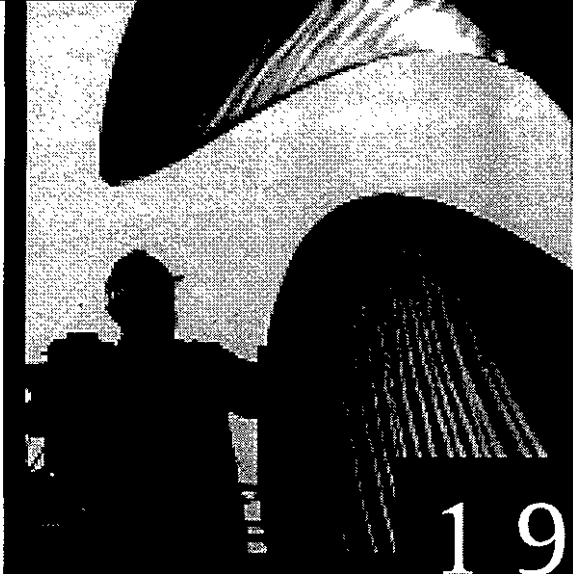
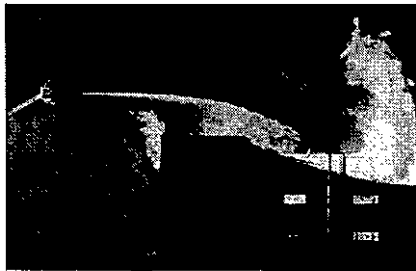


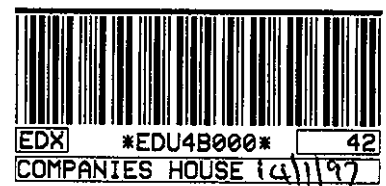
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1995

Annual Report & Accounts

**IRON TRADES**
Insurance Group



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IRON TRADES EMPLOYERS INSURANCE ASSOCIATION WAS

FINANCIAL SUMMARY

INCORPORATED IN 1898 AS A MUTUAL COMPANY TO PROVIDE

EMPLOYERS' LIABILITY INSURANCE TO ITS MEMBER COMPANIES. AT THE

END OF 1989 IT CEASED WRITING NEW BUSINESS AND IS RESPONSIBLE

FOR THE RUN OFF OF CLAIMS ARISING UNDER POLICIES WRITTEN PRIOR

TO 1990. IT IS ALSO THE OWNER OF 100% OF THE EQUITY OF IRON

TRADES INSURANCE COMPANY LIMITED WHICH CONTINUES TO WRITE A

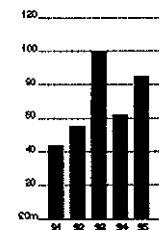
FULL RANGE OF GENERAL INSURANCE POLICIES, AND FOR WHICH

A SEPARATE REPORT AND ACCOUNTS IS PUBLISHED.

PROFIT/LOSS
BEFORE TAX



NET ASSETS



COMPANIES HOUSE 28/12/95

DIRECTORS

DIRECTORS

D S W Lee
(Vice-Chairman) (I R)
 R W Peek MSc ACMA FCT
(Group Chief Executive) (I R)
 R E Beveridge MA
 W J Cain BCom FCA (A)
 G L Carswell CA (I A R)
 P D G Hares CBE
 D J Turner FCA (A)

SECRETARY

J B Wilson LLB BARRISTER

REGISTERED OFFICE

Iron Trades House
 21/24 Grosvenor Place,
 London SW1X 7JA

BANKERS

The Royal Bank of Scotland Plc
 Barclays Bank Plc

AUDITORS

Gane Jackson Scott

<i>Investment Committee Member</i>	I
<i>Audit Committee Member</i>	A
<i>Remuneration Committee Member</i>	R

GORDON SAMBROOK CBE BA
CHAIRMAN 1984 - 1996



This review of 1995 starts with a tribute to Gordon Sambrook who died at the beginning of February after a long and courageous battle against illness. Gordon Sambrook joined the Board of Iron Trades in 1977 as a Non-Executive Director. At the time he was Managing Director Commercial for the then British Steel Corporation; subsequently he became Chairman of the General Steels Group of British Steel. He played a major role in the transformation of British Steel into a world class steel company which was recognised with the award of the CBE in the 1986 New Year Honours list. He retired from the Board of British Steel in 1990.

In 1983 he was appointed Vice-Chairman of Iron Trades, subsequently becoming Chairman in May 1984, succeeding the late Dennis Rebbeck.

He brought to Iron Trades great clarity of thought, the forthright nature of a Yorkshireman and clear leadership in the strategic direction of the Group. The restructuring of the mutual Association and the Company, and the decision to invest in modern computer systems, were two key areas where he led the Group forward.

He will be greatly missed by all his many friends and colleagues. Our deepest sympathy goes to his wife Pat and family.

VICE-CHAIRMAN'S STATEMENT

Following the unexpected death of Gordon Sambrook I have agreed to act as Chairman on a temporary basis. Having discussed the matter with the Board, we have decided to seek a Chairman from outside the Group and I am happy to fulfil the role until that time. Members will of course be advised as soon as a permanent appointment is made.

This year sees the introduction of the EU Insurance Accounts Directive. This affects the presentation of the Accounts with the introduction of a Technical Account and Non-Technical Account. The major change, however, affects the treatment of investment gains and losses and a full explanation of the new accounting policies is given in the notes to the accounts. The comparative figures for 1994 have all been restated on the new basis.

GROUP RESULT

The consolidated result for the Group in 1995 was a profit before tax of £29.9m. The comparable result for 1994 was a loss of £50.4m.

