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# IC Insurance Limited

## Directors' report and financial statements

31 December 1997

THE COMPANIES ACT 1985  
IN THE UNITED KINGDOM  
OF GREAT BRITAIN  
AND NORTHERN IRELAND  
ACT 1985

Registered Number 218497



1 Adam Street  
London  
WC2N 6AW

# **IC INSURANCE LIMITED**

**Year ended 31 December 1997**

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# **IC INSURANCE LIMITED**

## **DIRECTORS' REPORT**

The Directors have pleasure in presenting their report together with the audited annual financial statements for the year ended 31 December 1997. These will be laid before the shareholders at the Annual General Meeting to be held on 7 May 1998 at 1 Adam Street, London WC2N 6AW.

### **Principal activity**

The principal activity of the Company is the underwriting of general insurance business. There were no significant changes to this activity during the year. It is anticipated, however, that the Company's activities will contract substantially during 1998.

### **Results**

The profit for the year after providing for taxation was £33,028,000 (1996 : £4,593,000). An amount of £6,972,000 after dividends has been transferred from reserves (1996 : £5,407,000).

### **Subsidiary undertaking**

The Company's wholly-owned subsidiary undertaking, Arbil International Insurance Limited ceased its underwriting activities during 1997 and was placed in members' voluntary liquidation on 22 April 1997.

### **Dividends**

Dividends totalling £40,000,000 (1996 : £10,000,000) were declared for the year ended 31 December 1997 and paid during the year. The Directors recommend that these dividends be confirmed the final dividends for the year.

### **Authorised and Issued Share Capital**

On 10 December 1997, upon obtaining court approval, the authorised ordinary share capital of the Company was reduced from 75,000,000 ordinary shares of £1 each to 20,000,000 ordinary shares of £1 each by the cancellation of 37,575,700 issued ordinary shares and 17,424,300 unissued shares. The cancellation of the issued shares has reduced the issued share capital from 57,575,700 ordinary shares of £1 each to 20,000,000 ordinary shares of £1 each.

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

The Directors in office at the end of the year were:-

G.M. Connell (Chairman)  
D. Taylor  
Dr J.M. Charlton  
A.C. Russell

J. Carruthers resigned as a Director on 31 January 1997.

N. Lyle resigned as a Director on 15 May 1997 and was replaced on the Board by A.C. Russell, who was appointed as a Director on the same date.

The interests of the Directors in office at the end of the year in the shares and debentures of Zeneca Group PLC (the ultimate parent) and its subsidiaries are shown in Note 26 to the financial statements.

# **IC INSURANCE LIMITED**

## **DIRECTORS' REPORT (Continued)**

### **Insurance for Directors and Officers**

The ultimate parent undertaking maintains directors' and officers' liability insurance, under which the Directors and Officers of the Company and its subsidiary undertaking are covered against liabilities which they may incur personally as a consequence of claims made against them alleging breach of duty or other wrongful acts or omissions in their capacity as Directors and Officers.

### **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.

### **Auditors**

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the Annual General Meeting.

By Order of the Board

D. Taylor  
Secretary

25 March 1998  
1 Adam Street  
WC2N 6AW  
London

# **IC INSURANCE LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are required by UK company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the profit or loss of the Company for that period. In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies framed by reference to reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. The Directors are responsible for ensuring proper accounting records are kept 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 taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **IC INSURANCE LIMITED**

## **REPORT OF THE AUDITORS TO THE MEMBERS OF IC INSURANCE COMPANY LIMITED**

We have audited the financial statements on pages 5 to 23.

### **Respective responsibilities of directors and auditors**

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

### **Equalisation reserves**

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 1997, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax, are disclosed in note 20.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

