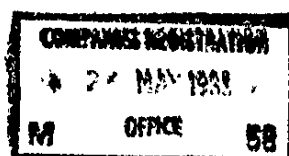


1471



**National Vulcan**  
**ENGINEERING INSURANCE GROUP LTD**

**REPORT AND ACCOUNTS**  
**1987**



# National Vulcan Engineering Insurance Group Limited

## DIRECTORS

*Chairman*

R. A. G. NEVILLE V.R.D.

P. H. BARTRUM

C. KING

W. G. NIVEN

P. QUAILE

R. J. TAYLOR

R. G. WARWICK

A. WATT

## MANAGEMENT

A. WATT

*General Manager*

G. A. HAMLETT

*Assistant General Manager*

M. A. HUNT, B.A., F.C.I.I.

*Assistant General Manager*

C. KING, F.C.I.S.

*Assistant General Manager*

P. G. POLLARD, C.ENG., M.I.MECH.E., M.I.P.M.

*Assistant General Manager*

R. G. WARWICK, M.A.(CANTAB.), C.ENG., F.I.MECH.E., F.I.E.E

*Chief Engineer*

H. SILVER, Barrister

*Secretary*

## HEAD OFFICE

St. Mary's Parsonage, Manchester M60 9AP

## REGISTERED OFFICE

1 Bartholomew Lane, London EC2N 2AB

## REPORT OF THE DIRECTORS

### Activities

The principal activity of the Company is the transaction of engineering insurance business and, together with its subsidiary, Vulcan Boiler Engineering Services Limited, the inspection of plant and machinery during construction and operation.

### Profit and Dividends

The profit of the Group for the year, after taxation, amounted to £6,142,000. An interim dividend of £150,000 was paid on 1st December, 1987 and the Directors recommend a final dividend of £1,350,000 which will be payable on 1st July, 1988 leaving profits retained of £4,642,000.

### Directors

The Directors named on page 4 served during the year.

Mr. G. Bowler also served until he resigned on 30th June 1987 consequent upon him relinquishing his executive position with the Sun Alliance Insurance Group.

The following Directors retire by rotation and, being eligible, will be proposed for re-election:-  
Mr. C. King                      Mr. P. Quaile                      Mr. R. J. Taylor

The interests of Directors in the shares of 25p each of Sun Alliance and London Insurance plc and options over shares granted under the Sun Alliance Savings Related Share Option Scheme are as follows:—

	At 1st January and 31st December 1987	
	Shares	Option over shares
C. King	—	2,370
R. G. Warwick	400	2,370
A. Watt	—	2,370

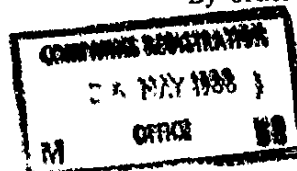
### Employees

The Company is committed to employee involvement and provides employees with information on matters concerning them by way of circulars, notices, in-house publications, meetings, conferences and training schemes where applicable. Regular negotiations together with, when appropriate, consultation and discussions on various subjects are held between General Management and Manufacturing, Science and Finance (previously Associated of Scientific Technical and Managerial Staffs). Staff are encouraged to utilise an Award Scheme which provides a vehicle for suggestions and comments. Staff participate in a Self-Financing Productivity Bonus Scheme. A savings related share option scheme, is available to employees of this Company and its subsidiaries to enable them to subscribe for shares in the Holding Company. The continuing policy of the Group is to make available to the disabled, on recruitment or subsequently, the fullest opportunities for employment, training, career development and promotion.

### Auditors

Spicer and Pegler changed their name on 18th January, 1988 to Spicer & Oppenheim and accordingly sign their audit report in their new name. In accordance with Section 384 of the Companies Act 1985 a resolution proposing the reappointment of Spicer & Oppenheim as Auditors of the Company will be put to the Annual General Meeting.

10th March, 1988



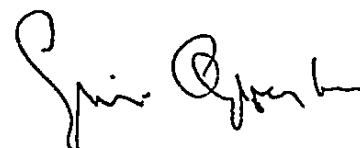
# National Vulcan Engineering Insurance Group Limited

## REPORT OF THE AUDITORS

### Report of the Auditors to the Members of National Vulcan Engineering Insurance Group Limited

We have audited the accounts for the year ended 31st December, 1987 set out on pages 6 to 14 in accordance with approved auditing standards.  
In our opinion these accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.

