

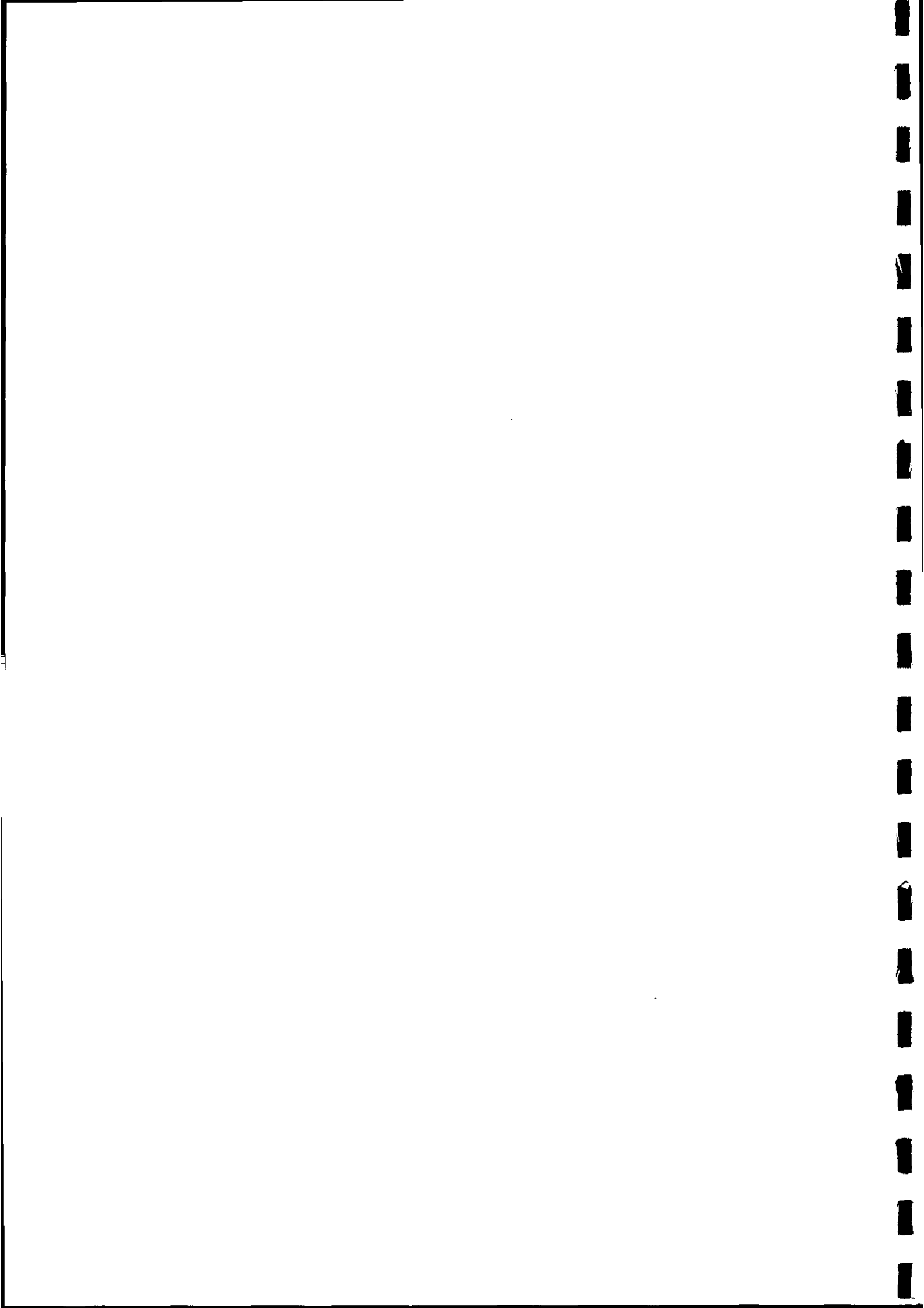
**ICHEM Insurance Company Limited**

**Directors' report and financial statements**

31 December 1999

Registered number 2882073

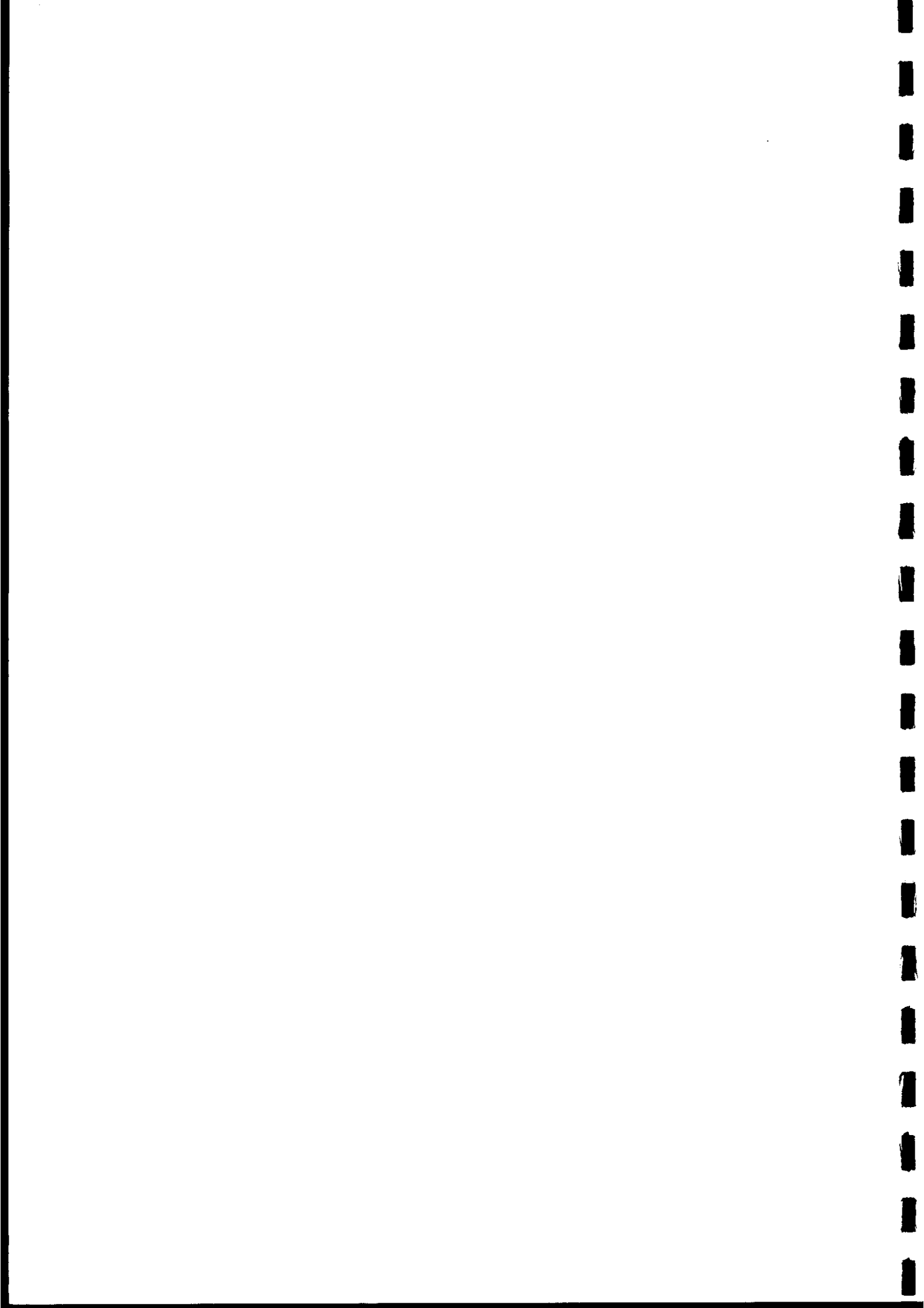




## **Directors' report and financial statements**

### **Contents**

|  |       |
|--|-------|
| Directors' report  | 1-2   |
| Statement of directors' responsibilities                                 | 3     |
| Report of the auditors to the members of ICHÉM Insurance Company Limited | 4     |
| Profit and loss account: technical account - general business            | 5     |
| Profit and loss account: non-technical account                           | 6     |
| Statement of total recognised gains and losses                           | 7     |
| Reconciliation of movements in shareholder's funds                       | 7     |
| Balance sheet  | 8-9   |
| Notes  | 10-20 |



## **Directors' report**

The directors present their report together with the audited financial statements for the year ended 31 December 1999.

### **Principal activities**

The principal activity of the company is the transaction of general insurance and reinsurance business associated with Imperial Chemical Industries PLC (ICI). The principal activities of the company's subsidiary undertakings are as set out in note 11.

The ultimate parent undertaking is ICI.

### **Business review**

Details of the results for the year are set out on pages 5 and 6. It is expected that the Company's current activities will continue unchanged.

### **Proposed dividend and transfer from reserves**

No dividends were declared for the year ended 31 December 1999 (1998: £10,000,000). The directors recommend that the retained profit for the year of £149,000 (1998: £274,000) be transferred to reserves.

### **Directors and directors' interests**

The directors of the company in office at the end of the year were as follows:

|           |                            |
|-----------|----------------------------|
| DJ Gee    |                            |
| D Taylor  |                            |
| IN Canham | (appointed 24 August 1999) |

DT Anderson resigned as a director on 24 August 1999.

None of the directors held shares in ICHM Insurance Company Limited at any time during the year.

The interest of the directors in office at the end of the year in the shares and debentures of ICI and its subsidiaries are set out in note 21.



**Directors' report** *(continued)*

**Payment of suppliers**


It is the company's policy to agree appropriate terms and conditions with suppliers and, subject to their acceptance, to comply with the agreement.

**Year 2000**

The company's operations were largely unaffected by date-related problems at the Millennium rollover and normal business resumed, as planned, in January 2000. Management are continuing to monitor the operations for any potential date related problems which could arise in future.

