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NM UK LIMITED

ANNUAL REPORT AND ACCOUNTS

30TH SEPTEMBER 1992

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NM UK LIMITED
REPORT OF THE DIRECTORS

Principal Activity

1. The company's principal activity is to act as the holding company for the United Kingdom subsidiaries of The National Mutual Life Association of Australasia Limited. The principal activities of the company's subsidiaries are the promotion of financial management services and products within the United Kingdom, including life assurance and pension products, unit trusts, portfolio management and other financial and tax planning services.

Joint Venture

2. On 30th December, 1991 SFM Holdings Limited, a wholly-owned subsidiary company, entered into a joint venture with an unconnected third party company. SFM Holdings Limited subscribed for a total of 51 ordinary 'A' shares of £1 each fully paid at par representing 51% of the issued ordinary 'A' shares of the joint venture company. These shares do not entitle SFM Holdings to any distribution of profits of the company.

This joint venture company will provide computer data processing and development services to NM Financial Management Group Services Limited, a wholly-owned subsidiary company.

Investment in Subsidiaries

3. On 30th September, 1992 the company acquired 2.2m ordinary shares of £1 each in NM Financial Management International Limited from SFM Holdings Limited, both wholly-owned subsidiary companies, for a cash consideration of £2.2m.

Loans

4. On 30th September, 1992 NM Financial Management Group Services Limited, a wholly-owned subsidiary company, repaid £1.1m of the £2m loan provided by the company.

5. On 30th September, 1992 SFM Holdings Limited, a wholly-owned subsidiary company, repaid £2.2m of the £90m loan provided by the company.

Results and Business Review

6. The results for the year ended 30th September, 1992 are shown in the Consolidated Profit and Loss Account on page 4.

The directors consider these results to be reasonable given the difficult economic circumstances that continued throughout the year. The group is aiming to consolidate its financial position in the forthcoming year.

Dividends

7. The directors do not recommend the payment of a dividend for the year ended 30th September, 1992 and the profit for the year of £1.47m has been transferred to reserves.

NM UK LIMITED

REPORT OF THE DIRECTORS (CONTD)

Directors and Directors' Interests

8. The directors of the company as at 30th September, 1992 were:

D.K. Newbigging (Chairman)
N. Assheton
N.R. Dunseath
C.M.J. Eldridge
P.J. Gaynor
K.E. Higgs
G.M.J. Hoskins
D. Kirby
T.J. Smith
G.A. Tomlinson

Messrs C.G.B. Baxter, W. Beatty, C.H. Starr and J. Kent resigned as directors of the company on 19th October, 1991, 13th January, 3rd April, and 3rd July, 1992 respectively. Mr T.J. Smith was appointed a director of the company on 4th November, 1991.

Mr G.M.J Hoskins resigned as a director of the company on 22nd October, 1992.

No director had any interest in shares in, or debentures of, the company or any other group company.

Charitable Donations

9. Charitable donations during the year amounted to £13,975.

Employees

10. The company does not employ staff on its own account. All staff are employed by NM Financial Management Group Services Limited, a wholly-owned subsidiary company.

During the year the majority of contracts of employment for employees previously within the group's computer data processing division were transferred to the joint venture company referred to in Note 2 above.

The company and its subsidiaries maintain formal communication channels and whenever possible inform relevant employees in respect of matters with which they are concerned and of the financial affairs of the NM UK group. Where appropriate, the opinions of the employees are sought when making decisions which are likely to affect their interests.

It is the company's and its subsidiaries' policy to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Where possible, members of staff who become disabled are retained in employment and the company is willing to arrange appropriate training. Subject to their aptitude, disabled staff are treated on equal terms with other employees in respect of training, career development and promotion.

NM UK LIMITED

REPORT OF THE DIRECTORS (CONTD)

Directors' and Officers' Insurance

11. Directors' and officers' insurance costs are incurred by another group company for which that company makes a management charge to recover these expenses.

Auditors

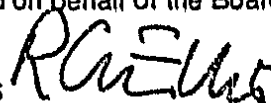
12. As permitted by Section 379A of the Companies Act 1985 the company has dispensed with the obligation to reappoint its auditors annually.

19th November, 1992

Enterprise House
Isambard Brunel Road
Portsmouth
PO1 2AW

Approved by the Board of Directors
and signed on behalf of the Board

R.G. ELLIS
Secretary



NM UK LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1992**

	<u>Notes</u>	<u>1992</u> £000	<u>1991</u> £000
Revenue arising from the non insurance activities of the group in the year		55,479	59,305
Selling expenses		(6,406)	(9,981)
Administrative expenses		(47,708)	(54,555)
		-----	-----
		1,365	(5,231)
Other operating income		86	878
Profit on disposal of investment property	10	16	-
Other interest receivable and similar income		1,202	2,255
Amounts written off investment property	10	(35)	-
Interest payable and similar charges	3	(538)	(853)
		-----	-----
		2,096	(2,951)
(Decrease)/Increase in value of in-force Long-term Insurance Business	8	(200)	5,900
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,896	2,949
Tax on profit on ordinary activities	7	(426)	(258)
		-----	-----
PROFIT FOR THE FINANCIAL YEAR	20	1,470	2,691
		=====	=====

