>
Change in the provision for claims			
Gross amount		8,523	9,868
Reinsurers' share		1,528	(1,716)
		<u>10,051</u>	<u>8,152</u>
Claims incurred, net of reinsurance		40,786	37,915
Net operating expenses	3	14,229	14,945
Balance on the general business technical account		<u>6,185</u>	<u>7,245</u>

## NORMAN INSURANCE COMPANY LIMITED

 PROFIT AND LOSS ACCOUNT  
 NON TECHNICAL ACCOUNT  
 FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £000	1994 £000
Balance on the general business technical account		6,185	7,245
Investment income	4	9,991	8,520
Investment expenses and charges	5	(1,770)	(1,441)
		<u>8,221</u>	<u>7,079</u>
Allocated investment return transferred to the general business technical account		<u>(6,227)</u>	<u>(5,283)</u>
		1,994	1,796
Exchange adjustments		422	(159)
Profit on ordinary activities before tax	6	<u>8,601</u>	<u>8,882</u>
Tax on profit on ordinary activities	8	2,658	2,932
Profit for the financial year		<u>5,943</u>	<u>5,950</u>
Dividend	10	1,950	1,200
Retained profit for the financial year transferred to reserves	20	<u>3,993</u>	<u>4,750</u>

## NORMAN INSURANCE COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 1995

	1995 £000	1994 £000
Profit after tax for the financial year	5,943	5,950
Other recognised gains/(losses)		
Unrealised investment gains/(losses) net of deferred tax	5,743	(5,735)
Unrealised exchange (losses) net of deferred tax	(400)	(10)
	-----	-----
TOTAL RECOGNISED GAINS	11,286	205
	=====	=====

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1995

	1995 £000	1994 £000
Total Recognised Gains	11,286	205
Less Proposed Dividend	1,950	1,200
	-----	-----
Net addition to/ (reduction in) shareholders' funds	9,336	(995)
Shareholders' funds at beginning of year	24,854	25,849
	-----	-----
SHAREHOLDERS' FUNDS AT END OF YEAR	34,190	24,854
	=====	=====

## NORMAN INSURANCE COMPANY LIMITED

BALANCE SHEET  
AS AT 31 DECEMBER 1995

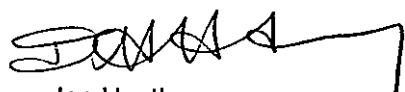
	Notes	1995 £000	1994 £000
<b>ASSETS</b>			
<b>Investments</b>			
Land and buildings	11	345	345
Investments in group undertakings and participating interests	12	276	241
Other financial investments	13	110,277	90,811
Deposits with ceding undertakings		-	33
		-----	-----
		110,898	91,430
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	21	82	100
Claims outstanding		10,423	11,883
		-----	-----
		10,505	11,983
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	9,207	9,446
Debtors arising out of reinsurance operations	15	713	2,327
Other debtors	16	1,002	758
Deferred taxation	9	-	468
		-----	-----
		10,922	12,999
<b>Other assets</b>			
Tangible fixed assets	17	979	1,008
Cash at bank and in hand		3,080	3,846
		-----	-----
		4,059	4,854
<b>Prepayments and accrued income</b>			
Accrued interest		2,608	2,226
Deferred acquisition costs	21	3,978	4,362
Other prepayments and accrued income		254	253
		-----	-----
		6,840	6,841
<b>Total assets</b>			
		-----	-----
		143,224	128,107
		=====	=====