The consolidated result includes a profit before tax of £60.0m for the Company (the subsidiary writing new business), which continues to write business profitably, reduced by increased provisions for the Association for outstanding claims arising from business written many years ago.

The overall result benefited from a strong investment performance due to the general

increase in bond and equity markets. This investment performance is now reflected more directly in the reported profit and loss result.

ASSOCIATION CLAIMS

The overall downward trend in claim notifications for the Association seen last year continued in 1995. Total number of claims received in 1995 was approximately 13,000 compared with 18,000 in 1994 and 27,000 in 1993. The biggest reduction was in respect of claims due to deafness; this related to all sectors of industry, with the decrease in the total number of claims being greater than expected. However, claims arising from asbestos related disease showed only a very small reduction in the year and not as great as previously expected. Accordingly, the Board has carried out a thorough review of the provisions and the underlying exposure. The claims now being received arise from policies written many years ago; the usage of asbestos by policyholders was at its peak over 40 years ago and this leads the Board to believe that claims arising will decrease substantially over the next few years. However, the precise timing and level of claims remains very uncertain. The Board have, therefore, decided to add £50m to the Association's outstanding IBNR reserves to reflect the experience in 1995. This will mean that claims reserves for the Association total £216m of which £135m is in respect of IBNR. The Group IBNR provision for latent disease claims totals £150m. The handling of asbestos related claims has now been centralised in the Group's office at Leeds. Further research will be carried out during the year in order to continue improving and refining the assessment of the liability arising from the Association's old policies.



- Good performance from Company in an increasingly difficult market.
- Excellent investment performance.
- Reorganisation and restructuring in Personal Lines will leave the Company more competitive for the future.
- Claims provisions in the Association strengthened significantly in respect of latent disease.



INVESTMENT PERFORMANCE

The Group benefited from an excellent investment performance with overall investment income, excluding gains or losses of investments, increasing from £32.8m in 1994 to £37.3m in 1995. In addition there were significant increases in investment values leading to Net Assets of £85.2m at the year end, an increase of £23.6m.

The Group's investment policy is kept under review with the appointed investment advisers and managers, BZW. The Group's exposures include some claims which have long latency periods and arise over many years. The investment policy aims to match the duration of assets with the expected period over which claims arise. The Group, therefore, has significant investments in real assets including a substantial amount of equities which historically over the medium to long term have performed better than other asset classes.

IRON TRADES INSURANCE COMPANY

The principal subsidiary, Iron Trades Insurance Company, produced a profit before tax of £60.0m reflecting a good underwriting performance and improved investment income. This result was after a provision of £3.9 m which the Company made to cover the costs of reorganisation, restructuring, and the costs of property now surplus to Group requirements. This reorganisation and restructuring will leave the Company more competitive for the future and better able to

compete in the personal lines market.

Following a review of the potential use of Ogden actuarial tables in the assessment of personal injury awards, provisions have been further strengthened as a precautionary measure by £5m.

The Company continues to enjoy a strong cash flow and remains a significant part of the Association's investments, having net assets of £169m at the year end.

OUTLOOK

The outlook generally for the insurance market is one of continuing strong competition but the Group is now much better placed to meet the challenges ahead with the investment in systems and staff that have taken place over the last few years.

Finally, the Board would like to thank all staff for their efforts and contribution to the continued progress of the Group and particularly for the successful completion of the major investment in the new computer systems.

D S W Lee Vice-Chairman

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their Annual Report and the Accounts for the year ended 31st December 1995.

STATUS AND PRINCIPAL ACTIVITIES

The Iron Trades Employers Insurance Association Limited (the Association) is a mutual company limited by guarantee without a share capital.

The Association ceased to write business with effect from 1st January 1990, general insurance business now being written by Iron Trades Insurance Company Limited (the Company) the principal trading company within the Iron Trades Insurance Group (the Group).

REVIEW OF BUSINESS DEVELOPMENTS, SUBSEQUENT EVENTS & FUTURE DEVELOPMENTS FOR THE GROUP

A review of the business developments and events which have occurred since the year end, together with an indication of future developments, is given in the Vice-Chairman's Statement on pages 4 and 5.

RESULTS

The Profit and Loss Account for the Group appears on page 8 and 9. These accounts consolidate the results, assets and liabilities of all Group companies as listed in note 15 to the accounts.

DIRECTORS

A list of the present directors appears on page 2, all of whom, with the exception of Mr R E Beveridge MA who was appointed on 30th March 1995 and Mr R S Hill FCII who retired on 25th May 1995, held office during the year ended 31st December 1995. Mr G H Sambrook CBE BA, who was Chairman of the board of directors throughout 1995, died on 4th February 1996.

In accordance with the Articles of Association, Mr D S W Lee and Mr G L Carswell CA will retire and being eligible offer themselves for re-election.

During the year, the Group maintained indemnity insurance covering directors, executives and officers in accordance with Section 310(3)(a) of the Companies Act 1985.

EMPLOYEES

The Company employs all the staff of the Group. The average number of persons employed in 1995 was 788 (1994 - 858) and the aggregate remuneration paid or payable to those persons, excluding redundancy costs, was £13.6m (1994 - £13.7m).

The Group has developed channels of open communication with staff at all levels so as to encourage their involvement in and views on all aspects of the business.

There is a non-contributory pension scheme for all eligible employees. The trustees of the scheme include two members of staff.

The Group offers employment opportunities that are free from discrimination on all grounds. Full consideration is given to applications from disabled persons, always bearing in mind the respective aptitudes and abilities of the applicant concerned and the Group's operational needs. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues. It is the policy that training, career development and promotion opportunities of a disabled person should, as far as possible, be identical to that of a person free from disability.