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NM UK LIMITED

CONSOLIDATED BALANCE SHEET - 30TH SEPTEMBER 1992

	Notes	1992 £000	1991 £000
FIXED ASSETS			
Intangible assets	8	67,842	65,400
Tangible assets	9	3,493	4,933
Investments - property	10	295	42
- other	12	2,645	5,960
		74,275	76,335
CURRENT ASSETS			
Stock of units		58	55
Debtors	15	10,403	6,115
Cash at bank and in hand		16,073	18,849
		26,534	25,019
CREDITORS			
Amounts falling due within one year	17	(12,308)	(17,698)
NET CURRENT ASSETS		14,226	7,321
TOTAL ASSETS LESS CURRENT LIABILITIES		88,501	83,656
CREDITORS			
Amounts falling due after more than one year	17	(65,451)	(63,103)
PROVISIONS FOR LIABILITIES AND CHARGES			
Pensions and similar obligations	6	(2,443)	(1,404)
		20,607	19,149
NET ASSETS OF THE LONG-TERM INSURANCE FUNDS (Page 8)		1,527,979	1,515,409
		1,548,586	1,534,558
CAPITAL AND RESERVES			
Called up share capital	19	49,000	49,000
Reserves	20	(28,393)	(29,851)
SHAREHOLDERS' FUNDS		20,607	19,149
POLICYHOLDERS' FUNDS (Page 8)			
Ordinary Long-term Insurance Funds		1,504,479	1,473,409
Investment Reserve		23,500	42,000
		1,527,979	1,515,409
		1,548,586	1,534,558

K.E. Higgs

Director

Signed on behalf of the Board of Directors on 19th November, 1992

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NM UK LIMITED

BALANCE SHEET - 30TH SEPTEMBER 1992

	Notes	1992 £000	1991 £000
FIXED ASSETS			
Investments in subsidiary companies	11	105,215	108,515
Other investments	12	10	10
		-----	-----
		105,225	108,525
CURRENT ASSETS			
Debtors	15	393	406
Cash at bank and in hand		1,264	182
		-----	-----
		1,657	588
CREDITORS			
Amounts falling due within one year	17	(2,008)	(3,200)
		-----	-----
NET CURRENT LIABILITIES		(351)	(2,612)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		104,874	105,913
CREDITORS			
Amounts falling due after more than one year	17	(62,408)	(62,408)
		-----	-----
		42,466	43,505
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	19	49,000	49,000
Reserves	20	(6,534)	(5,495)
		-----	-----
		42,466	43,505
		=====	=====

K.E. Higgs

K.E. Higgs

Director

Signed on behalf of the Board of Directors on 19th November, 1992

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NM UK LIMITED

**CONSOLIDATED ORDINARY LONG-TERM INSURANCE REVENUE ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER 1992**

	<u>Notes</u>	<u>1992</u> £000	<u>1991</u> £000
INCOME			
Premiums			
Single		141,398	226,078
Regular		98,882	100,700
		-----	-----
Investment income		240,280	326,778
		82,570	85,316
		-----	-----
		322,850	412,094
EXPENDITURE			
Payments under policies - Deaths		11,473	14,727
- Maturity, Retirement and		59,603	52,542
Annuity payments		115,421	136,293
- Surrenders		11,602	15,098
Commissions		43,685	46,268
Expenses of management		4,332	(1,047)
Taxation	7		
		246,121	263,881
Realised investment profits		50,586	16,403
Transfer (to)/from Investment Reserve	21	(96,245)	129,303
Disposal of offshore insurance subsidiary		-	(9,973)
		-----	-----
INCREASE IN FUNDS DURING THE YEAR		31,070	283,946
FUNDS AT THE BEGINNING OF THE YEAR		1,473,409	1,189,463
		-----	-----
FUNDS AT THE END OF THE YEAR		1,504,479	1,473,409
		=====	=====

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NM UK LIMITED

CONSOLIDATED ORDINARY LONG-TERM INSURANCE FUNDS BALANCE SHEET - 30TH SEPTEMBER 1992

	Notes	1992 £000	1991 £000
Net assets of the Long-term Insurance Funds comprise:			
INVESTMENTS	12	1,506,105	1,491,476
CURRENT ASSETS	14	54,889	51,559
CURRENT LIABILITIES	16	(33,015)	(27,626)
NET CURRENT ASSETS		21,874	23,933
		----- 1,527,979 =====	----- 1,515,409 =====
Represented by:			
POLICYHOLDERS' FUNDS			
Ordinary Long-term Insurance Funds		1,504,479	1,473,409
Investment Reserve	21	23,500	42,000
		----- 1,527,979 =====	----- 1,515,409 =====

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NM UK LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER 1992**

	<u>Notes</u>	<u>1992</u> <u>£000</u>	<u>1991</u> <u>£000</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	(4,297)	(4,840)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,202	2,255
Loan interest paid		(438)	(488)
Interest element of finance lease rentals		(100)	(132)
Other interest paid		-	(233)
Net cash inflow from returns on investments and servicing of finance		664	1,402
TAXATION			
UK corporation tax paid		(984)	(1,088)
INVESTING ACTIVITIES			
Purchase of investments		(330)	(1,122)
Disposal of investments		3,361	-
Purchase of tangible fixed assets excluding capitalised finance leases		(727)	(2,704)
Sale of tangible fixed assets		43	158
Deferred development expenditure		(2,642)	-
Net cash outflow from investing activities		(295)	(3,668)
NET CASH OUTFLOW BEFORE FINANCING		(4,912)	(8,194)
FINANCING			
Issue of ordinary share capital		-	14,000
Increase in loans		2,873	-
Repayment of loan		-	(14,000)
Capital element of finance lease rental payments		(746)	(1,048)
Net cash inflow/(outflow) from financing		2,127	(1,048)
DECREASE IN CASH AND CASH EQUIVALENTS	23	(2,785)	(9,242)

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NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

Principal Accounting Policies**1.(a) Basis of preparation:**

(i) The financial statements have been prepared in accordance with applicable accounting standards.