12 Booth Street Manchester  
11th March, 1988



Chartered Accountants

---

## ACCOUNTING POLICIES

The principal accounting policies of the Group as set out below comply with U.K. Statements of Standard Accounting Practice to the extent that they are appropriate to insurance companies.

### (a) Group Accounts

The Consolidated Accounts of the Group include the audited accounts of the Company's subsidiaries, Vulcan Boiler Engineering Services Limited and National Vulcan Safety Products Limited, drawn up to 31st December. The accounts of the other two subsidiaries referred to in note 5 have not been consolidated.

### (b) Exchange Rates

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year-end. Overseas proportional reinsurance business revenue transactions are translated at rates ruling at the end of the treaty year of account. Other overseas revenue transactions are translated at rates prevailing during the year.  
Realised foreign currency gains and losses, less taxation thereon, are taken to Retained Profits while unrealised exchange differences, less taxation thereon, are taken to Revaluation Reserve.

## **ACCOUNTING POLICIES *continued***

### **(c) Insurance Business**

#### **(i) Underwriting Results**

The insurance underwriting result is determined after making provision for unearned premiums and inspection fees, which are set aside to provide for periods of risk extending beyond the end of the financial year, and for outstanding claims.

The results of proportional reinsurance business are determined one year after the end of the treaty year of account.

#### **(ii) Insurance Funds**

Unearned premiums and fees in respect of insurance business are calculated on the 24ths or more accurate methods after making proportionate allowances for commission and other acquisition costs incurred in writing the business. Unearned premiums in respect of proportional reinsurance business are calculated at 35% of the relevant premiums for the closed treaty year, being the rate generally applied under the terms of the treaties comprising the business.

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date, whether reported or not, and the balance of the open year account for proportional reinsurance business.

Insurance funds include provisions where necessary for estimated future losses on policies and treaties in force at the balance sheet date.

### **(d) Capitalised Equipment**

Expenditure on motor cars, computer and office equipment is capitalised and depreciated by equal annual instalments over the estimated useful lives of the assets.

Prior to 1985, such expenditure was fully charged to revenue and has not been capitalised.

### **(e) Investment Income**

Interest and dividends on investments other than ordinary shares are included on an accruals basis. U.K. dividend income is grossed up at the appropriate tax credit rate.

### **(f) Taxation**

The taxation charge in the Consolidated Profit and Loss Account is based on the profits and income of the year and includes deferred taxation at year-end tax rates on timing differences other than those considered likely to continue in the foreseeable future.

Provision for deferred taxation on the unrealised appreciation of investments is made only where realisations giving rise to a taxation liability are anticipated in the foreseeable future.

### **(g) Investments**

Investments are stated in the Balance Sheets at market values, comprising stock exchange values for listed securities, open market valuations by the Group's qualified surveyors for properties including those occupied by the Group and Directors' valuations for other investments. The excess of market values over book values of the investments is taken to Revaluation Reserve.

Profits and losses on the realisation of investments, less taxation thereon, are taken to Retained Profits.

# National Vulcan Engineering Insurance Group Limited

## CONSOLIDATED REVENUE ACCOUNT

for the year ended 31st December, 1987

	Notes	1987 £000	1986 £000
Premiums written (net of reinsurance), inspection fees and special service fees. ....		<u>67,411</u>	<u>60,234</u>
Premiums and fees earned. ....		65,219	58,686
Less:			
Claims incurred and cost of technical services. ....	3	43,009	37,555
Commission. ....		13,428	12,057
General expenses. ....	3	6,267	5,856
		<u>62,704</u>	<u>55,468</u>
Transfer to Profit and Loss Account. ....		<u>2,515</u>	<u>3,218</u>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st December, 1987

	Notes	1987 £000	1986 £000
Transfer from Revenue Account. ....		2,515	3,218
Profit on the sale of safety fittings. ....		342	285
Investment Income. ....		6,543	5,433
Profit before Taxation. ....		<u>9,400</u>	<u>8,936</u>
Taxation. ....	4	3,258	3,116
Profit after Taxation. ....		<u>6,142</u>	<u>5,820</u>
Provision for Dividends. ....		1,500	1,400
Profit Retained. ....		<u>4,642</u>	<u>4,420</u>

