



2464270

**Healthcare**

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**Norwich Union Healthcare Limited**

**Directors' Report and Financial Statements**

**31 December 1996**



For other enquiries 01703 - 266533

Norwich Union Healthcare Limited Registered in England No 2464270 Registered Office Surrey Street Norwich NR1 3NG



Norwich Union Healthcare Limited  
Directors' report and financial statements  
31 December 1996

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## Norwich Union Healthcare Limited

### Directors' report

The directors present their annual report and financial statements for the year ended 31 December 1996.

#### Principal activities

The company's principal activity during the year continued to be the marketing and administration of Healthcare products.

#### Business review

A summary of the results for the year is given on page 5 of the financial statements.

Turnover for the company's period of trading ended 31 December 1996 amounted to £31,265,119 which resulted in a net loss before taxation of £(401,668).

The directors consider the results achieved and the state of the company's affairs at 31 December 1996 to be satisfactory and believe that the future prospects of the company are sound.

#### Dividends

The directors propose that no dividend be paid for the period under review. The loss for the period retained by the company is £(423,278).

#### Directors and directors' interests

The directors during the year were as follows:-

J D Stanforth (Chairman)	(Resigned 30 September 1996)
P C Easter	(Resigned 29 February 1996)
D J Ball	(Resigned 29 February 1996)
P J E Smith (Chairman)	
T A Fraser	(Appointed 1 March 1996, Resigned 14 October 1996)
D A Allwood	(Appointed 1 March 1996)
N Smith	(Appointed 15 October 1996)
A D Cavers	
T R Baker	
G J Welsh	
S W Carroll	

The directors, at 31 December 1996, had the following interests in the shares of the company at the end of the year:

Ordinary shares of £1 each		
	<u>At 31 December 1996</u>	<u>At 31 December 1995</u> <u>or subsequent date of</u> <u>appointment</u>
P J E Smith )	1	1
D A Allwood ) Held in Trust	1	-
N Smith ) for Norwich Union	1	-
A D Cavers ) Fire Insurance	1	1
T R Baker ) Society Limited	1	1
G J Welsh )	1	1
S W Carroll )	1	1

Liability insurance on behalf of directors and officers of the company has been effected by The Norwich Union Life Insurance Society.

#### Auditors

In accordance with the provisions of Section 384 of the Companies Act 1985, a resolution for the reappointment of Ernst & Young as auditors will be proposed at the Annual General Meeting on 22 July 1997.

#### Employees

##### **Disabled persons/equal opportunities**

The policy of the company is to:

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

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

### **Employee involvement**

The company has a policy of providing employees with information about the company and the Norwich Union Insurance Group through newsletters. The employees have been encouraged to present their suggestions and views on the performance, through regular meetings held with management, which allow a free flow of information and ideas. Employees are encouraged to participate directly in the success of the business through the group's profit sharing scheme.

### **Supplier Payment Policy**

The company agrees payment terms with its suppliers and has a policy of adhering to these terms.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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.

By order of the Board



D E Parker  
Secretary

29 May 1997

**Norwich Union Healthcare Limited**

**Auditors' Report to the Shareholders of**  
**Norwich Union Healthcare Limited**

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of the 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.

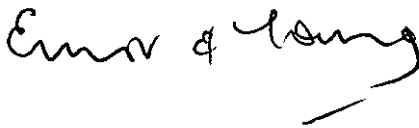
**Basis of opinion**

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 affairs of the company as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
Southampton

29 May 1997

**Norwich Union Healthcare Limited**

**Profit and loss account for the year ended**  
**31 December 1996**

	<u>Note</u>	<u>1996</u> £	<u>1995</u> £
Turnover	2	31,265,119	31,843,394
Cost of sales		<u>(31,666,787)</u>	<u>(32,644,725)</u>
(Loss) on ordinary activities before taxation	5	(401,668)	(801,331)
Taxation charge/(credit)	6	21,610	(80,891)
		<hr/>	<hr/>
(Loss) on ordinary activities after taxation for the financial year		(423,278)	(720,440)
Retained (loss) brought forward		<u>(1,592,309)</u>	<u>(871,869)</u>
		<hr/>	<hr/>
Retained (loss) carried forward		<u>(2,015,587)</u>	<u>(1,592,309)</u>

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £(423,278) in the year ended 31 December 1996 and the loss of £(720,440) in the year ended 31 December 1995.