(ii) The financial statements have been prepared in compliance with Sections 226 and 227 of, and Schedules 4 and 4a to, the Companies Act 1985 and the company is exempt from producing its own Profit and Loss Account. The financial statements of subsidiary companies are co-terminous with those of NM UK Limited. The information in the accounts relating to the insurance subsidiary is included on the basis applicable to insurance companies under Schedule 9 to the Companies Act 1985.

(iii) The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments on the bases set out respectively in paragraph 1(j) below.

(iv) Assets held and liabilities incurred in a fiduciary capacity have been excluded from these financial statements.

(v) The value of the in-force long-term insurance business is determined by the directors on the basis of actuarial advice and represents the present value of profits, net of tax, expected to emerge from the in-force long-term insurance business using a discount rate of 15% together with the shareholders' proportion of the surplus carried forward in the Long-term Insurance Funds. Changes in the value are taken to the Consolidated Profit and Loss Account each year.

(b) Basis of consolidation:

(i) The consolidated accounts include the assets, liabilities and results of the company and its subsidiary companies, including the life assurance company.

(ii) Goodwill arising on consolidation has been fully amortised.

(c) Revenue:

Management fees, investment fees, commissions, other income and profits are credited to the Profit and Loss Account when due. In calculating the profit or loss on sales of unit trust units and shares in investment companies, cost of units and shares sold is arrived at using an average basis.

(d) Leases:

Assets held under finance leases and the related lease obligations are recorded in the Balance Sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Operating lease payments are charged to the Profit and Loss Account when due.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Principal Accounting Policies (contd)**(e) Development costs:**

Development expenditure is charged to the Profit & Loss Account except in so far as it relates to a clearly defined project, the benefits of which will occur in future accounting periods. In such cases, the expenditure is deferred and amortised through the Profit and Loss Account on a systematic basis over the period expected to benefit from the project.

(f) Depreciation/Amortisation:

Tangible fixed assets are depreciated on a straight line basis over the estimated lives of the assets at the following rates:

Furniture, Fixtures, Fittings and Office Machinery	20% to 33% per annum
Motor vehicles	33% per annum
Leased assets	Over the term of lease
Development asset	Over the period expected to benefit from the development project

The development asset relates to computer system development which is currently in progress. Accordingly, the amortisation of this deferred expenditure has not yet commenced.

(g) Deferred taxation:

Deferred taxation is provided in full to take account of all differences in the taxation and accounting treatment of certain items, where the asset or liability is expected to crystallise in the foreseeable future.

(h) Income and expenditure of the Long-term Insurance Funds:

All income and expenditure of the Long-term Insurance Funds, net of reinsurance where applicable, including all realised investment profits and losses, is shown in the Ordinary Long-term Insurance Revenue Account. Unrealised investment profits and losses arising in the Long-term Insurance Funds are transferred to the Investment Reserve from which a transfer is made to or from the Ordinary Long-term Insurance Revenue Account on the advice of the appointed Actuary.

(i) Surplus:

On the advice of the appointed Actuary, the surplus arising in the Long-term Insurance Funds, disclosed by annual actuarial valuations carried out in accordance with Section 18 of the Insurance Companies Act 1982 is allocated by the directors between policyholders and shareholders.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Principal Accounting Policies (contd)**(j) Valuation of investments:**

Investments are valued as follows:

(i) Listed securities are at market value.

(ii) Unlisted securities and other similar assets are at directors' valuation.

(iii) Unit trusts are at the price at which the company would have been able to purchase the units at the commencement of dealing immediately after the financial year end.

(iv) Property investments held outside the Long-term Insurance Funds are stated at valuation, with any surplus or deficit arising on revaluation transferred to a revaluation reserve. Where the revaluation reserve is insufficient to cover a deficit, the shortfall is charged to the Profit & Loss Account. No depreciation is provided in respect of long-term leasehold property investments. Properties held within the Long-term Insurance Funds are valued annually at open market value by a qualified valuer. Property developments are at independent valuation or cost, whichever is the lower.

(v) Mortgages, loans and deposits are at cost or estimated net realisable value in the ordinary course of business, whichever is the lower.

(vi) Loans to group companies are at cost less provision for any permanent diminution in value.

(k) Stock:

Revolving fund units are valued at the lower of the repurchase cost and the net realisable value represented by the cancellation price at the Balance Sheet date. New units are valued at the lower of the cost of their creation and the net realisable value represented by the offer price less initial charge at the Balance Sheet date.

(l) Foreign currencies:

Transactions denominated in foreign currencies are recorded at an average rate of exchange for the year. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the Balance Sheet date. Exchange profits and losses arising are taken to the Consolidated Profit and Loss Account.