DONATIONS

During the year, the Group contributed £20,325 to charitable organisations (1994 - £20,450). No donations were made for political purposes.

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 and the profit or loss of the company for that period. In preparing the 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors Gane Jackson Scott have expressed their willingness to continue in office and a resolution proposing their re-appointment will be put to the Annual General Meeting.

Iron Trades House
21/24 Grosvenor Place
London SW1X 7JA

28th March 1996

J B Wilson Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the year ended 31st December 1995

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	1995 £m	1994 £m
Gross premiums written		182.0	193.9
Outward reinsurance premiums		(29.7)	(38.1)
Net Premiums Written		152.3	155.8
Change in the gross provision for unearned premiums		3.4	8.7
Change in the provision for unearned premiums reinsurers' share		(1.1)	(1.5)
Change in the net provision for unearned premiums		2.3	7.2
Earned premiums, net of reinsurance		154.6	163.0
Allocated investment return transferred from the non-technical account		63.8	31.7
Total Technical Income		218.4	194.7
Claims paid			
- gross amount		158.1	168.5
- reinsurers' share		(31.6)	(37.3)
- net of reinsurance		126.5	131.2
Change in the provision for claims			
- gross amount		28.9	(22.2)
- reinsurers' share		10.0	19.7
- net of reinsurance		38.9	(2.5)
Claims incurred net of reinsurance	2	165.4	128.7
Net operating expenses	3	59.7	57.2
		225.1	185.9
Balance on the Technical Account for General Business		(6.7)	8.8

CONSOLIDATED PROFIT & LOSS ACCOUNT

for the year ended 31st December 1995

	Note	1995 £m	1994 £m
Balance on the Technical Account for General Business		(6.7)	8.8
Investment income	4	40.4	27.8
Unrealised gains/(losses) on investments		60.9	(54.3)
		101.3	(26.5)
Investment expenses and charges		0.9	1.0
Allocated investment return transferred to the general business technical account		63.8	31.7
		64.7	32.7
Profit/(Loss) on Ordinary Activities before Tax		29.9	(50.4)
Tax on ordinary activities	5	(6.3)	11.8
Profit/(Loss) retained for the financial year		23.6	(38.6)

The Group has not recognised gains or losses other than the profit for the period.

CONSOLIDATED BALANCE SHEET

as at 31st December 1995

ASSETS

	Note	1995 £m	1994 £m
Investments			
Land and buildings	6	19.3	22.2
Other investments	7	664.7	587.2
		684.0	609.4
Debtors			
Debtors arising out of direct insurance operations		31.4	34.4
Debtors arising out of reinsurance operations		1.6	8.0
Other debtors		11.8	17.8
		44.8	60.2
Other Assets			
Tangible assets	8	9.7	10.3
Cash at bank and in hand		0.7	0.6
		10.4	10.9
Prepayments and Accrued Income			
Deferred acquisition costs		7.2	7.6
Total Assets		746.4	688.1

LIABILITIES

	Note	1995 £m	1994 £m
Reserves	10	85.2	61.6
Technical Provisions			
Provision for unearned premiums			
- gross amount		73.8	77.2
- reinsurance amount		(9.6)	(10.7)
- net amount		64.2	66.5
Claims outstanding			
- gross amount		638.5	609.6
- reinsurance amount		(80.9)	(90.9)
- net amount		557.6	518.7
Total Technical Provisions		621.8	585.2
Provisions for Other Risks and Charges			
Pensions	11	6.1	4.3
Taxation	9	15.2	13.5
		21.3	17.8
Creditors			
Creditors arising out of reinsurance operations		3.8	2.0
Other creditors including taxation and social security		5.5	16.2
		9.3	18.2
Accruals and Deferred Income		8.8	5.3
Total Liabilities		746.4	688.1

Approved by the Board on 28th March 1996

D S W Lee Director
G L Carswell Director

ASSOCIATION ONLY BALANCE SHEET

as at 31st December 1995

ASSETS

	Note	1995 £m	1994 £m
Investments			
Land and buildings	6	7.5	7.5
Investments in group undertakings		184.3	127.0
Other investments	7	130.6	140.4
		322.4	274.9
Debtors			
Intercompany balances		9.3	9.3
Other debtors		0.7	0.7
		10.0	10.0
Total Assets		332.4	284.9

LIABILITIES

	Note	1995 £m	1994 £m
Reserves			
Profit and loss account	10	84.9	61.3
Technical Provision			
Claims outstanding		218.5	209.9
- gross amount			
- reinsurance amount		(2.4)	(19.9)
		216.1	190.0
Provision for Other Risks and Charges			
Taxation	9	22.6	22.3
Creditors			
Intercompany balances		8.4	10.8
Other creditors including taxation and social security		0.4	0.5
		8.8	11.3
Total Liabilities		332.4	284.9

Approved by the Board on 28th March 1996

D S W Lee Director
G L Carswell Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 1995

	Note	1995 £m	1994 £m
Operating Activities			
Premiums received from customers		165.6	186.1
Reinsurance receipts/(payments) net		12.3	(3.3)
Claims paid		(158.1)	(168.5)
Cash paid to and on behalf of employees		(16.0)	(16.0)
Investment income received		28.2	24.0
Other operating cash payments net		(18.1)	(14.1)
Net Cash Inflow from Operating Activities	12	13.9	8.2
Taxation (Payments)/Receipts		(2.1)	1.5
Investing Activities			
Computer system payments		(5.0)	(4.3)
Purchase of investments (other than cash equivalents)		(121.4)	(256.3)
Sale of investments (other than cash equivalents)		142.0	235.3
Net Cash Inflow/(Outflow) from Investing Activities		15.6	(25.3)
Increase/(Decrease) in Cash and Cash Equivalents		27.4	(15.6)

NOTES TO THE ACCOUNTS

for the year ended 31st December 1995

1. ACCOUNTING POLICIES

Basis of presentation and restatement of prior year amounts

The financial statements have been prepared in accordance with the provisions of Section 255 and the new Schedule 9A to the Companies Act 1985, which cover the disclosures applicable to insurance companies.