The company's total expenditure on Year 2000 was not material.

By order of the board

  
I.N. Canham  
Director

1 Adam Street  
London  
WC2N 6AW

30 March 2000





## **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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## Report of the auditors to the members of ICHM Insurance Company Limited

We have audited the financial statements on pages 5 to 20.

### Respective responsibilities of directors and auditors

The Directors are responsible for preparing the directors' report and as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### 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 the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

30 March 2000  
London



**Profit and loss account: technical account - general business**  
*for the year ended 31 December 1999*

|  | Note | 1999<br>£000    | 1998<br>£000    |
|--|------|-----------------|-----------------|
| Written premiums, net of reinsurance:                            |      |                 |                 |
| Gross premiums written   | 2    | 35,575          | 52,076          |
| Outward reinsurance premiums                                     |      | (14,661)        | (21,349)        |
| <b>Net premiums written</b>                                      |      | <b>20,914</b>   | <b>30,727</b>   |
| Change in the gross provision for unearned premiums              | 13   | 9,261           | 14,664          |
| Change in the provision for unearned premiums, reinsurers' share | 13   | (4,262)         | (5,190)         |
| <b>Change in the net provision for unearned premiums</b>         |      | <b>4,999</b>    | <b>9,474</b>    |
| <b>Earned premiums, net of reinsurance</b>                       |      | <b>25,913</b>   | <b>40,201</b>   |
| Claims incurred, net of reinsurance:                             |      |                 |                 |
| Claims paid:   |      |                 |                 |
| Gross amount   |      | (39,784)        | (58,764)        |
| Reinsurers' share  |      | 5,186           | 13,813          |
|  |      | (34,598)        | (44,951)        |
| Change in provision for claims:                                  |      |                 |                 |
| Gross amount   | 13   | 16,924          | 9,802           |
| Reinsurers' share  | 13   | (8,223)         | 3,249           |
|  |      | 8,701           | 13,051          |
| <b>Claims incurred, net of reinsurance</b>                       |      | <b>(25,897)</b> | <b>(31,900)</b> |
| Net operating expenses   | 6    | (5,085)         | (5,451)         |
| <b>Balance on the technical account - general business</b>       |      | <b>(5,069)</b>  | <b>2,850</b>    |