(m) Contributions to pension funds:

The cost of pensions in respect of the group's defined benefit pension schemes is charged to the Profit and Loss Account so as to spread the cost of pensions over the expected service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes. The pension cost is assessed in accordance with the advice of an independent qualified actuary.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Segmental Information

2.(a) Non-Insurance Activities:

	<u>Unit Trusts and Financial Services</u> £000	<u>1992 Management & Administration Fees</u> £000	<u>Other</u> £000	<u>Total</u> £000
Total revenue	10,309	55,903	-	66,212
Inter-segment revenue	-	(10,733)	-	(10,733)
	-----	-----	-----	-----
Third party revenue	10,309	45,170	-	55,479
	=====	=====	=====	=====
Profit/(loss) before tax	1,298	884	(286)	1,896
	=====	=====	=====	=====
Net assets	2,138	4,591	13,878	20,607
	=====	=====	=====	=====

	<u>Unit Trusts and Financial Services</u> £000	<u>1991 Management & Administration Fees</u> £000	<u>Other</u> £000	<u>Total</u> £000
Total revenue	11,071	61,392	-	72,463
Inter-segment revenue	-	(13,158)	-	(13,158)
	-----	-----	-----	-----
Third party revenue	11,071	48,234	-	59,305
	=====	=====	=====	=====
Profit/(loss) before tax	1,517	(4,609)	6,041	2,949
	=====	=====	=====	=====
Net Assets	1,445	1,878	15,826	19,149
	=====	=====	=====	=====

Turnover originates mainly in the United Kingdom, and profit before taxation and Net Assets are attributable mainly to the United Kingdom.

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(b) Insurance Activities:

NM Life Assurance Limited, a wholly-owned subsidiary company, operates four main Long-term Insurance Business Funds for which Premiums, Fund movements and Net Assets of the Long-term Insurance Business Funds are analysed as follows:

	<u>1992</u>		
	<u>Other Business Fund and Unutilised With Profits Fund</u>	<u>Closed Fund and With Profits Business Fund</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Premiums	225,312	14,968	240,280
	=====	=====	=====
Movement in Funds during the year	40,024	(8,954)	31,070
	=====	=====	=====
Net Assets of the Long- term Insurance Business Funds	1,189,082	315,397	1,504,479
	=====	=====	=====

Over 99% of the Premiums, which originate mainly in the United Kingdom, and Net Assets of the Long-term Insurance Business Funds are attributable to the Other Business Fund and the Closed Fund, the two main Long-term Insurance Business Funds of NM Life Assurance Limited. Net Assets of the Long-term Insurance Business Funds exclude amounts held in the Investment Reserve.

	<u>1991</u>			
	<u>Other Business Fund and Unutilised With Profits Fund</u>	<u>Closed Fund and With Profits Business Fund</u>	<u>Other</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Premiums	309,539	17,239	-	326,778
	=====	=====	=====	=====
Movement in Funds during the year	287,253	6,666	(9,973)	283,946
	=====	=====	=====	=====
Net Assets of the Long- term Insurance Business Funds	1,149,058	324,351	-	1,473,409
	=====	=====	=====	=====

The above figures include, as other amounts, the Premiums, Fund movements and Long-term Insurance Business Fund of NM Life Assurance International Limited, a wholly-owned offshore subsidiary company. This company was disposed of on 26th November, 1990.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Interest Payable and Similar Charges

	<u>1992</u>	<u>1991</u>
	<u>£000</u>	<u>£000</u>
3. Interest payable and similar charges comprises:		
Finance charges payable under finance lease contracts	100	132
Other interest payable	438	721
	- - -	- - -
	538	853
	===	===

Profit on Ordinary Activities

4. Profit on ordinary activities before taxation
is stated after charging/(crediting):

Auditors' remuneration for audit services	332	360
Auditors' remuneration for non-audit services	27	176
Depreciation of tangible fixed assets (excluding assets held under finance lease contracts)	1,517	1,409
Depreciation of tangible fixed assets held under finance lease contracts	686	930
Operating lease rentals	2,515	2,727
Exceptional Items:		
Provisions for errors in administration	-	3,185
Adjustment to provision for errors in administration	(1,140)	-
System reviews	-	1,321
Loss on sale of subsidiary company	-	688
Business reorganisation costs	706	168
Compensation payments to clients	1,633	123
Recharge of compensation payments to another group company	(1,427)	(123)

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Directors and Employees

5.(a) Particulars of directors' total emoluments, including those received from other group companies, were as follows:

	<u>1992</u>	<u>1991</u>
	£	£
Fees	127,375	93,126
Other emoluments	393,805	644,257
	-----	-----
	521,180	737,383
	=====	=====

Emoluments (excluding pension contributions) of:

The highest paid director	134,827	263,316
	=====	=====
The Chairman	32,375	29,000
	=====	=====

During the year, the company had an agreement terminable upon six month's notice with Kennedy Financial Services Limited. This provided the services of Mr D.K. Newbigging as Chairman and as a director of the company at a fee of £30,375 and for office and secretarial facilities for the company at a fee of £2,000. Mr Newbigging is beneficially interested in the shares of Kennedy Financial Services Limited of which he is also a director.

Directors' emoluments (excluding pension contributions) were within the following ranges:

	Number	Number
£Nil - £5,000	4	3
£10,001 - £15,000	4	5
£20,001 - £25,000	1	-
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£40,001 - £45,000	1	1
£75,001 - £80,000	-	1
£110,001 - £115,000	2	1
£120,001 - £125,000	-	1
£130,001 - £135,000	1	-
£260,001 - £265,000	-	1

(b) The average number of persons employed by the group (including the executive directors) during the year was 885 (1991: 985).