The comparative figures have been restated accordingly.

The accounts comply with applicable accounting standards and in all material respects comply with the ABI guidance on Accounting for Insurance Business issued by the Association of British Insurers as an exposure draft in December 1995.

Basis of Consolidation

The consolidated accounts incorporate the assets and liabilities of the Association and all of its subsidiaries as at 31st December and the results for the year ended on that date. As permitted by Section 230 of the Companies Act 1985 a separate Profit and Loss Account for the Association is not presented.

Basis of Accounting

The annual basis of accounting has been applied to all classes of business.

Premium Income

All premium income included in the Profit and Loss Account arises from continuing operations.

Premium income relates to business inception during the year and includes an estimate of pipeline premiums, being premiums for business written up to the year end but not yet debited, less an allowance for cancellations. Unearned premiums are calculated on a time apportionment basis.

All premiums are shown gross of commissions paid to intermediaries but exclude Insurance Premium Tax.

Claims

Claims incurred in the year together with associated handling costs are provided for in the accounts on the basis of their estimated cost and include an estimate for claims not notified until after the year end.

Discounting of claims provisions has only been applied in respect of Employers' Liability incurred but not reported claims arising from latent disease (EL-IBNR).

For this category of claims, settlement patterns are established on a statistical basis having regard to historic notification and settlement timings. The average delay to settlement arising from these calculations is in excess of 10 years.

Claims inflation has been estimated at 4% for the period to settlement and the estimated gross payments pattern arising has been discounted at 6%.

EL-IBNR provisions before discounting are £220m (1994-£182m) and £150m (1994-£120m) after discounting.

The provisions for latent disease EL-IBNR claims rely on a considerable degree of judgement. Establishing the likely exposures to disease, the probability of disease arising from these exposures, then the numbers of claims that will emerge, the timing of these claims and the amounts at which they will eventually be settled gives rise to a fundamental uncertainty in establishing the ultimate cost of these claims at the year end.

Unexpired Risks

The provision for unexpired risks is calculated by considering the underwriting experience of each class of business, taking into account related expenses and attributable future investment return.

Deferred Acquisition Costs

These represent commissions relating to unearned premiums.

Investments

Investments are stated in the balance sheets on the following bases:

Listed securities at the middle market values on 31st December.

Unquoted investments at the directors' valuation except for subsidiary companies, which are included in the Association balance sheet at amounts equivalent to the share capital and reserves of those subsidiaries.

Properties are formally valued every two years. Valuations were undertaken in January 1996 by Chesterton plc, external property consultants, on an open market value basis with existing use. No depreciation is provided on Freehold and Leasehold properties, but provisions are made, where appropriate, to spread maintenance costs on such properties.

All other investments are valued at cost.

Investment Return

All realised and unrealised gains and losses are taken to the Profit and Loss Account.

An allocation of investment return, comprising investment income and a five year average of realised and unrealised gains and losses, is made to the technical account on the basis of the relationship between general insurance operations and equity interests.

Fixed Assets and Depreciation

Computer system costs are written off from the date when first brought into use on a straight line basis over four years.

Taxation

The Association is not subject to taxation on underwriting surpluses (nor to relief on underwriting deficits) but is subject to corporation tax on unfranked investment income and realised investment gains. The Company is subject to corporation tax on all income and realised gains.

Deferred taxation is calculated on the liability basis and is only recognised where it is likely that the amount will become payable or recoverable in the foreseeable future.

Foreign Currencies

Exchange differences arising from trading operations are accounted for within the Profit and Loss Account in the period in which they occur. Assets and liabilities expressed in foreign currencies are translated at the rates effective at the balance sheet date.

Pensions

The Company operates a pension scheme providing benefits based on final salary. The scheme is funded by the Company and is non-contributory by employees. The assets are held separately in a Fund administered by Trustees.

2 CLAIMS INCURRED NET OF REINSURANCE

	Gross £m	Reinsurers' Share £m	Net £m
1995			
Claims paid	158.1	(31.6)	126.5
Outstanding claims provisions carried forward	638.5	(80.9)	557.6
Less outstanding claims provisions brought forward	(609.6)	90.9	(518.7)
Change in the provisions for claims	28.9	10.0	38.9
Claims incurred	187.0	(21.6)	165.4
1994			
Claims paid	168.5	(37.3)	131.2
Outstanding claims provisions carried forward	609.6	(90.9)	518.7
Less outstanding claims provisions brought forward	(631.8)	110.6	(521.2)
Change in the provisions for claims	(22.2)	19.7	(2.5)
Claims incurred	146.3	(17.6)	128.7

Out of the claims incurred figure, £46.7m (1994 – £7.6m) relates to prior years.