25 March 1998

**IC INSURANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
<b>TECHNICAL ACCOUNT - GENERAL BUSINESS</b>			
Gross premiums written	2	39,811	26,320
Outward reinsurance premiums		<u>(24,340)</u>	<u>(21,984)</u>
Net premiums written		<u>15,471</u>	<u>4,336</u>
Change in the gross provision for unearned premiums	20	7,803	4,390
Change in the provision for unearned premiums, reinsurers' share	20	<u>(7,539)</u>	<u>(4,073)</u>
Change in the net provision for unearned premiums		<u>264</u>	<u>317</u>
Earned premiums, net of reinsurance		15,735	4,653
Investment income	5	<u>2,201</u>	<u>1,809</u>
<b>TOTAL TECHNICAL INCOME</b>		<u>17,936</u>	<u>6,462</u>
Claims paid			
Gross amount		(20,440)	(27,961)
Reinsurers' share		<u>15,601</u>	<u>20,711</u>
		<u>(4,839)</u>	<u>(7,250)</u>
Change in the provision for claims			
Gross amount	20	14,995	23,535
Reinsurers' share	20	<u>(23,776)</u>	<u>(18,957)</u>
		<u>(8,781)</u>	<u>4,578</u>
Claims incurred, net of reinsurance		<u>(13,620)</u>	<u>(2,672)</u>
Net operating expenses	4	(1,664)	(508)
Investment expenses and charges	6	<u>(80)</u>	<u>(80)</u>
Balance on the technical account - general business		<u>2,572</u>	<u>3,202</u>

The notes on pages 11 to 23 form part of these financial statements

**IC INSURANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
<b>NON - TECHNICAL ACCOUNT</b>			
Balance on the technical account - general business		<b>2,572</b>	3,202
Investment income	5	<b>38,116</b>	5,588
Investment expenses and charges	6	<u><b>(1,979)</b></u>	<u>(1,478)</u>
Operating profit on ordinary activities before tax	7	<b>38,709</b>	7,312
Tax on profit on ordinary activities	10	<u><b>(5,681)</b></u>	<u>(2,719)</u>
Profit for the financial year after tax		<b>33,028</b>	4,593
Dividends	11	<u><b>(40,000)</b></u>	<u>(10,000)</u>
Retained loss for the financial year transferred to reserves	19	<u><b>(6,972)</b></u>	<u>(5,407)</u>

The notes on pages 11 to 23 form part of these financial statements



## IC INSURANCE LIMITED

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
Loss for the financial year		(6,972)	(5,407)
Movement on investment revaluation reserve	19	(31,055)	4,308
Movement in unrealised (losses)/gains on exchange	19	<u>(474)</u>	<u>30</u>
Total losses recognised since the last annual report		<u>(38,501)</u>	<u>(1,069)</u>

### RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

for the year ended 31 December 1997

		1997 £000	1996 £000
Profit for the financial year		33,028	4,593
Dividends		<u>(40,000)</u>	<u>(10,000)</u>
Retained loss for the year		(6,972)	(5,407)
Reduction in share capital	18	(37,576)	-
Other net (losses)/gains relating to the year	19	<u>(31,529)</u>	<u>4,338</u>
Net movement in shareholder's funds		(76,077)	(1,069)
Shareholder's funds at beginning of year		<u>97,013</u>	<u>98,082</u>
Shareholder's funds at end of year		<u>20,936</u>	<u>97,013</u>

The notes on pages 11 to 23 form part of these financial statements

# IC INSURANCE LIMITED

## BALANCE SHEET

At 31 December 1997

	Notes	1997 £000	1996 £000
<b>ASSETS</b>			
<b>Investments</b>			
Investments in group and associated undertakings	12	7,001	40,593
Other financial investments	13	<u>28,994</u>	<u>93,079</u>
		<b>35,995</b>	<b>133,672</b>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	20	260	7,799
Claims outstanding	20	<u>14,657</u>	<u>38,340</u>
		<b>14,917</b>	<b>46,139</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	3,271	2,614
Debtors arising out of reinsurance operations	15	23,125	10,214
Other debtors	16	<u>4,311</u>	<u>3,741</u>
		<b>30,707</b>	<b>16,569</b>
<b>Other assets</b>			
Cash at bank and in hand		9,547	4,198
<b>Prepayments and accrued income</b>			
Accrued interest		807	1,153
Deferred acquisition costs		<u>299</u>	<u>810</u>
		<b>1,106</b>	<b>1,963</b>
<b>Total assets</b>		<u><b>92,272</b></u>	<u><b>202,541</b></u>

