

NORWICH UNION
HOLDINGS plc
1995



NORWICH UNION HOLDINGS plc

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NORWICH UNION HOLDINGS plc

DIRECTORS AND OFFICERS

DIRECTORS

George Paul, DL - Chairman
Francis Cator - Vice-Chairman
Allan Bridgewater
Bryan Basset, CBE
Michael Biggs
Andrew Buxton
Richard Harvey
David Keys
Albert Mills
Sir Michael Partridge, KCB
Jonathan Peel, CBE, MC, DL
Alan Perelman
Philip Scott
John Stanforth
Dr Elizabeth Vallance

OFFICERS

Group Chief Executive - Allan Bridgewater, ACII, FIPM, CIMgt
General Manager (International) - Michael Biggs, MA, ACA
Group Finance Director - Richard Harvey, BSc, FIA
General Manager (General Insurance - UK) - Albert Mills, FIA, CIMgt
General Manager (Life & Pensions - UK) - Philip Scott, FIA
General Manager (Group Direct Operations) - John Stanforth, ACII

Group Secretary and Head of Legal Services - Graham Jones, BA, MBA

AUDITORS

Ernst & Young

Head Office and Registered Office

Surrey Street
Norwich
NR1 3NG

Registered in England and Wales no. 1555746

NORWICH UNION HOLDINGS plc

DIRECTORS' REPORT to the 15th Annual General Meeting 10 May 1996

The directors have pleasure in presenting their report on the operations of the company during the year ended 31 December 1995 together with the accounts.

PRINCIPAL ACTIVITY

The company carries on the business of an investment holding company. The principal activities of the company's subsidiary undertakings are life insurance, general insurance and the management of unit trusts and personal equity plans.

REVIEW OF OPERATIONS

The Security Insurance Group Limited, a holding company whose subsidiaries are principally involved in credit insurance, was acquired by the Norwich Union Fire Insurance Society Limited on 14 June 1995.

On 21 December 1995 a further £34,500,000 was invested in the Norwich Union Fire Insurance Society Limited by way of additional share capital in that company.

RESULTS

The profit for the financial year of £127,000,000 is set out in the profit and loss account.

In respect of the year ended 31 December 1995, an interim dividend of £40,000,000 was paid on 21 December 1995. The directors recommend that no further dividend be paid for the year.

DIRECTORS AND DIRECTORS' INTERESTS

The names of the directors at the date of this report are given on page 2.

Peter Sharman was a director from 1 January 1995 until his retirement on 12 May 1995.

Alan Perelman and John Stanforth were appointed directors from 1 August 1995. Michael Biggs was appointed a director from 12 January 1996 and Sir Michael Partridge was appointed a director from 8 March 1996. All retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Bryan Basset, David Keys, Albert Mills and George Paul 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 company, the company's parent undertaking or any other subsidiary of the company's parent undertaking.

Liability insurance on behalf of directors and officers of the company has been effected by the company's parent undertaking.

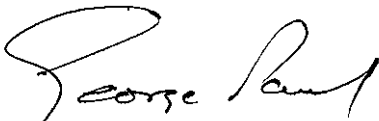
NORWICH UNION HOLDINGS plc

DIRECTORS' REPORT

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.

On behalf of the board

A handwritten signature in black ink, appearing to read 'George Paul', written in a cursive style.

G.W PAUL

Chairman, Norwich Union Holdings plc

8 March 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. 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 unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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

NORWICH UNION HOLDINGS plc

REPORT OF THE AUDITORS to the members of Norwich Union Holdings plc

We have audited the accounts on pages 7 to 17, which have been prepared under the historical cost convention [as modified by the revaluation of certain investments] and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of 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.



ERNST & YOUNG
Chartered Accountants
Registered Auditor

Norwich

8 March 1996

NORWICH UNION HOLDINGS plc

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	£m	£m	1994 £m
Income from listed investments		1.5		—
Income from shares in group undertakings		<u>52.6</u>		<u>41.8</u>
			54.1	<u>41.8</u>
Interest receivable from group undertakings		1.5		0.1
Profit on disposal of investments		84.8		—
Administrative expenses	2&3	<u>(0.1)</u>		<u>(0.1)</u>
			86.2	—
Profit on ordinary activities before interest payable			140.3	41.8
Interest payable to group undertakings			<u>12.8</u>	<u>6.2</u>
Profit on ordinary activities before taxation			127.5	35.6
Taxation on profit on ordinary activities	4		<u>0.5</u>	<u>1.1</u>
PROFIT FOR THE FINANCIAL YEAR			127.0	34.5
Profit at the beginning of the year			<u>3.4</u>	<u>8.9</u>
			130.4	43.4
Dividend			40.0	40.0
Profit at the end of the year			<u>90.4</u>	<u>3.4</u>