3 NET OPERATING EXPENSES

	1995	1994
	£m	£m
Acquisition costs	19.3	21.8
Administration expenses	43.0	40.5
Reinsurance commissions and profit participation	(2.6)	(5.1)
	<u>59.7</u>	<u>57.2</u>

	1995	1994
	£000	£000
Included under administration expenses are:-		
Directors' emoluments (Note 3.1)	359	391
Employment costs (excluding directors)	17,384	15,578
Auditors' remuneration		
- Audit fees	110	110
- Other services	55	50

	1995	1994
	£000	£000
3.1 Directors' emoluments		
Fees	86	83
Other remuneration (including pension contributions)	273	308
	<u>359</u>	<u>391</u>

Of the directors' emoluments above £50,076 (1994-£54,934) related to the Association.

The emoluments, excluding pension contributions, of the directors of the Association are detailed as follows:

	1995	1994
	£	£
Chairman	21,000	21,000
Highest paid director	111,800	122,780

	1995	1994
	Number of Directors	
Up to £5,000	-	1
£ 5,001 - £ 10,000	4	2
£ 10,001 - £ 15,000	1	2
£ 15,001 - £ 20,000	1	1
£ 20,001 - £ 25,000	1	1
£ 50,001 - £ 55,000	1	-
£ 80,001 - £ 85,000	-	1
£ 110,001 - £ 115,000	1	-
£ 120,001 - £ 125,000	-	1

3.2 Employment costs were as follows:

	1995	1994
	£m	£m
Wages and salaries	13.6	13.7
Redundancy costs	1.6	0.4
Social security costs	1.1	1.1
Pension costs	1.4	0.8
	<u>17.7</u>	<u>16.0</u>

3.3 Loans to Directors

2 directors of the Association had season ticket loans from the Company during the year of which 1 was outstanding at 31st December 1995 amounting to £2,192 (1994 – 2 directors £1,749).

4 INVESTMENT INCOME

	1995	1994
	£m	£m
Income from land and buildings	2.1	2.2
Income from listed investments	29.5	25.6
Income from other investments	5.7	5.0
	<u>37.3</u>	<u>32.8</u>
Gains or (losses) on the realisation of investments	3.1	(5.0)
	<u>40.4</u>	<u>27.8</u>

5 TAX ON ORDINARY ACTIVITIES

	1995	1994
	£m	£m
The charge/(credit) for taxation comprises:		
United Kingdom Corporation Tax at 33%	5.9	(3.2)
Tax credit on Franked Investment Income	2.6	2.0
	<u>8.5</u>	<u>(1.2)</u>
Deferred taxation	(2.2)	(10.6)
	<u>6.3</u>	<u>(11.8)</u>

6 LAND AND BUILDINGS (GROUP)

	Long Leasehold £m	Freehold £m	Total £m
At current value:			
At 1st January	14.6	7.6	22.2
Disposals	-	(1.2)	(1.2)
(Deficit) on revaluation	-	(1.7)	(1.7)
At 31st December	14.6	4.7	19.3
At cost:			
At 1st January	2.7	7.1	9.8
Disposals	-	(0.2)	(0.2)
At 31st December	2.7	6.9	9.6

Land and buildings with a current value of £6.3m (1994 - £5.9m) are occupied by the Group for its own activities.

LAND AND BUILDINGS (ASSOCIATION ONLY)

	Long Leasehold £m	Freehold £m	Total £m
At current value:			
At 1st January	7.3	0.2	7.5
Disposals	-	(0.2)	(0.2)
Surplus on revaluation	0.2	-	0.2
At 31st December	7.5	-	7.5
At cost:			
At 1st January	0.9	-	0.9
Disposals	-	-	-
At 31st December	0.9	-	0.9

7 OTHER INVESTMENTS (GROUP)

	Current Value		Cost	
	1995	1994	1995	1994
	£m	£m	£m	£m
Shares and other variable – yield securities and units in unit trusts	356.9	318.4	98.5	111.4
Debt securities and other fixed income securities	242.0	229.2	221.9	220.7
Deposits with credit institutions	63.1	35.8	63.1	35.8
Other	2.7	3.8	2.8	4.1
	664.7	587.2	386.3	372.0

Included in current value above:

	Listed on the UK Stock Exchange		Other Listed Investments		Total Listed Investments	
	1995	1994	1995	1994	1995	1994
	£m	£m	£m	£m	£m	£m
Shares and other variable – yield securities and units in unit trusts	285.4	282.6	71.5	35.8	356.9	318.4
Debt securities and other fixed income securities	228.1	216.6	13.9	12.6	242.0	229.2
	513.5	499.2	85.4	48.4	598.9	547.6

7 OTHER INVESTMENTS (ASSOCIATION ONLY)

	Current Value		Cost	
	1995	1994	1995	1994
	£m	£m	£m	£m
Shares and other variable – yield securities and units in unit trusts	79.3	84.3	14.0	15.9
Debt securities and other fixed income securities	41.4	46.7	37.2	44.1
Deposits with credit institutions	9.9	9.4	9.9	9.4
	130.6	140.4	61.1	69.4

Included in current value above:

	Listed on the UK Stock Exchange		Other Listed Investments		Total Listed Investments	
	1995	1994	1995	1994	1995	1994
	£m	£m	£m	£m	£m	£m
Shares and other variable–yield securities and units in unit trusts	74.6	62.2	4.7	22.1	79.3	84.3
Debt securities and other fixed income securities	41.4	46.7	–	–	41.4	46.7
	116.0	108.9	4.7	22.1	120.7	131.0

8 TANGIBLE ASSETS

	1995 £m	1994 £m
Cost:		
At 1st January	20.2	15.9
Additions	5.0	4.3
At 31st December	25.2	20.2
Depreciation:		
At 1st January	9.9	5.0
Charge for the year	5.6	4.9
At 31st December	15.5	9.9
Net book value at 31st December	9.7	10.3