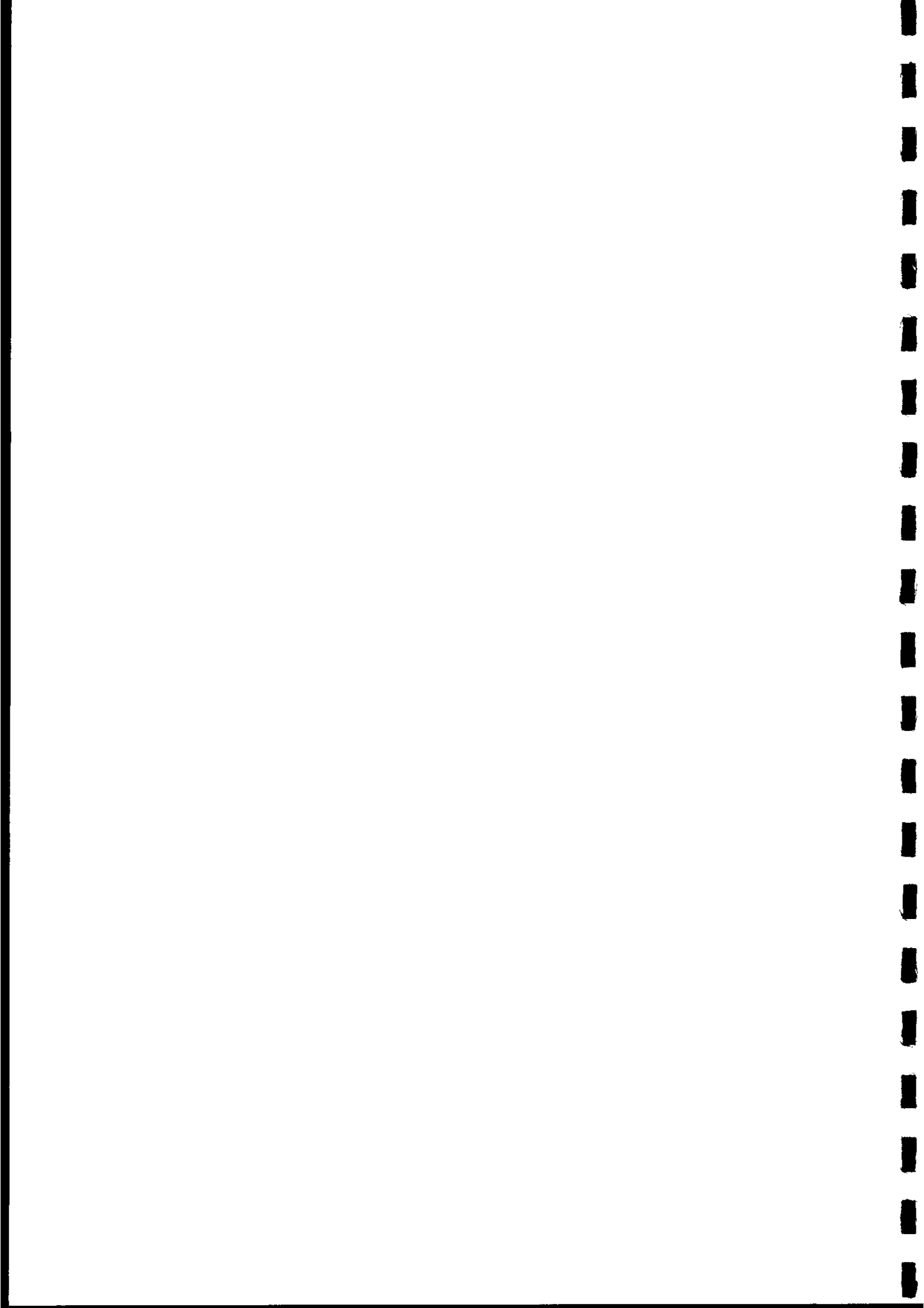
The notes on pages 10 to 20 form part of the financial statements.



**Profit and loss account: non-technical account**  
 for the year ended 31 December 1999

|   | Note | 1999<br>£000 | 1998<br>£000  |
|---|------|--------------|---------------|
| Balance on the technical account - general business       |      | (5,069)      | 2,850         |
| Investment income:  |      |              |               |
| Income from subsidiary undertaking                        |      | 1,450        | 1,200         |
| Income from other investments                             | 4    | 6,644        | 10,014        |
| Unrealised (losses)/gains on investments                  |      | (2,477)      | 980           |
| Investment expenses and charges                           | 5    | (135)        | (277)         |
| <b>Operating profit on ordinary activities before tax</b> | 8    | <b>413</b>   | <b>14,767</b> |
| Tax on profit on ordinary activities                      | 10   | (264)        | (4,493)       |
| <b>Operating profit on ordinary activities after tax</b>  |      | <b>149</b>   | <b>10,274</b> |
| Dividends   |      | -            | (10,000)      |
| <b>Retained profit for the financial year</b>             |      | <b>149</b>   | <b>274</b>    |

The notes on pages 10 to 20 form part of the financial statements.





**Statement of total recognised gains and losses**  
*for the year ended 31 December 1999*

|   | Note | 1999<br>£000 | 1998<br>£000  |
|---|------|--------------|---------------|
| Operating profit on ordinary activities after tax                   |      | 149          | 10,274        |
| Increase in current value of investments in subsidiary undertakings | 20   | 7,353        | 2,361         |
| <b>Total gains recognised since last annual report</b>              |      | <b>7,502</b> | <b>12,635</b> |

**Reconciliation of movements in shareholder's funds**  
*for the year ended 31 December 1999*

|   | Note | 1999<br>£000  | 1998<br>£000  |
|---|------|---------------|---------------|
| Operating profit on ordinary activities after tax                   |      | 149           | 10,274        |
| Dividends   |      | -             | (10,000)      |
| Retained profit for the financial year                              |      | 149           | 274           |
| Increase in current value of investments in subsidiary undertakings | 20   | 7,353         | 2,361         |
| <b>Net increase in shareholder's funds</b>                          |      | <b>7,502</b>  | <b>2,635</b>  |
| Shareholder's funds at beginning of year                            |      | 67,163        | 64,528        |
| <b>Shareholder's funds at end of year</b>                           |      | <b>74,665</b> | <b>67,163</b> |

The notes on pages 10 to 20 form part of the financial statements.



