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IC Insurance Limited

Directors' report and financial statements

31 December 1995

1 Adam Street
London
WC2N 6AW
Registered Number 218497



IC INSURANCE LIMITED

Year ended 31 December 1995

Directors' report and financial statements

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IC INSURANCE LIMITED

DIRECTORS REPORT 31 DECEMBER 1995

The directors present their annual report together with the financial statements for the year ended 31 December 1995. These will be laid before the shareholders at the Annual General Meeting to be held on 1 August 1996 at 1 Adam Street, London WC2N 6AW.

Principal activity

The principal activity of the Company and its subsidiary undertaking is the underwriting of general insurance business. There were no significant changes to this activity during the year and there are currently no plans for changes in 1996.

Details of the Company's subsidiary and associated undertakings are given in Note 12 to the financial statements.

Results

The consolidated profit for the year after providing for taxation was £11,345,000

The directors recommend the payment of an ordinary dividend of £10,000,000 (1994: £19,000,000) and that this be confirmed and termed the Final Dividend for the year.

Directors and directors' interests

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

G.M. Connell (Chairman)

N. Lyle

D. Taylor

J. Carruthers (appointed 15 March 1995)

J.R. Hirst (appointed 1 April 1995)

A.J. Fleming and D.A. Searles resigned as Directors on 15 March 1995 and 1 April 1995 respectively. J.R. Hirst resigned as a Director on 1 April 1996 and was replaced by J.M. Charlton, who was appointed as a Director on 15 April 1996.

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 29 to the accounts.

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 undertakings 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.

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 Group and the Company as at the end of the accounting period and of the profit or loss of the Group 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 Group 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 the Group 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.

Auditors

The Company's auditors, KPMG, have indicated that a limited liability company, KPMG Audit Plc, is to assume responsibility for certain aspects of their audit business. Accordingly, a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the Company.

By order of the board

D. Taylor
Secretary

1 Adam Street
London
WC2N 6AW

REPORT OF THE AUDITORS TO THE MEMBERS OF IC INSURANCE LIMITED

We have audited the financial statements on pages 4 to 23.

Respective responsibilities of Directors and auditors

As described on page 2 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 group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group as at 31 December 1995 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors
London

21 June 1996

IC INSURANCE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

	Notes	1995 £000	1994 £000 Re-stated
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written			
Outward reinsurance premiums	3	88,761 <u>(73,977)</u>	87,372 <u>(70,625)</u>
Net premiums written		<u>14,784</u>	<u>16,747</u>
Change in the gross provision for unearned premiums	20	871	29,455
Change in the provision for unearned premiums, reinsurers' share	20	<u>1,962</u>	<u>(11,120)</u>
Change in the net provision for unearned premiums		<u>2,833</u>	<u>18,335</u>
Earned premiums, net of reinsurance		17,617	35,082
Investment income	6	2,887	5,045
Other technical income, net of reinsurance		<u>282</u>	<u>(1,540)</u>
TOTAL TECHNICAL INCOME		<u>20,786</u>	<u>38,587</u>
Claims paid - Gross amount		(120,558)	(69,331)
Reinsurers' share		<u>68,106</u>	<u>27,825</u>
		<u>(52,452)</u>	<u>(41,506)</u>
Change in the provision for claims - Gross amount	20	52,891	(34,553)
Reinsurers' share	20	<u>(13,318)</u>	<u>43,524</u>
		<u>39,573</u>	<u>8,971</u>
Claims incurred, net of reinsurance		<u>(12,879)</u>	<u>(32,535)</u>
Net operating expenses	5	(3,744)	(6,785)
Investment expenses and charges	7	<u>(70)</u>	<u>(124)</u>
Balance on the technical account - general business		<u>4,093</u>	<u>(857)</u>