Functional analysis:

Sales and marketing (excluding self-employed sales persons)	144	137
Administration and finance	741	848

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONT'D)

(c) Gross employment costs (including the executive directors) during the year amounted to:

	<u>1992</u> £000	<u>1991</u> £000
Aggregate gross wages and salaries paid to the group's employees	13,927	15,215
Social security costs	1,054	1,200
Other pension costs	1,039	1,166
	-----	-----
	16,020	17,601
	=====	=====

Pension Schemes

6. The group operates two principal defined benefit schemes, the assets of which are held in separate trustee administered schemes. Details of the two schemes are shown below:

(a) NM Staff Pension Scheme:

The latest valuation of the Scheme was carried out as at 1st April, 1991 by an independent qualified actuary using the Projected Unit Method. The market value of the scheme assets at the date of valuation was £10.5m. The valuation assumed future salary increases of 8% pa, discretionary pension increases of 5% pa, and an investment return of 10% pa. The actuarial value of the assets was deemed sufficient to cover 116% of the value of the benefits that had accrued to members.

No contributions were made during the year to 30th September, 1992.

The pension cost charge for the year to 30th September, 1992 was £688,000 (1991:£714,000) and a cumulative provision of £1.886m (1991:£1.198m) has been included in provisions for liabilities and charges in respect of the cumulative excess of the cost over the actual pension contributions to the Scheme.

(b) NM Retirement Benefits Scheme:

The latest valuation of the Scheme, which is closed to new employees, was carried out as at 1 April, 1991 by an independent qualified actuary using the Projected Unit Method. The market value of the scheme assets at the date of valuation was £7.7m. The valuation assumed identical future salary increases, discretionary pension increases and investment return as the NM Staff Pension Scheme. The actuarial value of the assets was deemed sufficient to cover 108% of the value of the benefits that had accrued to members.

No contributions were made during the year to 30th September, 1992.

The pension cost charge for the year to 30th September, 1992 was £351,000 (1991:£415,000) and a cumulative provision of £557,000 (1991:£206,000) has been included in provisions for liabilities and charges in respect of the cumulative excess of the cost over the actual pension contributions to the Scheme.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Tax on Profit on Ordinary Activities

7. The taxation charge for the year comprises:

	<u>Profit and Loss Account</u>		<u>Long-term Insurance Revenue Account</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Corporation tax	754	63	5,039	1,065
Deferred taxation	(617)	(526)	-	-
Taxation on franked income	270	874	2,732	3,082
Foreign withholding taxes on investment income	-	9	119	149
Adjustment in respect of prior years	19	(162)	(3,558)	(5,343)
	<u>426</u>	<u>258</u>	<u>4,332</u>	<u>(1,047)</u>
	=====	=====	=====	=====

The charge in the Profit and Loss Account in respect of UK corporation tax has been calculated by reference to a rate of 33% (1991:33.5%). The tax charge is disproportionate to the profit for the year due to the incidence of disallowable expenditure and the non-taxable increase in the value of the in-force Long-term Insurance Business. The credit in the Profit and Loss Account in respect of deferred taxation has been calculated by reference to a rate of 33% (1991:33%).

The charge in the Long-term Insurance Revenue Account in respect of UK corporation tax has been calculated by reference to a rate of 25% (1991:25%). The amount payable in respect of prior years has been calculated by reference to the corporation tax rates in-force at those dates.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Intangible Fixed Assets - Group

8.(a) Movement in the year comprises:

	<u>Deferred Development/ Expenditure</u> £000	<u>Valuation of in-force Long-term Insurance Business</u> £000	<u>Total</u> £000
At 1st October, 1991	-	65,400	65,400
Increase in the year	2,642		2,642
Decrease in the year	-	(200)	(200)
Accumulated amortisation	-	-	-
At 30th September, 1992	2,642	65,200	67,842
	=====	=====	=====

Computer system development costs have been deferred in accordance with the group's accounting policies. The project to which the above deferred development expenditure relates is currently in progress.

The amount of £65.2m (1991:£65.4m) at which the valuation of the in-force Long-term Insurance Business is stated is determined by the directors on the basis of actuarial advice.

The principal assumptions in the calculation of the value are as follows:

(i) The value of the in-force Long-term Insurance Business is calculated as the present value of profits, net of tax, expected to emerge from the Long-term Insurance Business in force at 30th September, 1992 together with the shareholders' proportion of the surplus carried forward in the Long-term Insurance Funds. The Closed Fund business is specifically excluded from the calculation as all the future surpluses in that Fund must be distributed to policyholders.

(ii) The future profits are discounted at a risk rate of 15%.

(iii) Future rates of investment return assumed are as follows:

Dividend income on unit funds	- 5.5% of market value
Capital growth of unit funds	- 4.5% per annum
Gross interest on sterling funds	- 9.0% per annum

(iv) Assumptions on future rates of mortality, lapse experience, and expense levels correspond to the company's recent actual experience.

Taxation is calculated on the bases appropriate to a UK life company, allowing for the actual tax situation of the company.

(v) Since the last valuation there have been no significant changes in methods. Some future lapse rates have been increased, others have been reduced. Assumed future mortality rates have been reduced.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(vi) Principal items contributing to the change in value of the in-force Long-term Insurance Business were as follows:

Value of New Business in the period.