**Balance sheet**  
 at 31 December 1999

|   | Note | 1999<br>£000 | 1998<br>£000 |
|---|------|--------------|--------------|
| <b>Assets</b>   |      |              |              |
| <i>Investments</i>                                    |      |              |              |
| Investments in subsidiary and associated undertakings | 11   | 26,561       | 19,208       |
| Other financial investments                           | 12   | 96,395       | 114,647      |
|   |      | <hr/>        | <hr/>        |
|   |      | 122,956      | 133,855      |
| <i>Reinsurers' share of technical provisions</i>      |      |              |              |
| Provision for unearned premiums                       | 13   | 7,863        | 12,125       |
| Claims outstanding                                    | 13   | 69,797       | 78,029       |
|   |      | <hr/>        | <hr/>        |
|   |      | 77,660       | 90,154       |
| <i>Debtors</i>  |      |              |              |
| Debtors arising out of direct insurance operations    | 14   | 389          | 436          |
| Debtors arising out of reinsurance operations         | 15   | 9,011        | 7,217        |
| Amounts due from subsidiary undertakings              |      | 1,450        | 1,200        |
| Other debtors   |      | 1,472        | -            |
|   |      | <hr/>        | <hr/>        |
|   |      | 12,322       | 8,853        |
| <i>Other assets</i>                                   |      |              |              |
| Cash at bank and in hand                              |      | 2,484        | 2,104        |
| <i>Prepayments and accrued income</i>                 |      |              |              |
| Accrued interest                                      |      | 916          | 453          |
| Deferred acquisition costs                            |      | 1,665        | 1,938        |
|   |      | <hr/>        | <hr/>        |
|   |      | 2,581        | 2,391        |
| <b>Total Assets</b>                                   |      | <hr/> <hr/>  | <hr/> <hr/>  |
|   |      | 218,003      | 237,357      |

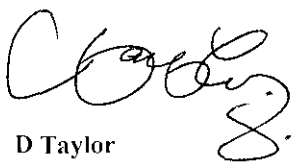
The notes on pages 10 to 20 form part of the financial statements.



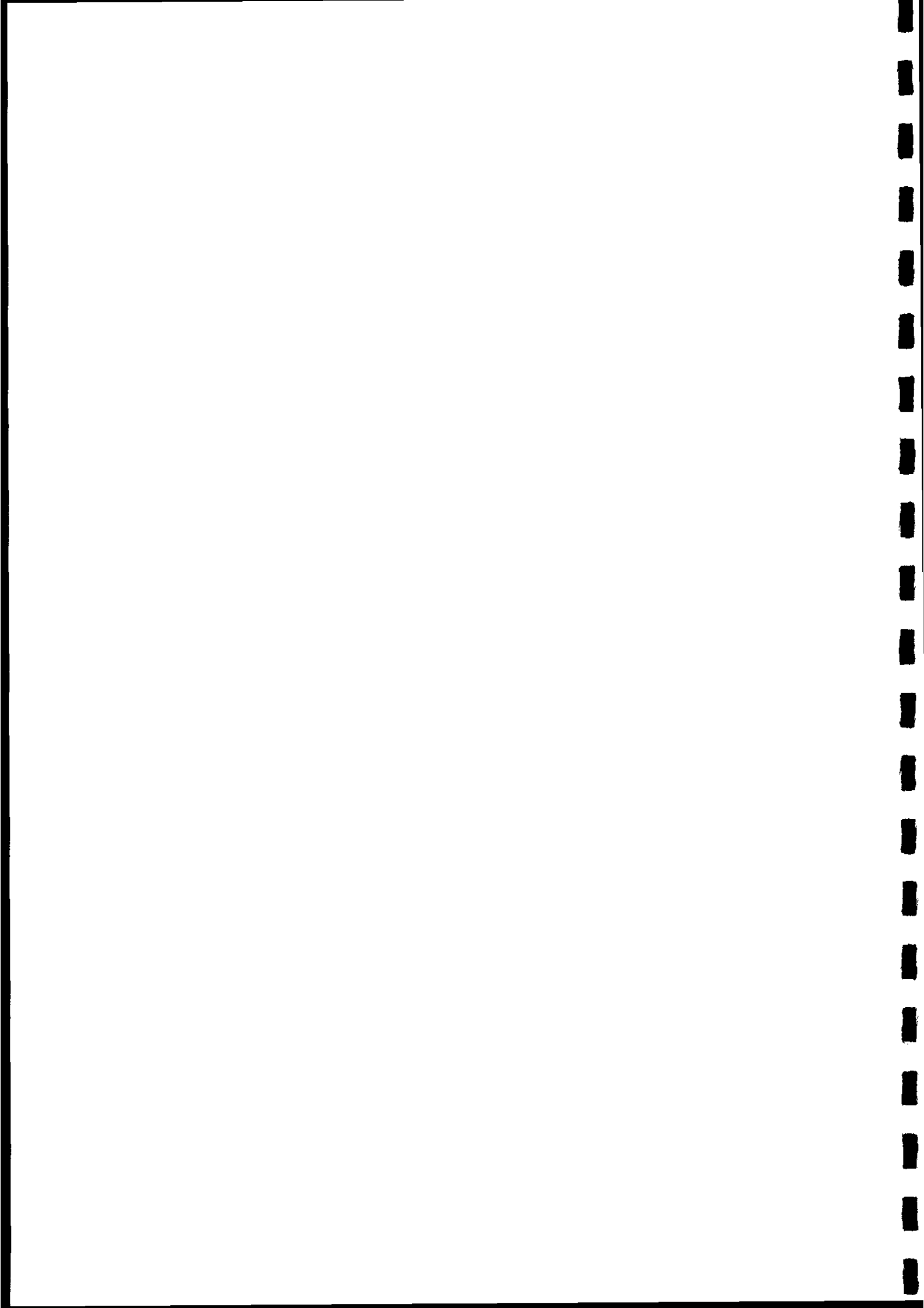
**Balance sheet (continued)**  
 at 31 December 1999