The notes on pages 7 - 12 form part of the financial statements

**Norwich Union Healthcare Limited**

**Balance sheet as at 31 December**

	<u>Note</u>	<u>1996</u> £	<u>1996</u> £	<u>1995</u> £	<u>1995</u> £
<b>Fixed assets:</b>					
Tangible assets	7		2,084,145		362,649
<b>Current assets:</b>					
Stock	8	112,687		82,435	
Debtors & prepayments	9	58,173,568		52,279,260	
Cash at bank and in hand		201,090		544,012	
		<u>58,487,345</u>		<u>52,905,707</u>	
<b>Creditors:</b>					
Amounts falling due within one year	10	(60,221,077)		(53,160,665)	
<b>Net current liabilities</b>			<u>(1,733,732)</u>		<u>(254,958)</u>
<b>Total assets less current liabilities</b>			<u>350,413</u>		<u>107,691</u>
<b>Provisions for liabilities and charges</b>	11		<u>(166,000)</u>		<u>(100,000)</u>
			<u>184,413</u>		<u>7,691</u>
<b>Capital and reserves:</b>					
Called up share capital	12		2,200,000		1,600,000
Retained (losses)			(2,015,587)		(1,592,309)
<b>Shareholders funds-equity interests</b>	13		<u>184,413</u>		<u>7,691</u>

S W Carroll



Membership Director

G J Welsh



Finance Director

29th May 1997

The notes on pages 7 -12 form part of the financial statements



## **Norwich Union Healthcare Limited**

**Notes** (Forming part of the financial statements)

### **1 Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### **Basis of accounting:**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### **Cashflow statement:**

In accordance with FRS 1 a cashflow statement has not been prepared as a group statement is presented in the financial statements of the immediate parent undertaking, Norwich Union Fire Insurance Society Limited.

#### **Depreciation and amortisation:**

Fixed assets are depreciated over their estimated useful economic lives as follows:-

Fixtures and fittings	- 33% per annum from date of acquisition
Computer equipment	- 33% per annum from date of acquisition
Motor vehicles	- 25% per annum from date of acquisition

#### **Deferred taxation:**

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

#### **Pensions:**

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from the employees services.

#### **Stock:**

Stock has been valued at the lower of cost, or net realisable value.

#### **Foreign currencies:**

Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions are converted at the exchange rate ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

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**Turnover**

Turnover arises from one continuing activity. All turnover is derived from activities in the UK and can be analysed as follows:

	<u>1996</u>	<u>1995</u>
	£	£
Sales to group companies	29,416,119	31,300,000
Sales to third parties	1,849,000	543,394
	<u>31,265,119</u>	<u>31,843,394</u>

3

**Emoluments of directors**

Excluding pension contributions, the emoluments of each of the chairmen were £Nil (1995: £Nil). The emoluments of the highest paid director were £153,035 (1995: £139,049). The emoluments of the directors fell within the following ranges:

	<u>1996</u>	<u>1995</u>
£0 - £5,000	7	5
£10,001 - £15,000	-	1
£20,001 - £25,000	-	1
£60,001 - £65,000	-	1
£80,001 - £85,000	1	1
£85,001 - £90,000	1	1
£90,001 - £95,000	1	-
£135,001 - £140,000	0	1
£150,001 - £155,000	1	0

Certain of the directors are covered by private medical insurance provided by Norwich Union Fire Insurance Society Limited. Payments may be made to, or on behalf of, directors, subject to the normal policy rules.

4

**Staff numbers and costs**

The average number of persons employed by the company (including Executive directors) during the year to 31 December 1996, was as follows:-

	<u>1996</u>	<u>1995</u>
Average number of employees	752	622

The aggregate payroll costs of these persons were:-

	<u>1996</u>	<u>1995</u>
	£	£
Wages and salaries	11,613,524	9,535,364
Social security costs	908,233	737,204
Pensions (see note 15)	355,593	788,501
	<u>12,877,350</u>	<u>11,061,069</u>

5 **(Loss) on ordinary activities before taxation**

(Loss) on ordinary activities before taxation is stated after charging the following:

	<u>1996</u> £	<u>1995</u> £
Operating lease rentals		
- Land and buildings	467,419	674,426
Auditors remuneration		
- Audit services	4,000	3,525
- Non audit services	21,933	23,864
Depreciation	175,859	462,643
Directors' emoluments including pension contributions (see note 3)	432,116	432,170

6 **Taxation on (loss) on ordinary activities**

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.