9 TAXATION

	Group 1995 £m	Association 1995 £m	Group 1994 £m	Association 1994 £m
Current taxation	(2.9)	4.4	(6.8)	3.1
Deferred taxation	18.1	18.2	20.3	19.2
	15.2	22.6	13.5	22.3

9.1 Deferred Taxation

	Group 1995 £m	Association 1995 £m	Group 1994 £m	Association 1994 £m
Amount provided for deferred taxation in respect of:				
Market variation in net values of investments	21.8	18.2	21.9	18.8
Other timing differences	(3.7)	-	(1.6)	0.4
	18.1	18.2	20.3	19.2
Movements during the year:				
Balance 1st January	20.3	19.2	30.9	28.5
(Decrease) in tax applicable to market variation	(0.2)	(0.6)	(10.2)	(9.3)
Other timing differences	(2.0)	(0.4)	(0.4)	-
	18.1	18.2	20.3	19.2

The additional liability for deferred taxation that would arise in the event of the disposal of the Group's investments, at the value at which they are included in these accounts, is estimated to be £51.9m (1994 - £32.7m) (Association £ nil (1994 - £nil)).

10 RECONCILIATION OF MOVEMENT IN RESERVES

Group

	1995			1994		
	Consolidation	Profit & Loss		Consolidation	Profit & Loss	
	Reserve	Account	Total	Reserve	Account	Total
	£m	£m	£m	£m	£m	£m
1st January	0.3	61.3	61.6	0.3	99.9	100.2
Retained profit/(loss) for the financial year		23.6	23.6		(38.6)	(38.6)
31st December	0.3	84.9	85.2	0.3	61.3	61.6

Association

	1995			1994		
		Profit & Loss			Profit & Loss	
		Account	Total		Account	Total
		£m	£m		£m	£m
1st January		61.3	61.3		99.9	99.9
Retained profit/(loss) for the financial year		23.6	23.6		(38.6)	(38.6)
31st December		84.9	84.9		61.3	61.3

11 PENSIONS

The contributions are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method, the most recently completed valuation being at 31st December 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pension. It was assumed that the investment return would be 9.5 per cent per annum, that salary increases would be 7 per cent per annum and that present and future pensions would increase at the rate of 5 per cent per annum.

At 31st December 1994, the market value of the scheme's assets was £72.4m and the actuarial value of those assets represented 119% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The actuarial surplus was £10.1m.

The pension charge for the year was calculated as:

- a) A charge of £2.4m in respect of the actuarially assessed regular cost of 19.7% of pensionable salaries (1994 - £2.4m - 19.7%);
- b) A credit of £1.0m in respect of the amortisation of surpluses that are being recognised over fifteen years, the average remaining service lives of employees (1994 - £1.5m);
- c) A notional interest charge of £0.4m, to reflect the deferral of contributions given the surplus, has been provided in accordance with the requirement of Statement of Standard Accounting Practice No. 24.

The net of a) to c) above for years 1989-1995 amounting to £6.1m has been carried forward in the provision for other risks and charges in the balance sheet.

12 NOTE TO THE CASH FLOW STATEMENT

	1995 £m	1994 £m
Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities		
Profit/(loss) before taxation	29.9	(50.4)
Decrease in debtors and prepayments	15.8	8.1
Increase/(decrease) in technical provisions	36.6	(9.7)
(Decrease)/increase in other liabilities	(3.6)	3.7
Tax on Franked and Unfranked Investment Income	(6.6)	(5.5)
Insurance Premium Tax	4.0	-
Realised and unrealised (gains)/losses	(64.0)	59.3
Depreciation charge	5.6	4.9
Movement in debtors/creditors reflecting investments	(3.8)	(2.2)
Net Cash Inflow from Operating Activities	13.9	8.2

Analysis of the Balance of Cash and Cash Equivalents

	1995 £m	1994 £m	Change in year £m
Short term deposits (shown in investments)	63.1	35.8	27.3
Bank balances	0.7	0.6	0.1
Total cash and cash equivalents	63.8	36.4	27.4

13 CONTINGENT LIABILITIES

The Policyholders' Protection Board may impose levies on authorised insurance companies carrying on business in the United Kingdom, in accordance with the Policyholders' Protection Act 1975. Due to the failure of certain UK insurers, it is anticipated that the Policyholders' Protection Board will levy a further charge on authorised insurance companies. A provision has therefore been made in these accounts. The Company's insurance activities render it liable to contribute to any future levy should one be imposed.

14 CAPITAL COMMITMENTS

	1995	1994
	£m	£m
Contracted for	Nil	2.5
Authorised but not contracted for	Nil	5.0
	Nil	7.5

15 SUBSIDIARIES

a) Iron Trades Investments Limited and its subsidiaries

Cartonleaf Limited
 Islandstream Limited
 Longspiral Limited
 Mossisland Limited
 Retoria Limited

b) Iron Trades Insurance Company Limited and its subsidiaries

Belgravia Facilities Limited
 Chester Street Securities Limited
 IT Investments (1990) Limited
 IT Insurance Company Limited
 Iron Trades Promotions Limited
 Westking Limited

All subsidiaries are wholly owned.

16 PARENT COMPANY ACCOUNTS

Included in the profit of the Group is £23.6m (1994 - £38.6m - Loss) relating to the parent company.