The notes on pages 10 to 23 form part of these financial statements

IC INSURANCE LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1995

	Notes	1995 £000	1994 £000 Re-stated
NON - TECHNICAL ACCOUNT			
Balance on the technical account - general business		4,093	(857)
Investment income	6	19,054	21,427
Investment expenses and charges	7	<u>(8,402)</u>	<u>(8,835)</u>
		<u>10,652</u>	<u>12,592</u>
Profit on ordinary activities before tax	8	14,745	11,735
Tax on profit on ordinary activities	10	<u>(3,400)</u>	<u>(6,000)</u>
Profit for the financial year after tax		11,345	5,735
Dividends	11	<u>(10,000)</u>	<u>(19,000)</u>
Retained profit / (loss) for the financial year transferred to reserves	19	<u><u>1,345</u></u>	<u><u>(13,265)</u></u>

The notes on pages 10 to 23 form part of these financial statements

IC INSURANCE LIMITED
CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 1995

	1995 £000	1994 £000 Re-stated
Profit for the financial year	11,345	5,735
Movement in unrealised gains/(losses) on investments	12,257	(22,429)
Movement in unrealised losses on exchange	<u>(1,693)</u>	<u>(621)</u>
Total recognised gains and losses recognised since last annual report	<u><u>21,909</u></u>	<u><u>(17,315)</u></u>

CONSOLIDATED RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS
for the year ended 31 December 1995

	1995 £000	1994 £000 Re-stated
Profit for the financial year	11,345	5,735
Dividends	<u>(10,000)</u>	<u>(19,000)</u>
Retained profit / (loss) for the year	1,345	(13,265)
Other gains and losses relating to the year (net)	<u>10,564</u>	<u>(23,050)</u>
Net movement to shareholder's funds	11,909	(36,315)
Opening shareholder's funds	<u>28,597</u>	<u>64,912</u>
Closing shareholder's funds	<u><u>40,506</u></u>	<u><u>28,597</u></u>

The notes on pages 10 to 23 form part of these financial statements

IC INSURANCE LIMITED
BALANCE SHEET
At 31 December 1995

		Group		Company	
	Notes	1995 £000	1994 £000 Re-stated	1995 £000	1994 £000 Re-stated
ASSETS					
Investments					
Investments in group undertakings and participating interests					
Other financial investments	12	1,843	2,390	36,474	26,098
	13	<u>200,759</u>	<u>245,789</u>	<u>105,101</u>	<u>139,426</u>
		202,602	248,179	141,575	165,524
Reinsurers' share of technical provisions					
Provision for unearned premiums	20	17,443	15,354	11,800	9,962
Claims outstanding	20	<u>143,328</u>	<u>157,377</u>	<u>58,407</u>	<u>77,227</u>
		160,771	172,731	70,207	87,189
Debtors					
Debtors arising out of direct insurance operations	14	2,162	10,217	2,162	10,217
Debtors arising out of reinsurance operations	15	18,327	21,231	9,141	12,803
Other debtors	16	<u>5,368</u>	<u>4,166</u>	<u>5,368</u>	<u>4,166</u>
		25,857	35,614	16,671	27,186
Other assets					
Intangible assets					
Cash at bank and in hand	17	-	513	-	513
		<u>8,820</u>	<u>21,760</u>	<u>7,698</u>	<u>21,760</u>
		8,820	22,273	7,698	22,273
Prepayments and accrued income					
Accrued interest		1,562	4,217	1,380	1,856
Deferred acquisition costs		2,124	1,847	2,053	1,778
Other prepayments and accrued income		<u>1,026</u>	<u>55</u>	<u>-</u>	<u>54</u>
		4,712	6,119	3,433	3,688
Total assets		<u><u>402,762</u></u>	<u><u>484,916</u></u>	<u><u>239,584</u></u>	<u><u>305,860</u></u>