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

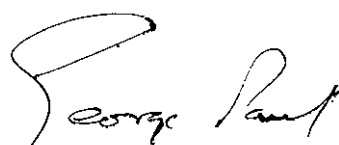
	£m	1994 £m
Profit for the financial year	127.0	34.5
Unrealised surplus/(deficit) on revaluation of investments	194.6	(237.1)
Total recognised gains/(losses) relating to the year	<u>321.6</u>	<u>(202.6)</u>

NORWICH UNION HOLDINGS plc

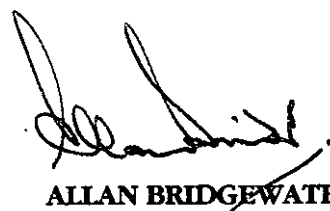
BALANCE SHEET AT 31 DECEMBER 1995

	Notes	£m	£m	1994 £m
FIXED ASSETS				
Investments	1(b),5,6&7		939.3	<u>600.8</u>
CURRENT ASSETS				
Debtors	8	11.6		3.5
CREDITORS :				
Amounts falling due within one year	9	<u>6.4</u>		<u>-</u>
NET CURRENT ASSETS			<u>5.2</u>	<u>3.5</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>944.5</u>	<u>604.3</u>
CREDITORS:				
Amounts falling due after more than one year	10		<u>179.8</u>	<u>121.2</u>
			<u>764.7</u>	<u>483.1</u>
CAPITAL AND RESERVES				
Called up share capital	11		75.8	75.8
Revaluation reserve	1(e)&12		598.5	403.9
Profit and loss account			<u>90.4</u>	<u>3.4</u>
Equity shareholders funds	13		<u>764.7</u>	<u>483.1</u>

The notes on pages 9 to 17 form an integral part of these accounts.



G W PAUL
Chairman



ALLAN BRIDGEWATER
Group Chief Executive

8 March 1996

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of investments, and in accordance with applicable accounting standards.

(b) Valuation of investments

Shares in subsidiary and associated undertakings have been valued at cost of acquisition or directors' valuation of the undertaking's net asset value. In the opinion of the directors the aggregate value of the assets consisting of shares in the subsidiary and associated undertakings is not less than the aggregate of the amounts at which those assets are included in the balance sheet.

Listed investments have been included at middle market value.

(c) Group accounts

Group accounts are not prepared as the company is a wholly owned subsidiary of The Norwich Union Life Insurance Society. The accounts present information about the company as an individual undertaking and not about its group.

(d) Deferred taxation

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

(e) Revaluation reserve

The revaluation reserve represents the difference between cost and valuation of investments.

(f) Cash flow statement

The company transacts all its business by means of a current account with the parent undertaking. Accordingly no cash flow statement has been prepared.

2. AUDITORS' REMUNERATION

	£000	1994 £000
(a) Included in administrative expenses is : -		
Auditors' remuneration	2	2
(b) In accordance with section 390B of the Companies Act 1985, the remuneration of Ernst & Young for services to subsidiary undertakings other than for auditing their accounts was £110,000 (1994 - £70,000). These amounts are not included in administrative expenses.		

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

3. DIRECTORS' EMOLUMENTS

- (i) The total emoluments of the directors of the company for the year including amounts paid by subsidiaries were :

	£000	1994 £000
Fees and benefits to non-executive directors	91	86
Consideration paid to third parties for the services of non-executive directors	20	20
Executive directors – Emoluments	504	425
– Contributions to a staff pension plan	40	48
Total	<u>655</u>	<u>579</u>

- (ii) The emoluments of the Chairman comprised :

Present Chairman	44	25
Previous Chairman	–	18
Total	<u>44</u>	<u>43</u>

- (iii) The emoluments of the highest paid director comprised :

Emoluments	187	170
Contributions to a staff pension plan	18	20
Total	<u>205</u>	<u>190</u>

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

3. DIRECTORS' EMOLUMENTS (CONTINUED)

(iv) The number of directors whose total emoluments, excluding pension contributions, fell within the ranges stated below was as follows:

			1994
NIL	-	£5,000	3*
£5,001	-	£10,000	5
£10,001	-	£15,000	-
£15,001	-	£20,000	1*
£25,001	-	£30,000	-
£35,001	-	£40,000	1
£40,001	-	£45,000	1
£85,001	-	£90,000	-
£100,001	-	£105,000	1
£165,001	-	£170,000	-
£170,001	-	£175,000	-
£175,001	-	£180,000	1
£185,001	-	£190,000	1

* Includes consideration paid to third parties for the services of 2 (1994 - 2) non-executive directors.