## MOVEMENTS IN RESERVES

for the year ended 31st December, 1987

### Retained Profits

	Notes	1987 £000	1986 £000
Balance at 1st January .....		19,101	14,321
Profit retained (as per the Consolidated Profit and Loss Account) . . .		4,642	4,420
Realised investment and foreign exchange profits and losses, after taxation .....		(531)	360
Balance at 31st December .....		<u>23,212</u>	<u>19,101</u>

### Revaluation Reserve

	1987 £000	1986 £000
Balance at 1st January .....	11,222	9,572
Unrealised appreciation of investments and foreign exchange gains and losses .....	2,915	1,650
Balance at 31st December .....	<u>14,137</u>	<u>11,222</u>

# National Vulcan Engineering Insurance Group Limited

## CONSOLIDATED BALANCE SHEET

at 31st December, 1987

	Notes	1987 £000	1986 £000
<b>Share Capital</b>			
Authorised, Issued and Fully Paid			
100,000 Shares of £10 each.....		1,000	1,000
<b>Reserves</b>			
Retained Profits.....		23,212	19,101
Revaluation Reserve.....		14,137	11,222
		<u>38,349</u>	<u>31,323</u>
<b>Insurance Funds</b>			
including Provisions and Reserves			
Unearned premiums and inspection fees.....		22,139	20,359
Outstanding Claims.....		27,401	25,935
		<u>49,540</u>	<u>46,294</u>
<b>Other Liabilities including Provisions</b>			
Sundry Creditors.....		8,655	7,635
Due to Fellow Subsidiaries.....		1,801	18
Provision for Dividends.....		1,350	1,400
		<u>99,695</u>	<u>86,670</u>
<b>Investments</b>			
British Government Securities.....		46,996	42,875
Overseas Government Securities.....		686	—
Debentures.....		4,190	147
Preference Stocks and Shares.....		659	337
Ordinary Stocks and Shares.....		8,207	8,377
Property.....		2,900	2,733
Mortgages and Loans.....		16	34
Deposits at Interest.....		1,522	2,491
		<u>65,176</u>	<u>56,994</u>
<b>Interests in Subsidiaries not consolidated.....</b>	5	3,770	3,658
<b>Other Assets</b>			
Agents' Balances and Debtors.....		22,943	23,089
Capitalised Equipment.....		1,979	1,355
Due from Holding Company.....		5,330	944
Due from Fellow Subsidiaries.....		70	189
Bank Balances and Cash.....		427	441
		<u>99,695</u>	<u>86,670</u>



# BALANCE SHEET

at 31st December, 1987

	Notes	1987 £000	1986 £000
<b>Share Capital</b>			
Authorised, Issued and Fully Paid			
100,000 Shares of £10 each.....		1,000	1,000
<b>Reserves</b>			
Retained Profits.....		22,535	18,576
Revaluation Reserve.....		14,814	11,747
		<u>38,349</u>	<u>31,323</u>
<b>Insurance Funds</b>			
including Provisions and Reserves			
Unearned premiums and inspection fees.....		22,139	20,359
Outstanding Claims.....		27,401	25,935
		<u>49,540</u>	<u>46,294</u>
<b>Other Liabilities including Provisions</b>			
Sundry Creditors.....		8,353	7,294
Due to Fellow Subsidiaries.....		1,801	18
Provision for Dividends.....		1,350	1,400
		<u>99,393</u>	<u>86,329</u>
<b>Investments</b>			
British Government Securities.....		46,996	42,875
Overseas Government Securities.....		686	—
Debentures.....		4,190	147
Preference Stocks and Shares.....		659	337
Ordinary Stocks and Shares.....		8,207	8,377
Property.....		2,900	2,733
Mortgages and Loans.....		16	34
Deposits at Interest.....		1,175	2,491
		<u>64,829</u>	<u>56,994</u>
<b>Interests in Subsidiaries.....</b>	5	4,424	3,978
<b>Other Assets</b>			
Agents' Balances and Debtors.....		22,371	22,432
Capitalised Equipment.....		1,979	1,355
Due from Holding Company.....		5,330	5,330
Due from Fellow Subsidiaries.....		70	189
Bank Balances and Cash.....		390	437
		<u>99,393</u>	<u>86,329</u>