|  | Note | 1999<br>£000   | 1998<br>£000   |
|--|------|----------------|----------------|
| <b>Liabilities</b>                                     |      |                |                |
| <i>Capital and reserves</i>                            |      |                |                |
| Called up share capital                                | 19   | 34,049         | 34,049         |
| Profit and loss account                                | 20   | 18,104         | 17,955         |
| Revaluation reserve                                    | 20   | 22,512         | 15,159         |
|  |      | <hr/>          | <hr/>          |
| Shareholder's funds attributable to equity interests   |      | 74,665         | 67,163         |
| <i>Technical provisions</i>                            |      |                |                |
| Provision for unearned premiums                        | 13   | 18,764         | 28,087         |
| Claims outstanding                                     | 13   | 116,326        | 133,561        |
|  |      | <hr/>          | <hr/>          |
|  |      | 135,090        | 161,648        |
| <i>Creditors falling due within 12 months</i>          |      |                |                |
| Creditors arising out of direct insurance operations   | 16   | 2890           | 2,482          |
| Creditors arising out of reinsurance operations        | 17   | 3664           | 719            |
| Other creditors including taxation and social security | 18   | 1,047          | 3,795          |
|  |      | <hr/>          | <hr/>          |
|  |      | 7,601          | 6,996          |
| Accruals and deferred income                           |      | 212            | 1,550          |
| Provision for deferred taxation                        |      | 435            | -              |
|  |      | <hr/>          | <hr/>          |
| <b>Total Liabilities</b>                               |      | <b>218,003</b> | <b>237,357</b> |
|  |      | <hr/>          | <hr/>          |

These financial statements were approved by the board of directors on 30 March 2000 and were signed on its behalf by:

  
 D Taylor  
 Director

The notes on pages 10 to 20 form part of the financial statements.



## Notes

*(forming part of the financial statements)*

### 1 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 preparation*

The accounts have been prepared in accordance with the provisions of Section 255 of, and schedule 9A to, the Companies Act 1985, and comply with the revised Statement of Recommended Practice issued by the Association of British Insurers.

The accounts have also been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments.

The financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from the preparation of group accounts under S228(1)(b) of the Companies Act 1985.

The company has not prepared a cash flow statement as it is a wholly-owned subsidiary undertaking and is included in the consolidated accounts of its parent undertaking.

Further information regarding the parent undertaking in whose consolidated accounts the company is included is shown in note 23.

#### *Investments and investment income*

Realised and unrealised gains and losses on fixed income securities are included in the profit and loss account. Realised gains and losses represent the difference between net sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and their purchase price, or if they had been previously valued, their valuation at the last balance sheet date.

Investments in subsidiary undertakings and participating interests are stated at current value. The changes in current value are taken to the revaluation reserve.

Other financial investments, consisting of deposits with credit institutions and fixed income securities, are stated at current value.

Investment income (excluding dividends received and receivable from subsidiary undertakings and participating interests) and investment expenses and charges are reported in the non-technical account.

#### *Basis of accounting for underwriting activities*

The annual basis of accounting is applied to all classes of insurance business.





## Notes (continued)

### 1 Accounting policies (continued)

#### *Premiums*

All premiums included in the profit and loss account relate to continuing operations. Written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the financial year and include estimates for pipeline premiums and adjustments arising during the financial year to premiums in respect of business written in previous financial years. All premiums are shown gross of commission payable to intermediaries.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business being reinsured.

#### *Provision for unearned premiums*

Unearned premiums are computed using the daily pro rata method, taking into account the risk profile of the contracts.

#### *Deferred acquisition costs*

Acquisition expenses, both direct and indirect, are deferred and charged to the accounting periods in which related premiums are earned.

#### *Claims incurred*

Claims incurred includes all payments made in respect of the financial period, claims handling expenses and the movement in provisions for claims outstanding.

#### *Claims outstanding*

Claims outstanding comprise provisions for the estimated cost of settling all claims including the related claims handling expenses incurred up to but not paid at the balance sheet date whether reported or not. Where applicable, deductions are made for salvage and other recoveries.

#### *Equalisation reserve*

Under the Insurance Companies (Reserves) Act 1995, the company is required to establish equalisation reserves for certain classes of business underwritten, subject to de minimis exemptions.

#### *Foreign currencies*

Assets, liabilities and income and expenditure items arising in foreign currencies have been translated into sterling at rates of exchange ruling at the balance sheet date. Net realised exchange gains and losses are dealt with through the profit and loss account.

#### *Taxation*

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that a liability will crystallise.

Notes (continued)

2 Analysis of gross premiums written, gross premiums earned, gross claims incurred, operating expenses and the reinsurance balance