The notes on pages 11 to 23 form part of these financial statements

# IC INSURANCE LIMITED

## BALANCE SHEET ( Continued)

At 31 December 1997

	Notes	1997 £000	1996 £000
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up share capital	18	20,000	57,576
Profit and loss account	19	3,944	10,916
Revaluation reserves	19	(3,008)	28,521
Shareholder's funds attributable to equity interests		20,936	97,013
<b>Technical provisions</b>			
Provisions for unearned premiums	20	1,436	9,189
Claims outstanding	20	49,276	64,404
		50,712	73,593
<b>Creditors - due within one year</b>			
Creditors arising out of direct insurance operations	21	1,317	3,131
Creditors arising out of reinsurance operations	22	14,006	17,340
Other creditors including taxation and social security	23	4,986	10,387
		20,309	30,858
Accruals and deferred income	24	315	1,077
<b>Total liabilities</b>		<b>92,272</b>	<b>202,541</b>

These accounts were approved by the Board of Directors on 25 March 1998 and were signed on its behalf by:

G.M. Connell  
Director

The notes on pages 11 to 23 form part of these financial statements

# IC INSURANCE LIMITED

## CASH FLOW STATEMENT

for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	25	<b>35,016</b>	<b>(1,386)</b>
Taxation paid		(6,300)	(2,885)
Equity dividends paid		(50,000)	(10,000)
Reduction in Ordinary Share Capital	18	<u>(37,576)</u>	<u>-</u>
	17	<u><b>(58,860)</b></u>	<u><b>(14,271)</b></u>
 <b>CASH FLOWS WERE INVESTED/(UTILISED) AS FOLLOWS</b>			
Increase in cash holdings		5,349	(3,500)
Net portfolio investment			
Sale of ordinary shares		(1,210)	-
Purchase of ordinary shares		797	-
Deposits with credit institutions		(54,089)	13,019
Sale of Gilts		<u>(9,707)</u>	<u>(23,790)</u>
		<u><b>(64,209)</b></u>	<u><b>(10,771)</b></u>
Net utilisation of cash flows	17	<u><b>(58,860)</b></u>	<u><b>(14,271)</b></u>
 <b>MOVEMENT IN OPENING AND CLOSING PORTFOLIO INVESTMENTS NET OF FINANCING</b>			
Net cash inflow/(outflow) for the period		5,349	(3,500)
Cash flow from net portfolio investment		<u>(64,209)</u>	<u>(10,771)</u>
Movement arising from cash flows		(58,860)	(14,271)
Changes in market values and exchange rate effects		<u>(1,249)</u>	<u>(1,251)</u>
Total movements in portfolio investments net of financing		<b>(60,109)</b>	<b>(15,522)</b>
Portfolio investments net of financing at 1.1.97		<u><b>98,650</b></u>	<u><b>114,172</b></u>
Portfolio investments net of financing at 31.12.97	17	<u><b>38,541</b></u>	<u><b>98,650</b></u>

The notes on pages 11 to 23 form part of these financial statements

# IC INSURANCE LIMITED

## Notes

### 1 Accounting policies

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

#### a) *Basis of preparation*

The financial statements have been prepared in accordance with the provisions of Section 255 of, and schedule 9A to, the Companies Act 1985.

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 profit and loss account only contains amounts determined with reference to assets carried at historical cost. Accordingly a separate statement of historical cost profits and losses is not necessary.

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.

Further information regarding the parent undertaking in whose consolidated accounts the Company is included is shown in note 29.

#### b) *Investments and investment income*

Investments in associated undertakings are stated at current value, which the Directors consider to be equivalent to the Company's share of the net assets of the underlying investments.

Listed investments are stated at mid-market value. Unlisted investments are valued by the Directors on a prudent basis with regard to their likely realisable values.

Realised gains and losses on the sale of financial investments are included in the profit and loss account non-technical account as part of investment income. Unrealised gains and losses are included in the revaluation reserve. 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 have been previously valued, their valuation at the last balance sheet date.

Investment income, expenses and charges (excluding dividends received and receivable from subsidiary undertakings) are attributed to the technical account - general business and the non-technical account in proportion to the investment funds required to be matched against technical liabilities and non-technical liabilities.