## NORMAN INSURANCE COMPANY LIMITED

BALANCE SHEET Continued  
AS AT 31 DECEMBER 1995

	Notes	1995 £000	1994 £000
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	18	11,745	11,745
Revaluation reserve	19	6,396	1,053
Profit and loss account	20	16,049	12,056
		-----	-----
Shareholders' funds attributable to equity interests		34,190	24,854
<b>Technical provisions</b>			
Provisions for unearned premiums	21	26,417	26,820
Claims outstanding		67,544	60,029
		-----	-----
		93,961	86,849
<b>Deposits received from reinsurers</b>		6,034	7,614
<b>Creditors</b>			
Deferred taxation	9	452	-
Creditors arising out of direct insurance operations	22	-	1,056
Creditors arising out of reinsurance operations	23	1,997	1,460
Other creditors including taxation and social security	24	4,516	3,913
		-----	-----
		6,965	6,429
Accruals and deferred income	25	2,074	2,361
<b>Total liabilities</b>		143,224	128,107
		=====	=====

These financial statements were approved by the board of directors on 9 May 1996 and were signed on its behalf by:



Ian Heatley  
Director

## NORMAN INSURANCE COMPANY LIMITED

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	1995 £000	1994 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	28	17,640	14,331
SERVICING OF FINANCE			
Dividend paid		(1,200)	(500)
TAXATION			
Corporation tax paid		(3,525)	(2,102)
INVESTING ACTIVITIES			
Purchases of investments		(33,304)	(53,208)
Sales of investments		17,720	40,913
Net purchases of investments		(15,584)	(12,295)
Purchases of fixed assets		(446)	(723)
Sales of fixed assets		15	6
Net cash outflow from investing activities		(16,015)	(13,012)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,100)	(1,283)
CHANGES IN CASH AND CASH EQUIVALENTS			
Decrease in cash and cash equivalents		(3,100)	(1,283)
Exchange translation		50	(24)
Decrease for year		(3,050)	(1,307)
Balance at 1 January 1995		6,696	8,003
Balance at 31 December 1995		3,646	6,696
Comprising:			
Bank balances		3,080	3,846
Bank overdraft		(60)	(145)
Cash equivalents	13	626	2,995
		3,646	6,696

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1995

## 1 BASIS OF ACCOUNTS

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified by the revaluation of certain investments.

Following the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 the format of the accounts has been revised and certain comparative amounts have been restated.

## 2 SEGMENTAL INFORMATION

## 2(a) Analysis of premiums, profit before taxation and net assets

	1995			1994		
	Gross written premium £000	Profit before tax £000	Net assets £000	Gross written premium £000	Profit before tax £000	Net assets £000
By geographical segment						
United Kingdom	64,517	8,400	34,058	63,798	8,927	24,518
France	292	201	132	2,555	(45)	336
	-----	-----	-----	-----	-----	-----
Total (all direct)	64,809	8,601	34,190	66,353	8,882	24,854
	=====	=====	=====	=====	=====	=====

## 2(b) Analysis of gross written premiums

	1995 £000	1994 £000
Resulting from contracts concluded by the company:		
In the EU member state of its head office	64,517	63,798
In the other EU member states	292	2,555
	-----	-----
	64,809	66,353
	=====	=====

## 2(c) Analysis of gross written premiums, gross earned premiums, gross incurred claims, gross operating expenses and the reinsurance balance

	1995 Gross written premiums £000	1995 Gross earned premiums £000	1995 Gross incurred claims £000	1995 Gross operating expenses £000	1995 Re- insurance balance £000
Accident & health	11,532	11,559	(10,134)	(1,294)	(481)
Motor	35,816	35,298	(25,054)	(9,156)	(615)
Fire and other damage to property	13,490	14,598	(8,437)	(5,014)	(695)
Others (including reinsurance inwards)	3,971	3,757	(3,131)	(1,198)	(45)
	-----	-----	-----	-----	-----
	64,809	65,212	(46,756)	(16,662)	(1,836)
	=====	=====	=====	=====	=====

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 2(c) continued

	1994 Gross written premiums £000	1994 Gross earned premiums £000	1994 Gross incurred claims £000	1994 Gross operating expenses £000	1994 Re- insurance balance £000
Accident & health	7,769	7,717	(6,878)	(830)	(317)
Motor	37,573	37,772	(25,352)	(9,362)	(1,935)
Fire and other damage to property	15,587	15,566	(7,154)	(4,901)	(1,279)
Others (including reinsurance inwards)	5,424	4,979	(6,645)	(1,100)	1,498
	<u>66,353</u>	<u>66,034</u>	<u>(46,029)</u>	<u>(16,193)</u>	<u>(2,033)</u>
	=====	=====	=====	=====	=====

Commissions payable in respect of direct insurance amounted to £8,675,000 (1994 £9,730,000).