|                                    | 1999<br>Gross<br>premiums<br>written<br>£000 | 1999<br>Gross<br>premiums<br>earned<br>£000 | 1999<br>Gross<br>claims<br>incurred<br>£000 | 1999<br>Gross<br>operating<br>expenses<br>£000 | 1999<br>Reinsurance<br>balance<br>£000 |
|------------------------------------|--|---|---|--|--|
| Written as follows:                |  |   |   |  |  |
| Direct                             | 17,776                                       | 26,588                                      | (3,681)                                     | (2,445)  | (9,186)                                |
| Reinsurance                        | 17,799                                       | 18,248                                      | (19,179)                                    | (2,639)  | (12,775)                               |
|                                    | <u>35,575</u>                                | <u>44,836</u>                               | <u>(22,860)</u>                             | <u>(5,084)</u>                                 | <u>(21,961)</u>                        |
| By class of business (direct only) |  |   |   |  |  |
| Property                           | 5,631  | 6,498                                       | (534)                                       | (755)  | (3,786)                                |
| Liability                          | 6,654  | 10,151                                      | (6,352)                                     | (950)  | (169)                                  |
| Marine, aviation and transport     | 1,331  | 1,846                                       | 1,741                                       | (208)  | (1,625)                                |
| Miscellaneous                      | 4,160  | 8,093                                       | 1,464                                       | (533)  | (3,606)                                |
|                                    | <u>17,776</u>                                | <u>26,588</u>                               | <u>(3,681)</u>                              | <u>(2,445)</u>                                 | <u>(9,186)</u>                         |
|                                    |  |   |   |  |  |
|                                    | 1998<br>Gross<br>premiums<br>written<br>£000 | 1998<br>Gross<br>premiums<br>earned<br>£000 | 1998<br>Gross<br>claims<br>incurred<br>£000 | 1998<br>Gross<br>operating<br>expenses<br>£000 | 1998<br>Reinsurance<br>balance<br>£000 |
| Written as follows:                |  |   |   |  |  |
| Direct                             | 33,780                                       | 45,070                                      | (33,796)                                    | (4,646)  | (7,534)                                |
| Reinsurance                        | 18,296                                       | 21,670                                      | (15,166)                                    | (2,251)  | (497)                                  |
|                                    | <u>52,076</u>                                | <u>66,740</u>                               | <u>(48,962)</u>                             | <u>(6,897)</u>                                 | <u>(8,031)</u>                         |
| By class of business (direct only) |  |   |   |  |  |
| Property                           | 7,240  | 13,028                                      | (8,608)                                     | (1,719)  | (4,312)                                |
| Liability                          | 12,562                                       | 13,381                                      | (14,978)                                    | (2,154)  | 2,017                                  |
| Marine                             | 2,438  | 3,207                                       | (471)                                       | (332)  | (1,297)                                |
| Miscellaneous                      | 11,540                                       | 15,454                                      | (9,739)                                     | (441)  | (3,942)                                |
|                                    | <u>33,780</u>                                | <u>45,070</u>                               | <u>(33,796)</u>                             | <u>(4,646)</u>                                 | <u>(7,534)</u>                         |

All of the company's activities take place in the United Kingdom.

Business interruption particulars are included in the miscellaneous class.

The total amount of commission for direct insurance business was £1,100,000 (1998: £3,600,000).



**Notes (continued)**

**3 Prior years' claims provisions**

Over/(under) provisions for claims outstanding at the beginning of the year were as follows:

|               | 1999<br>£000   | 1998<br>£000 |
|---------------|----------------|--------------|
| Property      | (747)          | (785)        |
| Liability     | (5,419)        | 3,446        |
| Marine        | 544            | 685          |
| Miscellaneous | 2,099          | 5,545        |
|               | <u>(3,523)</u> | <u>8,891</u> |

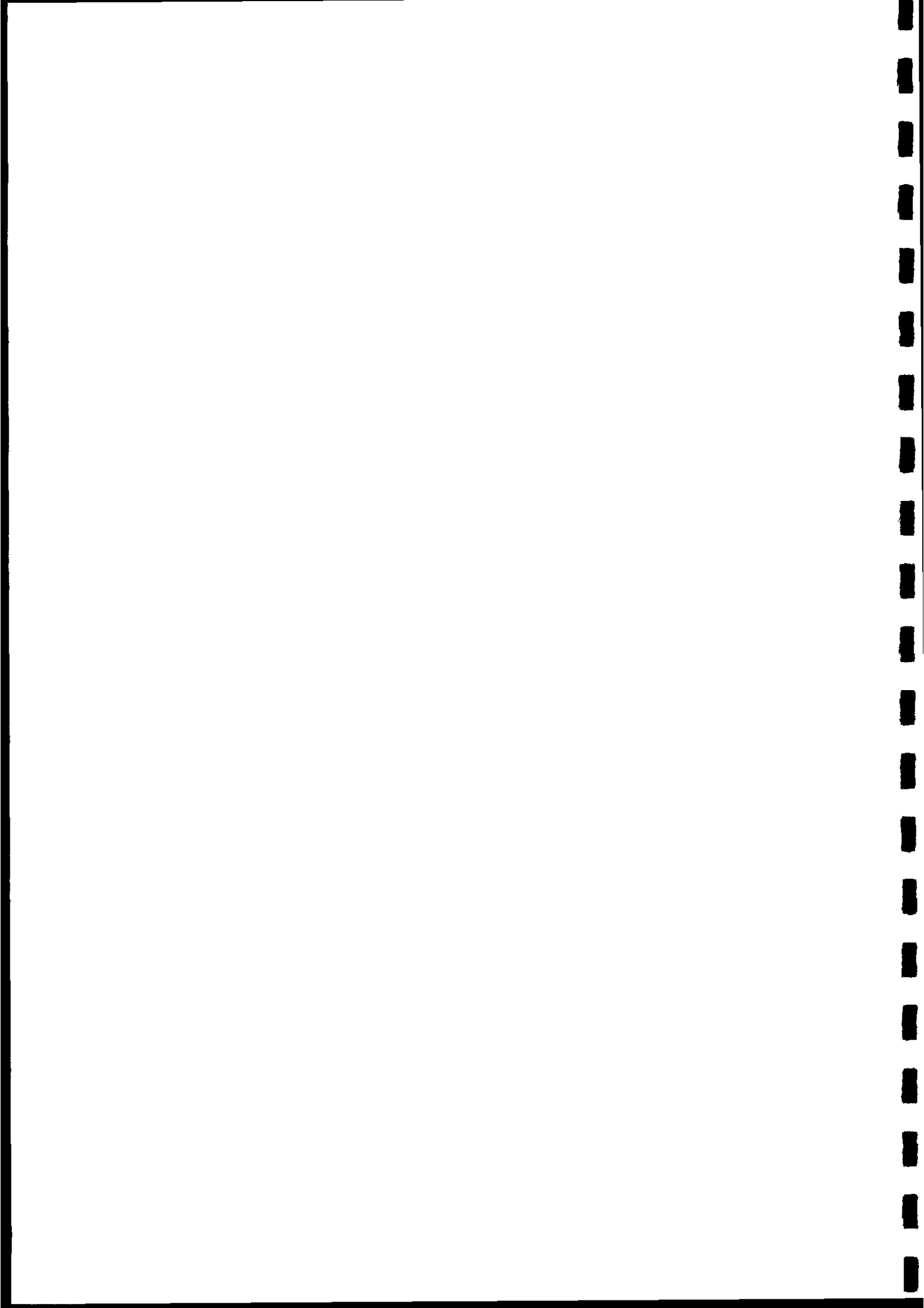
Although provision for claims outstanding are based upon the information currently available to the directors, subsequent information and events may show that the ultimate liability is less than, or in excess of, the amount provided. The methods used, and estimates made, are continually reviewed and any resulting adjustments are reported in the technical account for general business in the financial year in which they are made.