17 SEGMENTAL REPORTING

	Liability £m	Direct Motor £m	Property £m	Personal Accident & Health £m	Total £m
1995					
Gross premiums written					
Employers' Liability	68.5				68.5
Public Liability	18.9				18.9
Commercial Vehicles		10.3			10.3
Private Motor		34.6			34.6
Fleets		18.4			18.4
Property			16.8		16.8
Household			5.8		5.8
Personal Accident & Health				8.7	8.7
	87.4	63.3	22.6	8.7	182.0
Gross premiums earned	88.3	64.2	24.7	8.2	185.4
Gross claims incurred	(131.9)	(38.3)	(10.8)	(6.0)	(187.0)
Allocation of investment return	49.5	10.7	3.2	0.4	63.8
Gross operating expenses	(25.0)	(25.0)	(10.5)	(1.8)	(62.3)
Gross technical result	(19.1)	11.6	6.6	0.8	(0.1)
Reinsurance balance	3.2	(3.6)	(6.0)	(0.2)	(6.6)
Net technical result	(15.9)	8.0	0.6	0.6	(6.7)
Net technical provisions	477.2	108.0	31.9	4.7	621.8
1994					
Gross premiums written	91.7	65.6	27.6	9.0	193.9
Gross premiums earned	90.7	71.2	30.7	10.0	202.6
Gross claims incurred	(75.7)	(51.2)	(11.4)	(8.0)	(146.3)
Allocation of investment return	23.9	5.6	1.8	0.4	31.7
Gross operating expenses	(24.3)	(23.5)	(12.3)	(2.2)	(62.3)
Gross technical result	14.6	2.1	8.8	0.2	25.7
Reinsurance balance	(5.5)	(1.4)	(10.0)	-	(16.9)
Net technical result	9.1	0.7	(1.2)	0.2	8.8
Net technical provisions	438.0	109.4	33.2	4.6	585.2

REPORT OF THE AUDITORS

To the members of

The Iron Trades Employers Insurance Association Limited

We have audited the financial statements on pages 8 to 26 which have been prepared under the historical cost convention, as modified by the revaluation of investments, and the accounting policies set out on pages 15 and 16.

Respective Responsibilities of Directors and Auditors

As described on page 7 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 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 whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

In forming our opinion, we have considered the adequacy of the disclosure made in the financial statements concerning the provision for Employers' Liability incurred but not reported claims arising from latent disease. These provisions rely on a considerable degree of judgement due to the uncertainty as to the number of claims which will emerge, the timing of these claims and the amounts at which they will be settled. Details of the circumstances relating to this fundamental uncertainty are described in note 1 and in the Vice-Chairman's Statement on pages 4 and 5. Given the nature of this issue, it is not possible to quantify the potential effects of the resolution of the uncertainty. Our reference to this matter does not constitute a qualification of our opinion.

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 and the Group as at 31st December 1995 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Gane Jackson Scott
Chartered Accountants - Registered Auditor
Holborn Hall
100 Grays Inn Road
London
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4th April 1996

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Facsimile: 01642 223812

IRON TRADES
Insurance Group

IRON TRADES
Insurance Group


IRON TRADES
Insurance Group

233(3) [Every balance sheet to state name of signatory] Every copy of the balance sheet which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed the balance sheet on behalf of the board.

233(4) [Signatory of balance sheet delivered to registrar] The copy of the company's balance sheet which is delivered to the registrar shall be signed on behalf of the board by a director of the company.

233(5) [Offence, penalty re non-compliance] If annual accounts are approved which do not comply with the requirements of this Act, every director of the company who is party to their approval and who knows that they do not comply or is reckless as to whether they comply is guilty of an offence and liable to a fine.

For this purpose every director of the company at the time the accounts are approved shall be taken to be a party to their approval unless he shows that he took all reasonable steps to prevent their being approved.

Note

S. 233(5) in force from 7 January 1991 subject to transitional and saving provisions (see S.I. 1990 No. 2569 (C. 68), art. 3, 6).

233(6) [Further offence, penalty] If a copy of the balance sheet—

(a) is laid before the company, or otherwise circulated, published or issued, without the balance sheet having been signed as required by this section or without the required statement of the signatory's name being included, or

(b) is delivered to the registrar without being signed as required by this section,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.

History

See history note after s. 262A but note that s. 233(5) not in force at same time as rest of section.

DIRECTORS' REPORT

SEC. 234 Duty to prepare directors' report

234(1) [Duty of directors] The directors of a company shall for each financial year prepare a report—

(a) containing a fair review of the development of the business of the company and its subsidiary undertakings during the financial year and of their position at the end of it, and

(b) stating the amount (if any) which they recommend should be paid as dividend.

History

In s. 234(1)(b) the words "and the amount (if any) which they propose to carry to reserves" formerly appearing after the word "dividend" repealed by the Companies Act 1985 (Miscellaneous Accounting Amendments) Regulations 1996 (S.I. 1996 No. 189), reg. 1(1), 5(1), (2) as from 2 February 1996, subject to reg. 16(1), (2).

234(2) [Contents of report] The report shall state the names of the persons who, at any time during the financial year, were directors of the company, and the principal activities of the company and its subsidiary undertakings in the course of the year and any significant change in those activities in the year.

British Companies Legislation

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CA 1985, sec. 234(2)

234(3) [Compliance with Sch. 7] The report shall also comply with Schedule 7 as regards the disclosure of the matters mentioned there.

234(4) [Sch. 7, Pt. I–V] In Schedule 7—

Part I relates to matters of a general nature, including changes in asset values, directors' shareholdings and other interests and contributions for political and charitable purposes,

Part II relates to the acquisition by a company of its own shares or a charge on them,

Part III relates to the employment, training and advancement of disabled persons,

Part V relates to the involvement of employees in the affairs, policy and performance of the company,

Part VI relates to the company's policy on the payment of creditors.