## 3 NET OPERATING EXPENSES

	1995 £000	1994 £000
Acquisition costs	8,711	9,792
Change in gross deferred acquisition costs	165	192
	<u>8,876</u>	<u>9,984</u>
Administrative expenses	7,786	6,209
	<u>16,662</u>	<u>16,193</u>
Gross operating expenses	16,662	16,193
Reinsurance commissions	(2,444)	(1,236)
Change in deferred reinsurance commission	11	(12)
	<u>14,229</u>	<u>14,945</u>
	=====	=====

## 4 INVESTMENT INCOME

	1995 £000	1994 £000
Loan interest from participating interests - Group undertakings	10	7
Other	9,506	7,860
Gains on the realisation of investments	475	653
	<u>9,991</u>	<u>8,520</u>
	=====	=====



## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 5 INVESTMENT EXPENSES AND CHARGES

	1995 £000	1994 £000
Investment management expenses	15	13
Interest payable on deposits by reinsurers	6	144
Amortisation of investments	1,440	1,126
Losses on the realisation of investments	309	158
	<u>1,770</u>	<u>1,441</u>
	=====	=====

## 6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

The profit on ordinary activities before tax is stated:

	1995 £000	1994 £000
(a) after charging		
Depreciation	473	358
Rent of Property	326	312
Auditors' remuneration		
Audit	40	38
Other services	13	9
(b) Emoluments of the directors		
Management remuneration	123	120
Additional particulars of directors' emoluments:		
Chairman	31	30
Highest paid director	70	69

## Directors within the scale

	Number	Number
£0 - £5,000	4	5
£5,001 - £10,000	3	3
£30,001 - £35,000	1	1
£65,001 - £70,000	-	1
£70,001 - £75,000	1	-

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 7 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year was as follows:

	1995	1994
General Management	12	12
Underwriting	73	68
Claims	62	59
Marketing	21	20
Finance & Administration	60	57
IT	20	13
	-----	-----
	248	229
	=====	=====

The aggregate payroll costs in respect of these persons were as follows:

	£000	£000
Wages and salaries	3,925	3,625
Social security costs	245	235
Other pension costs	171	120
	-----	-----
	4,341	3,980
	=====	=====

## 8 TAXATION

The charge for taxation based upon the profit for the year comprises:

	1995 £000	1994 £000
Corporation tax at 33% (1994: 33%)	3,040	2,974
Adjustment to prior years	(80)	15
Tax credits on franked investment income	164	92
Overseas Tax	6	-
Deferred taxation (Note 9)	(472)	(149)
	-----	-----
	2,658	2,932
	=====	=====

## 9 DEFERRED TAXATION

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

	1995 £000	1994 £000
On revaluation of investments	1,702	-
Other timing differences	(940)	(468)
Advance corporation tax	(310)	-
	-----	-----
	452	(468)
	=====	=====
Balance at beginning of year	(468)	2,099
Unrealised surplus (Note 19)	1,702	(2,418)
Other timing differences (Note 8)	(472)	(149)
Advance corporation tax	(310)	-
	-----	-----
Balance at end of year	452	(468)
	=====	=====

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

10	DIVIDEND	1995 £000	1994 £000
	Proposed dividend	1,950 =====	1,200 =====
11	LAND AND BUILDINGS	1995 £000	1994 £000
	At valuation	345 =====	345 =====

All land and buildings are freehold. The property cost £345,000 in 1994.