**4 Investment income**

|   | 1999<br>£000 | 1998<br>£000  |
|---|--------------|---------------|
| Interest income                         | 6,615        | 9,587         |
| Gains on the realisation of investments | 29           | 427           |
|   | <u>6,644</u> | <u>10,014</u> |

**5 Investment expenses and charges**

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| Investment management expenses including interest | (135)        | (277)        |



**Notes (continued)**

**6 Net operating expenses**

|  | 1999<br>£000   | 1998<br>£000   |
|--|----------------|----------------|
| Acquisition costs                                | (2,225)        | (3,769)        |
| Change in deferred acquisition costs             | (223)          | 198            |
| Administrative expenses                          | (2,843)        | (2,908)        |
| Reinsurance commissions and profit participation | (1)            | 1,446          |
| Foreign exchange gain/(loss)                     | 207            | (418)          |
|  | <u>(5,085)</u> | <u>(5,451)</u> |

**7 Remuneration of directors**

|                       | 1999<br>£000 | 1998<br>£000 |
|-----------------------|--------------|--------------|
| Directors' emoluments | <u>150</u>   | <u>166</u>   |

**Number of directors**  
 1999 1998

Retirement benefits are accruing to the following number of directors under:

|                         |          |          |
|-------------------------|----------|----------|
| Money purchase schemes  | -        | -        |
| Defined benefit schemes | <u>2</u> | <u>2</u> |

The number of directors who exercised share options was

|          |          |
|----------|----------|
| -        | -        |
| <u>-</u> | <u>-</u> |

The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was

|          |          |
|----------|----------|
| -        | -        |
| <u>-</u> | <u>-</u> |

Certain directors are also employees of the company's parent undertaking, ICI and are not remunerated for their services by the company. Accordingly, the foregoing disclosures do not include details of their remuneration and other benefits.

## Notes (continued)

### 8 Profit on ordinary activities before tax

|  | 1999<br>£00       | 1998<br>£000      |
|--|-------------------|-------------------|
| Profit on ordinary activities before tax is stated |                   |                   |
| <i>after crediting</i>                             |                   |                   |
| income from listed investments                     | 3,292             | 3,228             |
| <i>after charging</i>                              |                   |                   |
| Auditors' remuneration:                            |                   |                   |
| Audit  | 34                | 33                |
| Other services - audit of regulatory return        | 9                 | 9                 |
|  | <u>          </u> | <u>          </u> |

### 9 Staff numbers and costs

Management and administrative services are provided under the terms of a management agreement by a participating interest. In addition, 3 members of staff are employed by the parent undertaking. Accordingly, the company has no employees. The remuneration of the directors is charged as part of the management fee.

### 10 Tax on profits on ordinary activities

|   | 1999<br>£000      | 1998<br>£000      |
|---|-------------------|-------------------|
| UK corporation tax at 30% (1998: 31%) on profit for |                   |                   |
| - current year                                      | -                 | 4,616             |
| - prior year  | (171)             | (123)             |
| Deferred tax provided on dividend receivable        | 435               | -                 |
|   | <u>          </u> | <u>          </u> |
|   | 264               | 4,493             |
|   | <u>          </u> | <u>          </u> |

### 11 Investments in subsidiary and associated undertakings

|  | Current value     |                   | Cost              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 1999<br>£000      | 1998<br>£000      | 1999<br>£000      | 1998<br>£000      |
| Investments in subsidiary undertakings | 12,221            | 6,227             | 4,000             | 4,000             |
| Investment in associated undertaking   | 14,340            | 12,981            | 49                | 49                |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
|  | 26,561            | 19,208            | 4,049             | 4,049             |
|  | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

## Notes (continued)

### 11 Investments in subsidiary and associated undertakings (Continued)

Investments in subsidiary and associated undertakings comprise:

|                                   | Country of<br>incorporation | Principal<br>activity             | Class of<br>capital           | Percentage<br>held |
|-----------------------------------|-----------------------------|-----------------------------------|-------------------------------|--------------------|
| ICHEM Reinsurance Company Limited | Cayman<br>Islands           | Insurance and<br>Reinsurance      | Ordinary shares<br>of £1 each | 100%               |
| Chemont Insurance Company         | USA                         | Insurance and<br>Reinsurance      | Common stock<br>of US\$1 each | 100%               |
| I.C. Insurance Holdings Limited   | England<br>and Wales        | Management and<br>Holding company | Ordinary shares<br>of £1 each | 49%                |
| IC Insurance Limited *            | England<br>and Wales        | Insurance and<br>Reinsurance      | Ordinary shares<br>of £1 each | 49%                |

\* A wholly-owned subsidiary of I.C. Insurance Holdings Limited.

### 12 Other financial investments

|  | Current value |                | Cost          |                |
|--|---------------|----------------|---------------|----------------|
|  | 1999<br>£000  | 1998<br>£000   | 1999<br>£000  | 1998<br>£000   |
| Fixed income securities                  | 49,363        | 47,167         | 50,782        | 46,107         |
| Deposits with credit institutions        | 22,606        | 67,480         | 22,606        | 67,480         |
| Loan to fellow subsidiary undertaking    | 24,426        | -              | 24,426        | -              |
|  | <u>96,395</u> | <u>114,647</u> | <u>97,814</u> | <u>113,587</u> |
| Included in the above, were investments: |               |                |               |                |
| Listed on the UK stock exchange          | 44,266        | 42,494         | 45,402        | 41,397         |
| Listed on other investment exchanges     | 5,097         | 4,673          | 5,380         | 4,710          |
|  | <u>49,363</u> | <u>47,167</u>  | <u>50,782</u> | <u>46,107</u>  |

Deposits with credit institutions of £12,325,000 (1998: £12,128,000) have been pledged in support of a letter of credit issued by a bank in order to provide security to cedants in respect of claims outstanding. Further letters of credit totalling £671,000 (1998: 666,000) have been issued by a bank on an unsecured basis for similar purposes.