History

In s. 234(4) the words "Part IV relates to the health, safety and welfare at work of the company's employees, and" formerly appearing before "Part V" omitted, and the words "Part VI" to the end inserted by the Companies Act 1985

(Miscellaneous Accounting Amendments) Regulations 1995 (S.I. 1996 No. 189), reg. 1(1), 5(1), (3) as from 2 February 1996, subject to reg. 16(1), (2).

234(5) [Offence, penalty] In the case of any failure to comply with the provisions of this Part as to the preparation of a directors' report and the contents of the report, every person who was a director of the company immediately before the end of the period for laying and delivering accounts and reports for the financial year in question is guilty of an offence and liable to a fine.

234(6) [Defence] In proceedings against a person for an offence under this section it is a defence for him to prove that he took all reasonable steps for securing compliance with the requirements in question.

History

See history note after s. 262A.

SEC. 234A Approval and signing of directors' report

234A(1) [Approval, signing] The directors' report shall be approved by the board of directors and signed on behalf of the board by a director or the secretary of the company.

234A(2) [Every report to state name of signatory] Every copy of the directors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the name of the person who signed it on behalf of the board.

234A(3) [Signatory of report sent to registrar] The copy of the directors' report which is delivered to the registrar shall be signed on behalf of the board by a director or the secretary of the company.

234A(4) [Offence, penalty] If a copy of the directors' report—

(a) is laid before the company, or otherwise circulated, published or issued, without the report having been signed as required by this section or without the required statement of the signatory's name being included, or

(b) is delivered to the registrar without being signed as required by this section,

CA 1985, sec. 234(3)

[The next page is 12,401]

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the company and every officer of it who is in default is guilty of an offence and liable to a fine.

History
See history note after s. 262A.

AUDITORS' REPORT

SEC. 235 Auditors' report

235(1) [Duty of auditors] A company's auditors shall make a report to the company's members on all annual accounts of the company of which copies are to be laid before the company in general meeting during their tenure of office.

235(2) [Contents of report] The auditors' report shall state whether in the auditors' opinion the annual accounts have been properly prepared in accordance with this Act, and in particular whether a true and fair view is given—

- (a) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,
- (b) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,
- (c) in the case of group accounts, of the state of affairs as at the end of the financial year, and the profit or loss for the financial year, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.

235(3) [Consideration of whether directors' report consistent with accounts] The auditors shall consider whether the information given in the directors' report for the financial year for which the annual accounts are prepared is consistent with those accounts; and if they are of opinion that it is not they shall state that fact in their report.

History
See history note after s. 262A.

SEC. 236 Signature of auditors' report

236(1) [Report to state names and be signed] The auditors' report shall state the names of the auditors and be signed by them.

236(2) [Every copy to state names] Every copy of the auditors' report which is laid before the company in general meeting, or which is otherwise circulated, published or issued, shall state the names of the auditors.

236(3) [Copy to registrar] The copy of the auditors' report which is delivered to the registrar shall state the names of the auditors and be signed by them.

236(4) [Offence, penalty] If a copy of the auditors' report—

- (a) is laid before the company, or otherwise circulated, published or issued, without the required statement of the auditors' names, or
- (b) is delivered to the registrar without the required statement of the auditors' names or without being signed as required by this section,

the company and every officer of it who is in default is guilty of an offence and liable to a fine.

236(5) [Interpretation] References in this section to signature by the auditors are, where the office of auditor is held by a body corporate or partnership, to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.

History

See history note after s. 262A.

SEC. 237 Duties of auditors

237(1) [Investigations] A company's auditors shall, in preparing their report, carry out such investigations as will enable them to form an opinion as to—

- (a) whether proper accounting records have been kept by the company and proper returns adequate for their audit have been received from branches not visited by them, and
- (b) whether the company's individual accounts are in agreement with the accounting records and returns.

237(2) [Statement re improper returns etc.] If the auditors are of opinion that proper accounting records have not been kept, or that proper returns adequate for their audit have not been received from branches not visited by them, or if the company's individual accounts are not in agreement with the accounting records and returns, the auditors shall state that fact in their report.

237(3) [Statement re failure to obtain information] If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.

237(4) [Statement giving Sch. 6 particulars] If the requirements of Schedule 6 (disclosure of information: emoluments and other benefits of directors and others) are not complied with in the annual accounts, the auditors shall include in their report, so far as they are reasonably able to do so, a statement giving the required particulars.

237(4A) [Where advantage taken of sec. 248] If the directors of the company have taken advantage of the exemption conferred by section 248 (exemption for small and medium-sized groups from the need to prepare group accounts) and in the auditors' opinion they were not entitled so to do, the auditors shall state that fact in their report.

History

S. 237(4A) inserted by the Companies Act 1985 See history note after s. 262A.
(Miscellaneous Accounting Amendments) Regulations
1996 (S.I. 1996 No. 189), reg. 1(1), 6 as from 2 February
1996, subject to reg. 16(1), (2), (5).

PUBLICATION OF ACCOUNTS AND REPORTS

SEC. 238 Persons entitled to receive copies of accounts and reports

238(1) [Who must receive copies] A copy of the company's annual accounts, together with a copy of the directors' report for that financial year and of the auditors' report on those accounts, shall be sent to—

- (a) every member of the company,
- (b) every holder of the company's debentures, and
- (c) every person who is entitled to receive notice of general meetings,

not less than 21 days before the date of the meeting at which copies of those documents are to be laid in accordance with section 241.

CA 1985, sec. 236(5)

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