## 12 INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	Current value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Shares in group undertakings	82	62	1	1
Other participating interests	194	179	265	265
	-----	-----	-----	-----
	276	241	266	266
	=====	=====	=====	=====

Shares in group undertakings represent the company's investment in its wholly owned subsidiary undertakings, all of which are registered in England.

The company's wholly owned subsidiaries at 31 December 1995 are:

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

## 13 OTHER FINANCIAL INVESTMENTS

	Market Value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Shares and other variable-yield securities and units in unit trusts	19,715	17,466	16,012	16,414
Debt securities and other fixed-income securities	88,936	65,600	87,573	67,708
Deposits with credit institutions - Non cash equivalent	1,000	4,750	1,000	4,750
Cash equivalent	626	2,995	626	2,995
	-----	-----	-----	-----
	110,277	90,811	105,211	91,867
	=====	=====	=====	=====

Included in the above were investments:

Listed on the UK Stock Exchange	103,676	78,653	98,886	79,859
Listed on other investment exchanges	4,975	4,353	4,699	4,203

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 14 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	1995	1994
	£000	£000
Amounts owed by policyholders	3,200	3,151
Amounts owed by intermediaries	6,007	6,295
	-----	-----
	9,207	9,446
	=====	=====

## 15 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	1995	1994
	£000	£000
Other reinsurance debtors	713	2,327
	=====	=====

Advantage has been taken of the transitional exemption included in the amendment to Financial Reporting Standard No 5: Reporting the Substance of Transactions available to insurers in respect of the offset of balances arising from insurance broking transactions.

## 16 OTHER DEBTORS

	1995	1994
	£000	£000
Amounts owed by group undertakings	209	168
Other debtors	793	590
	-----	-----
	1,002	758
	=====	=====

## 17 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £000	Motor vehicles £000	Total £000
Cost			
At beginning of year	1,648	266	1,914
Additions	378	68	446
Disposals	(14)	(47)	(61)
	-----	-----	-----
At the end of the year	2,012	287	2,299
	-----	-----	-----
Depreciation			
At beginning of year	753	153	906
Charged in year	402	71	473
On disposals	(13)	(46)	(59)
	-----	-----	-----
At the end of the year	1,142	178	1,320
	-----	-----	-----
Net book value			
At 31 December 1995	870	109	979
	=====	=====	=====
At 31 December 1994	895	113	1,008
	=====	=====	=====

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 18 CALLED UP SHARE CAPITAL

	No.	1995 £000	No.	1994 £000
Authorised Ordinary Shares of £1 each	15,000,000 =====	15,000 =====	15,000,000 =====	15,000 =====
Issued - fully paid	10,993,334	10,993	10,993,334	10,993
Issued - 25p paid	3,006,666	752	3,006,666	752
	----- 14,000,000 =====	----- 11,745 =====	----- 14,000,000 =====	----- 11,745 =====

## 19 REVALUATION RESERVE

	£000	1995 £000	£000	1994 £000
Balance brought forward		1,053		6,798
Surplus/(deficit) on revaluation of investments	7,445		(8,153)	
Differences on exchange	(400) -----		(10) -----	
		7,045 -----		(8,163) -----
		8,098		(1,365)
Transfers (to)/from deferred taxation (note 9)		(1,702) -----		2,418 -----
		6,396 =====		1,053 =====

## 20 PROFIT AND LOSS ACCOUNT

	1995 £000	1994 £000
Balance brought forward	12,056	7,306
Retained profit for the year	3,993	4,750
Balance carried forward	----- 16,049 =====	----- 12,056 =====