**Notes** (continued)

**13 Technical provisions**

|  | Provision for<br>Unearned<br>Premiums | Claims<br>outstanding | Total          |
|--|---------------------------------------|-----------------------|----------------|
|  | £000                                  | £000                  | £000           |
| <i>Gross amount</i>                          |                                       |                       |                |
| At beginning of year                         | 28,087                                | 133,561               | 161,648        |
| Foreign exchange movement                    | (62)                                  | (311)                 | (373)          |
| Amounts charged per technical account        | (9,261)                               | (16,924)              | (26,185)       |
| <b>Gross amount at 31 December 1999</b>      | <b>18,764</b>                         | <b>116,326</b>        | <b>135,090</b> |
| <i>Reinsurers' share</i>                     |                                       |                       |                |
| At beginning of year                         | 12,125                                | 78,029                | 90,154         |
| Foreign exchange movement                    | -                                     | (9)                   | (9)            |
| Amounts charged per technical account        | (4,262)                               | (8,223)               | (12,485)       |
| <b>Reinsurers' share at 31 December 1999</b> | <b>7,863</b>                          | <b>69,797</b>         | <b>77,660</b>  |

**14 Debtors arising out of direct insurance operations**

|                                    | 1999<br>£000 | 1998<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed by policyholders      | 1            | 131          |
| Amounts owed by intermediaries     | 264          | 275          |
| Amounts owed by group undertakings | 124          | 30           |
|                                    | <b>389</b>   | <b>436</b>   |

**15 Debtors arising out reinsurance operations**

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| Amounts owed by intermediaries          | 2,951        | 3,355        |
| Amounts owed by subsidiary undertakings | 6,060        | 3,862        |
|   | <b>9,011</b> | <b>7,217</b> |

**Notes (continued)**

**16 Creditors arising out of direct insurance operations**

|                                    | 1999<br>£000 | 1998<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed to policyholders      | 412          | 2,396        |
| Amounts owed by intermediaries     | 1,066        | 81           |
| Amounts owed to group undertakings | 1,412        | 5            |
|                                    | <u>2,890</u> | <u>2,482</u> |

**17 Creditors arising out of reinsurance operations**

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| Amounts owed to intermediaries          | 3,065        | 571          |
| Amounts owed to subsidiary undertakings | 599          | 148          |
|   | <u>3,664</u> | <u>719</u>   |

**18 Other creditors including taxation and social security**

|                                  | 1999<br>£000 | 1998<br>£000 |
|----------------------------------|--------------|--------------|
| Amounts payable within one year: |              |              |
| Corporation tax                  | -            | 3,795        |
| Other creditors                  | 1,047        | -            |
|                                  | <u>1,047</u> | <u>3,795</u> |

**19 Share capital**

|  | 1999<br>£000  | 1998<br>£000  |
|--|---------------|---------------|
| <i>Authorised</i>  |               |               |
| 50,000,000 (1998: 50,000,000) ordinary shares of £1 each | 50,000        | 50,000        |
|  | <u>50,000</u> | <u>50,000</u> |
| <i>Allotted, called up and fully paid</i>                |               |               |
| 34,049,001 (1998: 34,049,001) ordinary shares of £1 each | 34,049        | 34,049        |
|  | <u>34,049</u> | <u>34,049</u> |

## Notes (continued)

### 20 Reserves

|   | Profit and loss<br>account | Revaluation<br>reserve | Total<br>1999 | Total<br>1998 |
|---|----------------------------|------------------------|---------------|---------------|
|   | £000                       | £000                   | £000          | £000          |
| At beginning of year  | 17,955                     | 15,159                 | 33,114        | 30,479        |
| Retained profit for the year  | 149                        | -                      | 149           | 274           |
| Increase in current value of investments in<br>subsidiary and associated undertakings | -                          | 7,353                  | 7,353         | 2,361         |
| At end of year  | <u>18,104</u>              | <u>22,512</u>          | <u>40,616</u> | <u>33,114</u> |

### 21 Directors interests

The interests of the directors in office at the end of the financial year in the shares and debentures of ICI (the ultimate parent undertaking) were as follows:

|           | Class of share/<br>debenture | Holding at<br>31 December 1998<br>(or date of appointment) | Holding at<br>31 December 1999 |
|-----------|------------------------------|--|--------------------------------|
| DJ Gee    | ICI ordinary shares          | -  | -                              |
| D Taylor  | ICI ordinary shares          | -  | -                              |
| IN Canham | ICI ordinary shares          | 27   | 27                             |

Options to subscribe for ICI ordinary shares granted to and exercised by the directors in office at the end of the financial year were as follows:

|           | Shares under<br>option at<br>31 December 1998<br>(or date of appointment) | Granted | Exercised | Shares under<br>option at<br>31 December 1999 |
|-----------|---|---------|-----------|---|
| DJ Gee    | 33,143  | 36,757  | -         | 69,900  |
| D Taylor  | -   | -       | -         | -   |
| IN Canham | 576   | -       | -         | 576   |

**22      Related party transactions and balances**

The company has taken advantage of the exemption from disclosing related party information relating to group undertakings as it is a wholly-owned subsidiary and the consolidated financial statements in which the company is included are publicly available.

**23      Ultimate parent company**

The company is a subsidiary undertaking of Imperial Chemical Industries PLC which is the ultimate parent company and which is registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Imperial Chemical Industries PLC, registered in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from 9 Millbank, London SW1P 3JF. No other group accounts include the results of the company.