Interest on the opening value of the in-force Long-term Insurance Business.

Offset principally by:

Reduction in the surplus of the Long-term Insurance Funds.

Reduction in the value of future management charges arising from lower appreciation in unit values than expected.

(b) Goodwill arising on consolidation of £61.7m in respect of subsidiary companies has been fully amortised in previous years.

Tangible Fixed Assets - Group

9. Movements in tangible fixed assets were as follows:

	<u>Furniture, Fixtures Fittings & Office Machinery</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£000	£000	£000
Cost:			
At 1st October, 1991	9,121	49	9,170
Additions in year	836	11	847
Disposals in year	(1,881)	(60)	(1,941)
	-----	---	-----
At 30th September, 1992	8,076	-	8,076
	=====	===	=====
Accumulated depreciation:			
At 1st October, 1991	4,208	29	4,237
Charge for year	2,198	5	2,203
Disposals in year	(1,823)	(34)	(1,857)
	-----	---	-----
At 30th September, 1992	4,583	-	4,583
	=====	===	=====
Net book value at 30th September, 1992	3,493	-	3,493
	=====	===	=====
Net book value at 30th September, 1991	4,913	20	4,933
	=====	===	=====

Of the net book value at 30th September, 1992 £885,000 (1991:£1,436,000) relates to computer equipment held under finance lease contracts and £9,000 (1991:£25,000) relates to domestic furniture held under finance lease contracts.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Investment in Property

10. Movements in leasehold properties, held as investments, were as follows:

	<u>Leasehold Properties (Long Lease) £000</u>
Valuation:	
At 1st October, 1991	42
Additions in year	330
Disposal	(42)
Revaluation deficit	(35)

At 30th September, 1992	295
	===

Leasehold property (cost £330,000) was revalued at open market value at 30 September, 1992 by a professionally qualified valuer who is also an employee of a fellow subsidiary company. The deficit on revaluation has been charged to the Profit and Loss Account.

Leasehold property (cost £30,180) was sold during the year for £46,128 and profit on the disposal of £15,948 has been credited to the Profit and Loss Account.

Investment in Subsidiaries

11.(i) Set out below is a list of wholly-owned subsidiaries of the company, whose activities include life assurance and pensions, unit trusts, portfolio management and financial and tax planning services. The list does not include those subsidiaries which, in the opinion of the directors, do not principally affect the amount of the profit or loss or the assets of the company.

NM Financial Management Limited is directly owned by NM UK Limited. Unless stated otherwise, the remaining companies listed below are owned directly or indirectly by NM Financial Management Limited and their share capital comprises ordinary shares.

Registered in England

NM Financial Management Limited

including 2.45m 8% Fixed Cumulative Non-Participating Preference shares of £1 each fully paid.

SFM Holdings Limited

NM Life Assurance Limited

including (i) 4m Redeemable Preferred ordinary shares of £1 each fully paid, and
(ii) 5m Non-Participating 8% Non-Cumulative Preference shares of £1 each fully paid (100% owned by NM UK Limited).

NM Unit Trust Managers Limited

NM Financial Management Group Services Limited

Financial Administration Systems Limited

Registered in Guernsey

NM Financial Management International Limited (42% owned by NM UK Limited 58% owned by SFM Holdings Limited).

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(ii) Investments in wholly-owned subsidiary companies, excluding the subsidiaries which are assets of the Long-term Insurance Funds, comprise:

<u>Company</u>	<u>Shares</u> £000	<u>Subordinated</u> <u>Loans</u>	<u>Total</u> £000
		£000	
At 1st October, 1991	16,515	92,000	108,515
Additions [note (a)]	2,200	-	2,200
Repayment in year [notes (b) and (c)]	-	(3,300)	(3,300)
Provision in year [note (a)]	(2,200)	-	(2,200)
	-----	-----	-----
At 30th September, 1992	16,515	88,700	105,215
	=====	=====	=====

(a) On 30th September, 1992 the company acquired 2.2m ordinary shares of £1 each in NM Financial Management International Limited from SFM Holdings Limited, a wholly-owned subsidiary, for a cash consideration of £2.2m. The directors have decided to make full provision within these financial statements against the value of the company's investment in NM Financial Management International Limited.

(b) On 30th September, 1992 NM Financial Management Group Services Limited, a wholly-owned subsidiary company, repaid £1.1m of the £2m loan provided by the company.

(c) On 30th September, 1992 SFM Holdings Limited, a wholly-owned subsidiary company, repaid £2.2m of the £90m loan provided by the company.

Other Investments

12.(a) Movements during the year, other than those relating to the Long-term Insurance Funds, comprise:

<u>Group</u>	<u>Listed U.K.</u> <u>Securities</u>	<u>Unit</u> <u>Trusts</u>	<u>Freehold</u> <u>Property</u>	<u>Total</u> £000
	£000	£000	£000	
At 1st October, 1991	2,927	2,628	405	5,960
Net decrease in fund in the year	322	(2,588)	(405)	(3,315)
	-----	-----	-----	-----
At 30th September, 1992	2,605	40	-	2,645
	=====	=====	=====	=====

The net decrease in fund in the year represents the movement of the shareholders investment in the managed unit linked investment fund of NM Life Assurance Limited.