The accounts on pages 6 to 14 were approved by the Directors on 10th March, 1988 and were signed on their behalf by:—

*R.A.G. Neill* Director  
*[Signature]* Director

# National Vulcan Engineering Insurance Group Limited

## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31st December, 1987

	1987 £000	1986 £000
<b>Source of Funds</b>		
Profit after Taxation (per the profit and loss account).....	6,142	5,820
Realised investment and foreign exchange profits less losses, after taxation.....	(531)	360
Adjustments to convert revenue and expenditure onto a cash basis:—		
Increase in Insurance Funds.....	5,378	5,181
Increase in agents and other balances.....	(418)	(36)
	<hr/>	<hr/>
Funds generated from operations.....	10,571	11,325
Indebtedness with other Group Companies.....	(2,711)	1,297
	<hr/>	<hr/>
	<u>7,860</u>	<u>12,622</u>
 <b>Application of Funds</b>		
Dividends paid.....	1,550	1,000
Increase (decrease) in invested funds at cost		
Fixed Interest Securities.....	7,306	10,495
Ordinary Stocks and Shares.....	5	61
Mortgages and Loans.....	(18)	(24)
Short-term Deposits.....	(969)	868
	<hr/>	<hr/>
	6,324	11,400
	(14)	222
(Decrease) increase in bank balances.....	<hr/>	<hr/>
	<u>7,860</u>	<u>12,622</u>

## NOTES ON THE ACCOUNTS

### 1. Accounting and Disclosure Requirements

Insurance companies are not required to comply with the accounting and disclosure provisions of Chapter I of Part VII of the Companies Act 1985 and accordingly these accounts are prepared in accordance with Chapter II of that part of the Act.

### 2. Turnover

Turnover comprising gross insurance premiums and inspection fees written, fees for special services and sales of safety fittings amounted to £78,929,000 (1986: £71,276,000).

### 3. Expenses

#### (a) Contribution to Staff Pension Scheme

The annual contribution to the Pension Scheme, which has been charged in the Consolidated Revenue Account, amounted to £3,047,000 (1986: £2,943,000).

#### (b) Depreciation

Application of the change to the more accurate basis of accounting for capitalised equipment, adopted from 1 January, 1985, to relevant expenditure incurred prior to that date would result in a reduction in profit before taxation for 1987 of £360,000 (1986: £585,000).

### 4. Taxation

The charge for Taxation in the Consolidated Profit and Loss Account, after adjustment in respect of previous years, comprises:—

	1987 £000	1986 £000
United Kingdom Taxation		
Corporation Tax at 35.00% (1986: 36.25%).....	3,117	2,990
Tax attributable to UK dividend income.....	141	124
	<u>3,258</u>	<u>3,114</u>
Less: Relief for Overseas Taxation.....	21	41
	<u>3,237</u>	<u>3,073</u>
	21	43
Overseas Taxation on Profits.....	<u>3,258</u>	<u>3,116</u>

Deferred taxation amounts on timing differences continuing in the foreseeable future are insignificant and therefore are not separately disclosed.

The potential liability for deferred taxation arising mainly from the appreciation in the value of investments which is not expected to be payable in the foreseeable future and for which, therefore, no provision has been made is estimated to amount to £3,848,000 (1986 : £3,206,000).

### 5. Subsidiary Companies

The Company owns the whole of the issued share capitals of Vulcan Boiler Engineering Services Limited, National Vulcan Safety Products Limited, Donald Brown (Brownall) Limited and C. H. Thompson Limited and all four subsidiary companies are incorporated in Great Britain. Interests in Subsidiaries comprise:—

	Consolidated Balance Sheet		Company Balance Sheet	
	1987 £000	1986 £000	1987 £000	1986 £000
Shares at net asset value...	2,576	2,691	3,288	3,251
Due from subsidiaries.....	1,194	967	1,453	1,038
Due to subsidiary.....	—	—	(317)	(311)
	<u>3,770</u>	<u>3,658</u>	<u>4,424</u>	<u>3,978</u>

The excess of net asset value over book value of the shares in Subsidiaries has been taken to Revaluation Reserve.