4. TAXATION

(i) Provision for taxation on the result for the year has been made as shown below. Group relief relates to inter-company payments for losses transferred.

	£m	1994 £m
Advance corporation tax payable	6.1	-
Tax on franked investment income	3.9	3.1
Group relief	(9.5)	(2.0)
Charge to profit and loss account	<u>0.5</u>	<u>1.1</u>

(ii) Deferred taxation

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

	£m	1994 £m
Provided in the accounts	<u>-</u>	<u>-</u>
Not provided in the accounts		
Unrealised appreciation of investments	<u>20.0</u>	<u>-</u>

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

5. INVESTMENTS

(a) Listed investments

	£m	1994 £m
Acquisitions	166.6	—
Disposals	(142.5)	—
	<u>24.1</u>	<u>—</u>
Profit on disposals relating to current year	85.3	—
Revaluation reserve transfer	8.7	—
Market Value at 31 December 1995	<u>118.1</u>	<u>—</u>
Cost	<u>109.4</u>	<u>—</u>

(b) Investments in subsidiary and associated undertakings

	Subsidiaries £m	Associates £m	£m	1994 £m
Value at 1 January 1995	580.0	20.8	600.8	958.4
Acquisitions	34.5	4.5	39.0	47.7
Disposals	—	(4.0)	(4.0)	(168.2)
	<u>614.5</u>	<u>21.3</u>	<u>635.8</u>	<u>837.9</u>
Loss on disposals relating to current year	—	(0.5)	(0.5)	—
Revaluation reserve transfer	189.1	(3.2)	185.9	(237.1)
Value at 31 December 1995	<u>803.6</u>	<u>17.6</u>	<u>821.2</u>	<u>600.8</u>
Cost	<u>209.6</u>	<u>21.8</u>	<u>231.4</u>	<u>196.9</u>

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

6. SUBSIDIARY UNDERTAKINGS

Principal subsidiary undertakings at 31 December 1995 are stated below. Those undertakings which have been omitted do not materially affect the amount of the result or assets of the company. Unless otherwise stated they have share capital comprising shares of one class only.

Name of Subsidiary	Country of registration or incorporation	Nature of business	Percentage of allotted share capital held
Norwich Union Fire Insurance Society Limited	England & Wales	General insurance	100
Fidelity Life Assurance Limited	England & Wales	Life insurance	100
Norwich Union Pensions Management Limited	England & Wales	Life insurance	100
Norwich Union Pension Trustees Limited	England & Wales	Pension trustees	100
Norwich Union Portfolio Services Limited	England & Wales	PEP management	100
Norwich Union Trust Company (Channel Islands) Limited	Jersey	Trustee Services	100
Norwich Union Trust Managers Limited	England & Wales	Unit trust management	100
Maritime Insurance Company Limited	England & Wales	General insurance	100
Subsidiaries of Norwich Union Fire Insurance Society Limited :			
Scottish Union and National Insurance Company Unregistered 'A' Shares of £5 each (50p paid) Ordinary shares of £1 each		General insurance	100 100
Haven Insurance Policies Limited	England & Wales	General insurance	100
NUFIS Investments Limited	England & Wales	Investment holding company	100
Norwich Union Risk Services Limited	England & Wales	Holding company	100
Hill House Hammond Limited	England & Wales	Insurance intermediaries	100 (voting)
Norwich Union Healthcare Limited	England & Wales	Marketing and administration company	100
Norwich Union Assicurazioni SpA	Italy	General insurance	82.3
Security Insurance Group Limited	England & Wales	Holding company	100 *
SPIG Limited (Holding company)	England & Wales	Holding company	100
Worldwide Assistance Limited	England & Wales	Medical Emergency Service	100

* held through a wholly owned intermediate group undertaking.