<u>Company</u>	<u>Listed U.K.</u> <u>Securities</u> £000
Valuation:	
At 1st October, 1991	10
Movement in year	-

At 30th September, 1992	10
	===

This represents a holding of British Government Securities, issued on the London Stock Exchange, with a cost of £9,817 (1991: £9,817).

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(b) Investments relating to the Long-term Insurance Funds comprise:

	<u>1992</u>	<u>1991</u>
	£000	£000
Listed securities	724,646	496,708
Unlisted securities	101	393
Unit trusts	522,541	706,337
Properties	120,719	137,790
Mortgages and loans	17,506	17,261
Deposits	116,469	128,737
Local authority mortgages/bonds	1,250	1,250
Loans to group companies	2,873	3,000
	-----	-----
	1,506,105	1,491,476
	=====	=====

Joint Venture Company

13. SFM Holdings Limited, a wholly-owned subsidiary company, holds 51 ordinary 'A' shares of £1 each fully paid at par in a joint venture company, Portsmouth I.T. Services Limited, representing 51% of the issued ordinary 'A' shares of that company. SFM Holdings Limited is not entitled to any distribution of profits of Portsmouth I.T. Services Limited. On the basis of materiality, this investment has been excluded from these financial statements.

Current Assets

14. Current assets relating to the Long-term Insurance Funds comprise:

Taxation recoverable	8,574	8,734
Amounts due from group companies	1,636	1,289
Other amounts receivable [Note 15(b)]	31,800	25,972
Cash at bank and in hand	12,879	15,564
	-----	-----
	54,889	51,559
	=====	=====

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Debtors

15.(a) Debtors, other than those relating to the Long-term Insurance Funds, comprise:

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	466	1,679	-	-
Amounts due from group companies	2,357	969	392	405
Amounts due from trustees and managed companies	1,817	483	-	-
Taxation recoverable	310	310	-	-
Other debtors	1,363	1,632	1	1
Prepayments	3,023	592	-	-
Deferred taxation recoverable	1,067	450	-	-
	-----	-----	----	----
	10,403	6,115	393	406
	=====	=====	====	=====

The deferred tax asset relates mainly to an excess of pension scheme accounting cost over the actual scheme contributions as determined by SSAP 24 and is the total potential recovery.

The movement in deferred taxation recoverable in the year comprises:

	£000
At 1st October, 1991	450
Transfer to Profit and Loss Account	617

At 30th September, 1992	1,067
	=====

(b) Debtors relating to the Long-term Insurance Funds comprise:

Amounts falling due within one year:

	<u>1992</u>	<u>1991</u>
	£000	£000
Trade debtors	31,298	25,243
Other debtors	502	729
	-----	-----
	31,800	25,972
	=====	=====

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Current Liabilities

16. Current liabilities relating to the Long-term Insurance Funds comprise:

	<u>1992</u>	<u>1991</u>
	<u>£000</u>	<u>£000</u>
Policy applications in progress	4,374	5,077
Claims outstanding	5,602	4,097
Amounts due to group companies	2,349	1,053
Sundry creditors [Note 17(b)]	20,690	17,399
	<u>33,015</u>	<u>27,626</u>
	=====	=====

Creditors

17.(a) Creditors, other than those relating to the Long-term Insurance Funds, comprise:

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:				
Bank overdraft	9	-	-	-
Trade creditors	1,985	3,181	-	-
Amounts due to group companies:				
Group relief	33	134	-	-
Loan from subsidiary company	-	3,000	-	-
Other amounts	2,040	1,363	2,008	3,200
Obligations under finance leases	598	699	-	-
Corporation tax	420	978	-	-
Taxation and social security payable	510	966	-	-
Amounts due to trustees	165	743	-	-
Accruals and sundry creditors	6,548	6,634	-	-
	<u>12,308</u>	<u>17,698</u>	<u>2,008</u>	<u>3,200</u>
	=====	=====	=====	=====

Amounts falling due after more than one year:

Amounts due to group companies:

Loan from fellow subsidiary company	62,408	62,408	62,408	62,408
Loans from subsidiary company	2,873	-	-	-
Obligations under finance leases:				
Payable within two to five years	170	695	-	-
	<u>65,451</u>	<u>63,103</u>	<u>62,408</u>	<u>62,408</u>
	=====	=====	=====	=====

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

(b) Creditors relating to the Long-term Insurance Funds comprise:

Amounts falling due within one year:

	<u>1992</u>	<u>1991</u>
	£000	£000
Trade creditors	20,345	15,908
Other creditors	345	1,491
	=====	=====
	20,690	17,399
	=====	=====

Deferred Tax

18. The deferred tax asset not provided for at 30th September, 1992 amounted to £4,308,000 (1991:£3,006,000). The asset relates mainly to new business acquisition costs and is the total potential recovery. No provision has been made in respect of potential tax liabilities arising in respect of capital allowances claimed on plant and machinery and industrial buildings relating to investment properties amounting to £619,000 (1991:£547,000).