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

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

# IC INSURANCE LIMITED

## Notes (continued)

### 1. Accounting policies (continued)

#### d) *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 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.

#### e) *Provision for unearned premiums*

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

#### f) *Deferred acquisition costs*

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

#### g) *Claims incurred*

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

#### h) *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.

#### i) *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. Unrealised exchange gains and losses arising on business transacted in foreign currencies which are maintained in the original currency are taken to the exchange reserve.

#### j) *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 an actual liability will crystallise.

# IC INSURANCE LIMITED

## Notes (continued)

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

	1997	1997	1997	1997	1997
	Gross	Gross	Gross	Gross	Reinsurance
	premiums	premiums	claims	operating	balance
	written	earned	incurred	expenses	
	£000	£000	£000	£000	£000
Direct insurance:					
Accident & health	834	976	(702)	(246)	-
Marine, aviation and transport	4	1	(19)	(1)	(1)
Fire and other damage to property	12,470	15,605	(1,276)	(3,251)	(10,796)
Liability	243	358	1,770	(6)	(2,144)
Miscellaneous	9,461	12,005	1,454	(818)	(13,398)
	<u>23,012</u>	<u>28,945</u>	<u>1,227</u>	<u>(4,322)</u>	<u>(26,339)</u>
Reinsurance	<u>16,799</u>	<u>18,669</u>	<u>(6,672)</u>	<u>(1,901)</u>	<u>(9,156)</u>
	<u>39,811</u>	<u>47,614</u>	<u>(5,445)</u>	<u>(6,223)</u>	<u>(35,495)</u>
	1996	1996	1996	1996	1996
	Gross	Gross	Gross	Gross	Reinsurance
	premiums	premiums	claims	operating	balance
	written	earned	incurred	expenses	
	£000	£000	£000	£000	£000
Direct insurance:					
Accident & health	864	844	(669)	(116)	-
Marine, aviation and transport	269	269	(455)	(18)	376
Fire and other damage to property	5,092	5,493	(4,309)	(161)	(4,783)
Liability	(35)	(3)	(771)	(21)	(79)
Miscellaneous	1,295	1,515	(4,220)	(32)	(5,480)
	<u>7,485</u>	<u>8,118</u>	<u>(10,424)</u>	<u>(348)</u>	<u>(9,966)</u>
Reinsurance	<u>18,835</u>	<u>22,592</u>	<u>5,998</u>	<u>(4,111)</u>	<u>(10,386)</u>
	<u>26,320</u>	<u>30,710</u>	<u>(4,426)</u>	<u>(4,459)</u>	<u>(20,352)</u>

The activities of the Company take place in the United Kingdom.

The total amount of commission for direct insurance business was £3,743,000 (1996: £826,000)

# IC INSURANCE LIMITED

## Notes (continued)

### 3. Prior years' claims provisions

(Under)/over provisions for claims outstanding at the beginning of the year and payments and provisions at the end of the year in respect of prior years' claims are as follows:-

	1997 £000	1996 £000
Accident and health	(250)	(506)
Marine, aviation and transport	(184)	1,032
Fire and other damage to property	735	1,504
Liability	(2,886)	(2,175)
Miscellaneous	636	1,057
	<u>(1,949)</u>	<u>912</u>

Although provisions 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. Net operating expenses

	1997 £000	1996 £000
Acquisition costs	4,690	2,122
Change in gross deferred acquisition costs	529	1,314
	<u>5,219</u>	<u>3,436</u>
Administrative expenses	1,004	1,023
	<u>6,223</u>	<u>4,459</u>
Gross operating expenses	(3,960)	(2,573)
Reinsurance commissions and profit participation	(599)	(1,378)
Change in deferred reinsurance commission		
	<u>1,664</u>	<u>508</u>

### 5. Investment income

	Technical account		Non-technical account	
	1997 £000	1996 £000	1997 £000	1996 £000
Dividends from subsidiary undertaking	-	-	3,060	-
Gain on partial realisation of investment in subsidiary undertaking	-	-	31,000	-
Income from other investments	2,201	1,809	4,056	5,588
	<u>2,201</u>	<u>1,809</u>	<u>38,116</u>	<u>5,588</u>