	<u>1996</u> £	<u>1995</u> £
Group relief at 33% (1995 - 33%)	(3,679)	(81,797)
Total taxation for the year	(3,679)	(81,797)
Adjustment in respect of prior years including deferred taxation	25,289	906
	<u>21,610</u>	<u>(80,891)</u>

7 **Tangible fixed assets**

	<u>Fixtures &amp; fittings</u> £	<u>Computer equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
<b><u>Cost</u></b>				
At 01.01.96	409,245	266,100	46,051	721,396
Additions	284,272	1,801,010	-	2,085,282
Disposals	(326,197)	-	(17,952)	(344,149)
at 31.12.96	367,320	2,067,110	28,099	2,462,529
<b><u>Depreciation</u></b>				
At 01.01.96	177,359	148,342	33,046	358,747
Charge	76,019	88,684	11,156	175,859
Disposals	(139,339)	-	(16,883)	(156,222)
at 31.12.96	114,039	237,026	27,319	378,384
<b><u>Net book value</u></b>				
at 01.01.96	231,886	117,758	13,005	362,649
at 31.12.96	253,281	1,830,084	780	2,084,145

8 **Stock**

	<u>1996</u> £	<u>1995</u> £
Merchandising gifts	106,810	72,435
Equipment/Stationery	5,877	10,000
	<u>112,687</u>	<u>82,435</u>

The difference between the purchase price of stocks and their replacement cost is not material.

9 **Debtors**

	<u>1996</u> £	<u>1995</u> £
Trade debtors	55,098,802	50,315,531
Other debtors and prepayments	3,074,766	1,963,729
	<u>58,173,568</u>	<u>52,279,260</u>

Other debtors and prepayments includes an amount of £Nil (1995: £123,711) in respect of prepaid pension contributions.

10 **Creditors: Amounts falling due within one year**

	<u>1996</u> £	<u>1995</u> £
Trade creditors	6,363,602	3,604,134
Other taxes and social security	816,465	1,060,333
Bank overdraft	805,483	2,414,653
Due to immediate parent undertaking	50,637,368	44,908,302
Due to ultimate parent undertaking	1,598,159	1,062,673
Due to other group members	-	110,570
	<u>60,221,077</u>	<u>53,160,665</u>

11 **Provisions for liabilities and charges**

	<u>1996</u> £	<u>1995</u> £
Pension provision (note 15)	166,000	100,000
Deferred taxation provided	-	-
	<u>166,000</u>	<u>100,000</u>

The full potential liability for deferred taxation is £Nil (1995 - £Nil).

12 **Share capital**

	<u>1996</u> £	<u>1995</u> £
Authorised:		
Ordinary shares of £1	<u>4,000,000</u>	<u>4,000,000</u>
Issued:		
Allotted, called up and fully paid		
Ordinary shares of £1	<u>2,200,000</u>	<u>1,600,000</u>

During the year 600,000 ordinary shares of £1 each were issued at par to broaden the capital base of the company.

13 **Reconciliation of movement in shareholders' funds**

	<u>1996</u> £	<u>1995</u> £
At 1 January	7,691	628,131
Retained (loss) for the year	(423,278)	(720,440)
Share capital issued	<u>600,000</u>	<u>100,000</u>
At 31 December	<u><u>184,413</u></u>	<u><u>7,691</u></u>

14 **Ultimate parent undertaking**

The company is a member of the Norwich Union Insurance Group and its ultimate parent undertaking is The Norwich Union Life Insurance Society, registered in England. Accounts of the ultimate parent undertaking are available from the address noted on the cover. The immediate parent undertaking is Norwich Union Fire Insurance Society Limited.

The directors of The Norwich Union Life Insurance Society intend to seek the approval of members of the Life Society for the flotation of The Norwich Union Insurance Group in 1997 on the London Stock Exchange.

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**Staff pension plans**

Pensions will be provided for eligible full time employees through a fully funded defined benefit plan. The company is a member of the Norwich Union Insurance Group Scheme and the contributions are based on pension costs across the group as a whole. The full cost of providing pensions is met by the group through contributions based on a percentage of salaries for eligible staff. Additionally, provision has been made (as disclosed in note 11) for an unfunded pension liability in respect of one of the directors.

Full details of the pension scheme can be found in the financial statements of the Norwich Union Life Insurance Society.

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**Other financial commitments**

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as set out below:

	<b><u>Land and Buildings</u></b>	
	<b><u>1996</u></b>	<b><u>1995</u></b>
	<b>£</b>	<b>£</b>
Operating leases which expire in over 5 years:	717,694	512,746
	<hr/>	<hr/>