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

6. SUBSIDIARY UNDERTAKINGS (CONTINUED)

	Country of registration or incorporation	Nature of business	Percentage of allotted share capital held
Subsidiary of Maritime Insurance Company Limited			
R E Heathcock Limited	England & Wales	Underwriting agency	100
Subsidiary of Norwich Union Risk Services Limited			
The Ajax Insurance Association Limited	England & Wales	Engineering inspections	100

7. ASSOCIATED AND OTHER UNDERTAKINGS

At 31 December 1995 the company or subsidiaries of the company held shares of one-tenth or more in nominal value of the allotted shares of at least one class of equity share capital of a number of undertakings. Those holdings, all of which are ordinary holdings, which principally affect the amount of the result or assets of the company are as follows:

Name of Undertaking	Country of registration or incorporation	Nature of business	Percentage of nominal value of allotted shares of each class held
Norwich Winterthur Holdings Limited	England & Wales	Investment holding	48.5
NW Reinsurance Corporation Limited	England & Wales	General reinsurance	46.5
Aviation and General Insurance Company Limited	England & Wales	Aviation insurance	12.1

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

7. ASSOCIATED AND OTHER UNDERTAKINGS (CONTINUED)

The company holds 100% of the 'A' ordinary shares in Norwich Winterthur Holdings Limited, which in turn holds 77.5% and the company 8.9% of the ordinary shares in NW Reinsurance Corporation Limited. The company's overall direct and indirect holding in the Corporation amounts to 46.5%.

NW Reinsurance Corporation Limited ceased underwriting on 4 March 1993. The relevant proportion of the net assets of NW Reinsurance Corporation Limited incorporated within these accounts is based upon unaudited accounts which have been prepared using the latest available information. Whilst the management of NW Reinsurance Corporation Limited consider that the gross provision for claims, related reinsurance recoveries and associated claims handling costs are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided within that company's accounts. Adjustments to the amounts of provisions will be reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

8. DEBTORS

	£m	1994 £m
Amount owed by parent undertaking	1.7	1.5
Amount owed by subsidiary undertakings	9.5	2.0
Other debtors	0.4	—
	<u>11.6</u>	<u>3.5</u>

9. CREDITORS : Amounts Falling Due Within One Year

	£m	1994 £m
Advance Corporation Tax	6.1	—
Other creditors	0.3	—
	<u>6.4</u>	<u>—</u>

10. CREDITORS: Amounts Falling Due After More Than One Year

The loans totalling £179,800,000 (1994 - £121,200,000) were used to purchase ordinary shares from the parent undertaking and to acquire subsidiary and associated undertakings and are repayable to the parent undertaking in between two and five years.

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

11. SHARE CAPITAL

	£m	1994 £m
Authorised : 200,000,000 shares of £1 each	<u>200.0</u>	<u>200.0</u>
Allotted and fully paid : 75,801,380 shares of £1 each	<u>75.8</u>	<u>75.8</u>

12. REVALUATION RESERVE

	£m	1994 £m
Balance at 1 January 1995	403.9	641.0
Movement for the year	194.6	(237.1)
Balance at 31 December 1995	<u>598.5</u>	<u>403.9</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£m	1994 £m
Profit for the financial year	127.0	34.5
Dividend	<u>40.0</u>	<u>40.0</u>
	87.0	(5.5)
Increase/(decrease) in value of investments	194.6	(237.1)
Net addition to shareholders' funds	<u>281.6</u>	<u>(242.6)</u>
Opening shareholders' funds	483.1	725.7
Closing shareholders' funds	<u>764.7</u>	<u>483.1</u>

14. SEGMENTAL INFORMATION

All business transacted arises wholly from within the United Kingdom. Segmental reporting is therefore not applicable.

NORWICH UNION HOLDINGS plc

NOTES TO THE ACCOUNTS

15. CONTINGENT LIABILITY

Maritime Insurance Company Limited and Norwich Union Fire Insurance Society Limited, both subsidiary undertakings, have entered into a reinsurance agreement whereby Maritime Insurance Company Limited has accepted all Marine and Aviation liabilities in respect of business written prior to 31 December 1992. Norwich Union Holdings plc has agreed to guarantee Maritime Insurance Company Limited from losses on this business in excess of the first £2m each year or £5m in aggregate for all years.

16. CAPITAL COMMITMENTS

There are no capital commitments at 31 December 1995 (1994 - £NIL).

17. PARENT UNDERTAKING

The parent undertaking is The Norwich Union Life Insurance Society registered in England and Wales. The accounts of the parent undertaking are available from the registered office, the address of which is noted on page 2.