# IC INSURANCE LIMITED

## Notes (continued)

### 6. Investment expenses and charges

	Technical account		Non-technical account	
	1997	1996	1997	1996
	£000	£000	£000	£000
Investment management expenses	80	80	40	40
Provision for permanent diminution in value of listed investments	-	-	800	1,000
Losses on the realisation of investments	-	-	1,139	438
	<u>80</u>	<u>80</u>	<u>1,979</u>	<u>1,478</u>

### 7. Profit on ordinary activities before tax

	1997	1996
	£000	£000
Profit on ordinary activities before tax is stated:-		
<i>after crediting</i>		
Income from listed investments	2,529	5,666
<i>after charging</i>		
Auditors' remuneration		
Audit	33	25
Other services - audit of regulatory return	8	7
- other non audit services	25	5
	<u>66</u>	<u>37</u>

### 8. Remuneration of Directors

	1997	1996
	£000	£000
Directors' emoluments	<u>90</u>	<u>91</u>
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	-	-
Defined benefit schemes	<u>3</u>	<u>3</u>
The number of Directors who exercised share options was	<u>1</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 employees of the Company's ultimate shareholders and are not remunerated for their services by the Company. Accordingly, the foregoing disclosures do not include details of their remuneration and other benefits.

# IC INSURANCE LIMITED

## Notes (continued)

### 9. Staff numbers and costs

All management and administrative services are provided under the terms of a management agreement by the parent undertaking. Accordingly, the Company and its subsidiary have no employees. The remuneration of the Directors is charged as part of the management fee.

### 10. Taxation

	1997 £000	1996 £000
UK Corporation tax at 31.5% - (1996: 33%) current year	5,132	1,767
Tax attributable to Franked Investment Income	535	944
Overseas taxation	14	8
	<u>5,681</u>	<u>2,719</u>

### 11. Dividends

Dividends totalling £40,000,000 (69.5p per share) (1996 : £10,000,000 - 17.4p per share) were declared for the period ended 31 December 1997 and paid during the year.

### 12. Investments in subsidiary and associated undertakings

	Current value		Cost	
	1997 £000	1996 £000	1997 £000	1996 £000
Shares in subsidiary undertaking	7,001	39,220	6,926	6,926
Shares in associated undertaking	-	1,373	-	1,303
	<u>7,001</u>	<u>40,593</u>	<u>6,926</u>	<u>8,229</u>

Shares in subsidiary undertaking represents the Company's investment in 6,500,000 ordinary shares of £1 each in its wholly owned subsidiary, Arbil International Insurance Limited, registered in the Cayman Islands, which was placed into members voluntary liquidation on 22 April 1997.

The associated undertaking consisted of a 50% share in Blair International Insurance (Cayman) Limited, which was sold during the year.

# IC INSURANCE LIMITED

## Notes (continued)

### 13. Other financial investments

	Current value		Cost	
	1997 £000	1996 £000	1997 £000	1996 £000
Shares and other variable yield securities	805	-	797	-
Debt securities and other fixed-income securities	20,911	31,331	22,634	34,280
Deposits with credit institutions	7,278	61,748	7,278	61,748
	<u>28,994</u>	<u>93,079</u>	<u>30,709</u>	<u>96,028</u>

Included in the above were investments:

Listed on the UK Stock Exchange	20,911	31,331	22,634	34,280
Unlisted investments	<u>805</u>	<u>-</u>	<u>797</u>	<u>-</u>

Letters of credit amounting to £2,077,000 (1996 - £2,099,000) have been issued by a bank on behalf of the Company in order to provide security to cedants in respect of claims outstanding.

### 14. Debtors arising out of direct insurance operations

	1997 £000	1996 £000
Amounts owed by policyholders	1,124	1,591
Amounts owed by intermediaries	<u>2,147</u>	<u>1,023</u>
	<u>3,271</u>	<u>2,614</u>

### 15. Debtors arising out of reinsurance operations

	1997 £000	1996 £000
Amounts owed by participating interest	-	199
Other reinsurance debtors	<u>23,125</u>	<u>10,015</u>
	<u>23,125</u>	<u>10,214</u>

### 16. Other debtors

	1997 £000	1996 £000
Corporation tax recoverable	4,202	3,583
Other debtors	<u>109</u>	<u>158</u>
	<u>4,311</u>	<u>3,741</u>

# IC INSURANCE LIMITED

Notes (continued)