# National Vulcan Engineering Insurance Group Limited

## NOTES ON THE ACCOUNTS *continued*

### 6. Directors and Employees

The aggregate emoluments of the Directors of the Company including amounts received from all its subsidiaries were:—

	1987	1986
	£	£
In respect of executive services (including pension fund contributions).....	133,165	122,312
In respect of services as Directors.....	Nil	750
	<u>133,165</u>	<u>123,062</u>

The emoluments, excluding pension fund contributions, received by the Directors were as follows:—

	£	£
Chairman.....	—	—
Highest paid Director.....	<u>46,958</u>	<u>41,807</u>
Other Directors within the ranges stated:—		
£0 — £5,000.....	5	6
£25,001 — £30,000.....	—	2
£30,001 — £35,000.....	2	—

The number of employees whose emoluments exceeded £30,000 were within the ranges stated:—

£30,001 — £35,000 .....	1	—
-------------------------	---	---

### 7. Auditors' Remuneration

The remuneration of the auditors of the Company and its subsidiaries, Vulcan Boiler Engineering Services Limited and National Vulcan Safety Products Limited, amounted to £22,750 (1986 : £19,270).

### 8. Ultimate Holding Company

The Company is the wholly-owned subsidiary of Sun Alliance and London Insurance plc which is incorporated in Great Britain.

## **HEAD OFFICE**

**ST. MARY'S PARSONAGE, MANCHESTER M60 9AP**

## **SOUTHERN REGION OFFICE**

**MEDE HOUSE, SALISBURY STREET, SOUTHAMPTON SO9 3AP**

## **LONDON OFFICES:**

**LONDON OFFICE: 18 MANSELL STREET, LONDON E1 8AA**  
**UNDERWRITING ROOM: 50 FENCHURCH STREET, LONDON EC3M 3AX**

## **BRANCH OFFICES:**

**ABERDEEN AB1 2HA**  
25 CROWN STREET

**BELFAST BT1 5JH**  
16 DONEGALL SQUARE SOUTH

**BIRMINGHAM B2 5RB**  
NATIONAL WESTMINSTER BANK CHAMBERS,  
24 BENNETT'S HILL

**BRISTOL BS8 1QL**  
FRIESE-GREENE HOUSE, 67/69 QUEEN'S ROAD

**CARDIFF CF6 2AF**  
WASHINGTON CHAMBERS, STANWELL ROAD, PENARTH

**CROYDON CR0 2RJ**  
ZODIAC HOUSE, 163 LONDON ROAD

**DUBLIN, 2**  
115 LOWER BAGGOT STREET

**EDINBURGH EH2 1HB**  
42 FREDERICK STREET

**GLASGOW G2 2TF**  
140 HOPE STREET

**HULL (Sub-Branch) HU1 1PA**  
33 BISHOP LANE, KINGSTON UPON-HULL

**IPSWICH IP1 3BZ**  
8 NORTHGATE STREET

**LEEDS LS1 5RU**  
5th FLOOR, AQUIS HOUSE, GREEK STREET

**LEICESTER LE1 1FB**  
72 CHARLES STREET

**LIVERPOOL L2 0NZ**  
HALIAX HOUSE, 5 FENWICK STREET

**LUTON LU1 1RS**  
MAXET HOUSE, LIVERPOOL ROAD,

**MANCHESTER M3 2HT**  
ST. MARY'S PARSONAGE

**NEWCASTLE-UPON-TYNE NE1 4XN**  
LOW FRIAR HOUSE, BLACKFRIARS

**NOTTINGHAM NG1 2JS**  
EQUITABLE HOUSE, SOUTH PARADE

**PLYMOUTH PL1 1LD**  
MAYFLOWER HOUSE, ARMADA WAY

**PRESTON (Sub-Branch) PR1 3NA**  
14 RIBBLESDALE PLACE

**READING RG1 1TJ**  
VICTORIA HOUSE, 26 QUEEN VICTORIA STREET

**SHEFFIELD S1 2GU**  
CITY PLAZA, PINFOLD STREET

**SOUTHAMPTON SO9 3ZQ**  
MEDE HOUSE, SALISBURY STREET

**STOKE-ON-TRENT (Sub-Branch) ST1 1JW**  
21 STAFFORD STREET, HANLEY