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 21 TECHNICAL PROVISIONS AND DEFERRED ACQUISITION COSTS

	Provision for unearned premiums £000	Claims outstanding £000	Total £000
Gross amount			
At the beginning of year	26,820	60,029	86,849
Currency movement	-	427	427
Movement in the provision	(403)	8,523	8,120
Portfolio transfer - French branch	-	(1,435)	(1,435)
At end of year	26,417	67,544	93,961
Reinsurance amount			
At beginning of year	100	11,883	11,983
Currency movement	-	216	216
Movement in the provision	(18)	(1,528)	(1,546)
Portfolio transfer - French branch	-	(148)	(148)
At end of year	82	10,423	10,505
Net technical provisions			
At end of year	26,335	57,121	83,456
At beginning of year	26,720	48,146	74,866

	1995	1994
£000	£000	£000
Net technical provisions at end of year	83,456	74,866
Deferred acquisition costs		
- gross	(3,978)	(4,362)
- reinsurance commissions	14	146
	(3,964)	(4,216)
Net insurance funds	79,492	70,650

The claim reserves on certain long-tail reinsurance underwritten in 1960 to 1963 are expected to settle in the next 14 years. The anticipated liabilities have been discounted at the rate of 8% pa, 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.

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 22 CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	1995 £000	1994 £000
Amounts owed to Intermediaries	-	1,056
	=====	=====

## 23 CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	1995 £000	1994 £000
Other Reinsurance	1,997	1,460
	=====	=====

## 24 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1995 £000	1994 £000
Corporation taxation payable	1,557	1,729
Investments purchased for subsequent settlements	235	229
Social security	85	83
Dividend proposed	1,950	1,200
Bank overdrafts	60	145
Other	629	527
	-----	-----
	4,516	3,913
	=====	=====

## 25 ACCRUALS AND DEFERRED INCOME

	1995 £000	1994 £000
Deferred reinsurance commissions	14	146
Other accruals and deferred income	2,060	2,215
	-----	-----
	2,074	2,361
	=====	=====

## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
31 DECEMBER 1995

## 26 COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	1995 £000	1994 £000
Land and buildings		
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	247	247
Over five years	870	-
	<u>1,117</u>	<u>247</u>
	=====	=====

The company has signed an agreement to lease a new headquarters building currently under construction. This is expected to be available for occupation on 1 August 1996. This is followed by a rent free period of 3 months. The annual commitment for 1996 on this basis is £392,000.

## 27 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 £151,000 (1994 - £109,000 ).

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 7% of pensionable salaries during 1995 (1994 - 5.5%).



## NORMAN INSURANCE COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS Continued  
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## 28 RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1995		1994
	£000	£000	£000
Operating profit before taxation		8,601	8,882
Depreciation of tangible fixed assets	473		358
Profit on sale of tangible fixed assets	(13)		(5)
Tax on franked investment income	(164)		(92)
Increase in accrued interest	(380)		(536)
Investment results	1,274		995
Increase in underwriting reserves	8,511		8,716
Increase/(decrease) in net amounts due to insurance companies	635		(5,006)
Movement in other debtors and creditors	(1,092)		836
Exchange differences	(205)		183
	-----		-----
		9,039	5,449
		-----	-----
Net cash inflow from operating activities		17,640	14,331
		=====	=====

## 29 ULTIMATE PARENT COMPANY

- (a) 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 24.

## (b) Group Company Balances

Included in balances arising out of reinsurance operations are the following:

	1995	1994
	£000	£000
Due (to)/from:		
Parent company	309	(1,149)
Fellow subsidiary companies	(253)	(505)

Included in deposits received from reinsurers are the following:

Due (to):		
Parent company	-	(2,980)
Fellow subsidiary companies	(5,923)	(4,489)

NORMAN INSURANCE COMPANY LIMITED

31 DECEMBER 1995

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BANKERS

Midland Bank Plc  
56/58 Queens Road  
Reading  
RG1 4DB

AUDITORS

Saffery Champness  
Chartered Accountants  
Fairfax House  
Fulwood Place  
Gray's Inn  
London  
WC1V 6UB

REGISTERED AND  
HEAD OFFICE

Norman Insurance House  
Kings Road  
Reading  
RG1 4LL  
Registered in England 613259