## 17. Movement in cash, portfolio investments and financing

	At 1 January 1997 £000	Cash Flow £000	Changes to Market values £000	Other Movements £000	At 31 December 1997 £000
Cash at bank	4,198	5,349	-	-	9,547
Ordinary shares	1,373	(413)	-	-	960
Deposits with credit institutions	61,748	(54,089)	(49)	(487)	7,123
Fixed income securities	31,331	(9,707)	1,226	(1,939)	20,911
	<u>98,650</u>	<u>(58,860)</u>	<u>1,177</u>	<u>(2,426)</u>	<u>38,541</u>

## 18. Share capital

	1997 £000	1996 £000
<i>Authorised</i>		
20,000,000 (1996: 75,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>75,000</u>
<i>Allotted, called up and fully paid</i>		
20,000,000 (1996: 57,575,700) ordinary shares of £1 each	<u>20,000</u>	<u>57,576</u>

During the year, upon obtaining court approval, the authorised share capital of the Company was reduced by the cancellation of 37,575,700 issued ordinary shares and 17,424,300 unissued shares.

## 19. Reserves

	Exchange revaluation reserve £000	Investment revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year	(897)	29,418	10,916	39,437
Retained loss for the year	-	-	(6,972)	(6,972)
Distribution received from subsidiary	-	(34,060)	-	(34,060)
Revaluation of other financial investments	-	3,005	-	3,005
Currency translation differences	<u>(474)</u>	<u>-</u>	<u>-</u>	<u>(474)</u>
At end of year	<u>(1,371)</u>	<u>(1,637)</u>	<u>3,944</u>	<u>936</u>

# IC INSURANCE LIMITED

## Notes (continued)

### 20. Technical provisions

	Provision or unearned premiums £000	Claims outstanding £000	Total £000
Gross amount			
At beginning of year	9,189	64,404	73,593
Exchange gain/(loss)	50	(133)	(83)
Movement in the provision	(7,803)	(14,995)	(22,798)
At end of year	<u>1,436</u>	<u>49,276</u>	<u>50,712</u>
Reinsurance amount			
At beginning of year	7,799	38,340	46,139
Exchange gain	-	93	93
Movement in the provision	(7,539)	(23,776)	(31,315)
At end of year	<u>260</u>	<u>14,657</u>	<u>14,917</u>
Net technical provisions			
At end of year	<u>1,176</u>	<u>34,619</u>	<u>35,795</u>
At beginning of year	<u>1,390</u>	<u>26,064</u>	<u>27,454</u>

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. At 31 December 1997 the equalisation provision amounted to £194,000 (1996: £121,000) and due to the immateriality of the amount is included in claims outstanding. The effect of the movement of this provision during the year on the balance on the general business technical account and profit before tax was £73,000.

### 21. Creditors arising out of direct insurance operations

	1997 £000	1996 £000
Amounts owed to policyholders	75	3,029
Amounts owed to intermediaries	<u>1,242</u>	<u>102</u>
	<u>1,317</u>	<u>3,131</u>

# IC INSURANCE LIMITED

## Notes (continued)

### 22. Creditors arising out of reinsurance operations

	1997 £000	1996 £000
Amounts owed to cedants	<u>14,006</u>	<u>17,340</u>

### 23. Other creditors including taxation and social security

	1997 £000	1996 £000
Amounts due to parent undertaking	4,759	278
Amounts due to participating interest	159	-
Dividend payable	-	10,000
Other creditors	<u>68</u>	<u>109</u>
	<u>4,986</u>	<u>10,387</u>

### 24. Accruals and deferred income

	1997 £000	1996 £000
Deferred reinsurance commissions	76	675
Other accruals and deferred income	<u>239</u>	<u>402</u>
	<u>315</u>	<u>1,077</u>

### 25. Reconciliation of profit before tax to net cash outflow from operating activities

	1997 £000	1996 £000
Operating profit on ordinary activities before taxation	38,709	7,312
Realised loss on investments	1,139	438
Value adjustment on investments	800	1,000
Increase in accrued income and prepayments	857	1,470
Decrease in accruals and deferred income	(762)	(1,821)
(Increase) / Decrease in debtors	(13,519)	7,300
Decrease in creditors	(549)	(11,446)
Increase / (Decrease) in technical provisions	<u>8,341</u>	<u>(5,639)</u>
Net cash inflow / (outflow) from operating activities	<u>35,016</u>	<u>(1,386)</u>