Called Up Share Capital

19. Authorised:		
100m ordinary shares of £1 each	100,000	100,000
	=====	=====
Allotted, called up and fully paid:		
49m ordinary shares of £1 each	49,000	49,000
	=====	=====

Reserves

20. Reserves comprise:

	<u>Profit & Loss</u>	<u>Revaluation</u>	
	<u>Account</u>	<u>Reserve</u>	<u>Total</u>
	£000	£000	£000
<u>Group</u>			
At 1st October, 1991	(29,863)	12	(29,851)
Retained profit for the year	1,470	-	1,470
Transfer to Profit and Loss Account on disposal of property (note 10)	-	(12)	(12)
	-----	---	-----
At 30th September, 1992	(28,393)	-	(28,393)
	=====	===	=====
<u>Company</u>			
At 1st October, 1991	(5,495)		
Loss for the year	(1,039)		

At 30th September, 1992	(6,534)		
	=====		

NRI UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Investment Reserve

21. Movements in the Investment Reserve, relating to the Long-term Insurance Funds, comprise:

	£000
At 1st October, 1991	42,000
Decrease in investment values	(114,745)
Transfer from Long-term Insurance Revenue Account	96,245
At 30th September, 1992	23,500

Net Cash Outflow from Operating Activities

22. Net cash outflow from operating activities comprises:

	1992 £000	1991 £000
Operating profit/(loss)	1,451	(4,353)
Depreciation of fixed assets	2,203	2,339
Loss on sale of fixed assets	6	399
Amounts written off investment property	35	-
(Increase)/decrease in stocks of units	(3)	580
(Increase)/decrease in debtors	(2,900)	10,150
Decrease in creditors	(1,277)	(7,676)
Net movement in group balances	(3,812)	(6,279)
	(4,297)	(4,840)

Change in Cash and Cash Equivalents

23. Change in cash and cash equivalents comprises:

	£000	£000
At 1st October, 1991/1990	18,849	28,091
Net cash outflow	(2,785)	(9,242)
At 30th September, 1992/1991	16,064	18,849

Analysis of Cash and Cash Equivalents

24.	1992 £000	1991 £000	Change in the Year £000
Cash at bank and in hand	16,073	18,849	(2,776)
Bank overdraft	(9)	-	(9)
	16,064	18,849	(2,785)

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

Changes in Financing

25. Change in financing comprises:

	Share Capital £000	Loans and Finance Lease Obligations £000
At 1st October, 1991	49,000	63,802
Cash inflows from financing	-	2,127
Inception of finance lease contracts	-	120
	----	-----
At 30th September, 1992	49,000	66,049
	=====	=====

Capital Commitments

26(a) At 30th September, 1992 the group had the following annual commitments under non-cancellable operating leases, for which no provision has been made in the financial statements:

	Property £000	Other £000
Operating leases which expire:		
within one year	15	64
within two to five years	133	358
after five years	1,818	-

(b) At 30th September, 1992 the group had the following commitments for future capital expenditure on properties to be held within the Long-term Insurance Funds, for which no provision has been made in the financial statements:

	1992 £000	1991 £000
Authorised and contracted for	280	23
Authorised but not contracted for	-	623
	---	---
	280	646
	===	===

(c) The group has commitments for future computer data processing and development services which have been authorised and contracted for, but for which no provision has been made in the financial statements, of £41.3m (1991:£Nil).

Guarantees and Contingent Liabilities

27. The company has given a guarantee to SFM Holdings Limited, a wholly-owned subsidiary company, in respect of liabilities which may arise following the sale of NM Life Assurance International Limited, a wholly-owned offshore subsidiary company of SFM Holdings Limited.

The company has given a guarantee to NM Financial Management International Limited, a wholly-owned subsidiary company, in respect of liabilities which may arise following the sale of that company's fund management contracts.

The maximum potential liability under these guarantees is £9.5m.

NM UK LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTD)

28. The company has given an indemnity to NM Financial Management International Limited, up to a maximum of £150,000, to cover any further liabilities that may arise in the termination of the International Portfolio Management and Administration Services in excess of the amounts already provided for in the financial statements of that company. This indemnity remains in force until 13th November, 1993.

29. The company has given an indemnity to Financial Administration Systems Limited, a wholly-owned subsidiary company, to cover any payments or costs which may arise in respect of errors in administration within unit trust funds administered by that company. The maximum potential liability under this indemnity is £3.5m, of which £2.0m (1991:£2.5m) has been provided for in these financial statements. This indemnity remains in force until 22nd May, 1993.

Loan to Director

30. A personal loan of £17,905 at commercial rates was granted to Mr C.H. Starr, a former director of the company, by The National Mutual Life Association of Australasia Limited, the ultimate parent company. The loan was subsequently transferred to NM Financial Management Group Services Limited, a wholly-owned subsidiary of the company. The balance outstanding at 30th September, 1992 was £2,000 (1991:£6,216).

Ultimate Parent Company

31. The company's ultimate parent company is The National Mutual Life Association of Australasia Limited, a company incorporated in Australia. Group accounts of the parent company are available to the public and can be obtained by applying to the Secretary, Enterprise House, Isambard Brunel Road, Portsmouth, Hampshire, PO1 2AW.

REPORT OF THE AUDITORS TO THE MEMBERS OF NM UK LIMITED

We have audited the financial statements on pages 4 to 29 in accordance with Auditing Standards.

In our opinion the Balance Sheet of the company gives a true and fair view of the state of affairs of the company, at 30th September, 1992 and has been properly prepared in accordance with the Companies Act 1985 and the consolidated financial statements for the year ended 30th September, 1992 have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

19th November, 1992

and the Group
Touche Ross & Co.

Touche Ross & Co.
Chartered Accountants
and Registered Auditor
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