# IC INSURANCE LIMITED

## Notes (continued)

### 26. Directors' interests

The interests of the Directors in office at the end of the year in the shares, stock and debentures of the companies in Zeneca Group PLC ("Zeneca") (the ultimate holding company) were as follows:-

	Class of Share/Debenture	Holding at 1 January 1997 (or date of appointment)	Holding at 31 December 1997
G.M. Connell	Zeneca Ordinary Shares	5,739	12,057
D. Taylor	Zeneca Ordinary Shares	1,894	3,376
J.M. Charlton	Zeneca Ordinary Shares	2,708	508
A.C. Russell	Zeneca Ordinary Shares	2,240	3,609

Options to subscribe for Zeneca Ordinary Shares granted to and exercised by the Directors in office at the end of the financial year were as follows:-

	Shares under option at 1 January 1997 (or date of appointment)	Granted	Exercised	Shares under option at 31 December 1997
G.M. Connell	58,424	7,364	28,800	36,988
D. Taylor	10,479	2,307	-	12,786
J.M. Charlton	-	-	-	-
A.C. Russell	24,238	392	7,869	16,761

### 27. Commitments

The Company has a commitment to make annual rental payments of £723,000 in respect of a building lease expiring in December 2008. These payments are currently re-charged to I.C. Insurance Holdings Limited which provides management services to the Company and to two related insurance companies. A proportion of lease rental payments is re-charged to the Company as a component of the overall charge for management services. In 1997 the amount so charged was approximately £145,000.

## IC INSURANCE LIMITED

### Notes (continued)

#### 28. Related party balances and transactions

The Company assumes insurance from, and cedes reinsurance to, both related and unrelated parties. During the year, transactions undertaken with the ultimate shareholders or with companies connected with the ultimate shareholders were, in aggregate, as follows:

	1997 £000	1996 £000
Gross premiums written	(87)	41
Claims paid	<u>3,404</u>	<u>10,288</u>
At 31 December 1997 balances outstanding with group undertakings were:		
Debtors arising out of insurance/reinsurance operations	987	3,823
Creditors arising out of insurance/reinsurance operations	<u>1,188</u>	<u>6,949</u>

On 15 April 1997 certain of the Company's business previously reinsured to its wholly-owned subsidiary Arbil International Insurance Limited ("Arbil") was commuted, whilst the remainder of Arbil's business was acquired by the Company under a novation agreement, at a price established after taking advice from independent actuaries.

The Company received payment from Arbil of £5,952,000 in respect of commuted reinsurance recoveries and £11,374,000 in respect of the business acquired under the novation agreement.

During 1997, the Company entered into Novation Agreements with ICHEM Insurance Company Limited ("ICHEM") and Zeneca Insurance Company Limited ("Zeneca"), both of which are related parties, under the terms of which ICHEM and Zeneca assumed certain historical liabilities in respect of UK Employers Liability Risks of their respective parent companies (Imperial Chemical Industries PLC and Zeneca Group PLC)

Similarly, the Company entered into Novation Agreements with ICHEM Reinsurance Company Limited ("ICHEM Re") and Zeneca Reinsurance Company Limited ("Zeneca Re"), both of which are related parties. Under the terms of these agreements the 100% protections provided to the Company by ICHEM Re and Zeneca Re in respect of the same risks were transferred to ICHEM & Zeneca.

The immediate shareholder, I.C. Insurance Holdings Limited, provides management and advisory services to the Company charging a management fee for these services. Amounts charged and year end balances are shown in the accounts of I.C. Insurance Holdings Limited.

At the year end an amount of £4,550,000 was due to the immediate parent. This was repaid subsequent to the year end.



## **IC INSURANCE LIMITED**

**Notes** (continued)

### **29. Ultimate holding company**

The ultimate holding company of IC Insurance Limited is Zeneca Group PLC, a company incorporated in England. The consolidated accounts of Zeneca Group PLC are available to the public and can be obtained from 15, Stanhope Gate, London, SW1Y 6LN.