The notes on pages 10 to 23 form part of these financial statements

IC INSURANCE LIMITED
BALANCE SHEET (Continued)
At 31 December 1995

		Group		Company	
	Notes	1995 £000	1994 £000 Re-stated	1995 £000	1994 £000 Re-stated
LIABILITIES					
Capital and reserves					
Called up share capital	18	57,576	57,576	57,576	57,576
Revaluation reserves	19	(4,396)	(14,960)	24,183	7,672
Profit and loss account		<u>44,902</u>	<u>43,557</u>	<u>16,323</u>	<u>20,925</u>
Shareholder's funds attributable to equity interests		98,082	86,173	98,082	86,173
Technical provisions					
Provisions for unearned premiums	20	19,233	19,977	13,484	14,415
Claims outstanding	20	<u>241,867</u>	<u>296,154</u>	<u>89,816</u>	<u>130,074</u>
		261,100	316,131	103,300	144,489
Creditors					
Creditors arising out of direct insurance operations	21	1,478	8,811	1,478	8,811
Creditors arising out of reinsurance operations	22	27,782	40,509	23,568	33,268
Other creditors including taxation and social security	23	<u>10,258</u>	<u>30,758</u>	<u>10,258</u>	<u>30,758</u>
		39,518	80,078	35,304	72,837
Accruals and deferred income	24	<u>4,062</u>	<u>2,534</u>	<u>2,898</u>	<u>2,361</u>
Total liabilities		<u>402,762</u>	<u>484,916</u>	<u>239,584</u>	<u>305,860</u>

The accounts on pages 4 to 23 were approved by the Board of Directors on 21 June 1996 and were signed on its behalf by:

M. Connell
Director

The notes on pages 10 to 23 form part of these financial statements

IC INSURANCE LIMITED
GROUP CASH FLOW STATEMENT
for the year ended 31 December 1995

	Notes	1995 £000	1994 £000 Re-stated
Net cash (outflow) / inflow from operating activities	25	(41,667)	3,414
Return on investments and servicing of finance			
Dividend received from participating interest		-	962
Dividends paid	11	(19,000)	(11,000)
Net cash outflow from returns on investments and servicing of finance		(19,000)	(10,038)
Taxation			
Corporation tax paid		(5,806)	(7,012)
Investment activities			
Purchases of investments		(57,386)	(329,889)
Sales of investments		178,257	247,083
Purchases of short-term deposits maturing after three months		(1,872)	-
Sales of short-term deposits maturing after three months		5,000	5,593
Purchases of tangible fixed assets		-	(331)
Sales of tangible fixed assets		513	-
Proceeds from liquidation of participating interest		747	4,000
Net cash inflow / (outflow) from investment activities		125,259	(73,544)
Increase / (decrease) in cash and cash equivalents		58,786	(87,180)
Cash and cash equivalents at beginning of year		80,347	167,527
Cash and cash equivalents at end of year	26	139,133	80,347

The notes on pages 10 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 Group's financial statements, except for the changes in accounting policies described in note 2.

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 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 (the "1993 Regulations"). The comparative figures have been re-classified to conform with the basis of presentation adopted for the current year.

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.

Further information regarding the parent undertaking in whose consolidated accounts the Group is included is shown in note 30.

The Group has taken advantage of the transitional amendment to FRS5, which defers the effective date of certain requirements of FRS5 relating to debtors and creditors arising from insurance broking transactions.

Investments and investment income

Investments in group undertakings and participating interests 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 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.

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)

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.

Provision for unearned premiums

Unearned premiums are calculated 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

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

Provision for claims outstanding

Outstanding claims 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.

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 exchange gains are credited to the exchange reserve. Net exchange 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.

IC INSURANCE LIMITED**Notes (continued)****2. Changes in accounting policies**

The fund basis of accounting was applied to marine and treaty business until 31 December 1994. This policy was changed to an annual basis for the year ended 31 December 1995. The profit before tax would have been £105,000 less if the fund basis of accounting had been used in preparing the profit and loss account for the year ended 31 December 1995. The effect of this change in accounting policy on the profit and loss account in 1994 was not material.

In prior years, realised gains and losses on the disposal of debt securities and other fixed income securities were taken directly to reserves. Following the implementation of the 1993 Regulations, this policy has been changed. All realised gains and losses on the disposal of debt securities and fixed income securities are now dealt with through the profit and loss account. The profit before taxation would have been £2,821,000 more (1994-£1,697,000 more) if the previous policy had been applied in the current year. The effect of this change in policy on the consolidated balance sheet at 31 December 1994 was to increase the balance on the profit and loss account by £36,488,000 and reduce the revaluation reserve by the same amount. The effect on the Company's balance sheet at 31 December 1994 was an increase in the balance on the profit and loss account of £10,476,000 and an equivalent reduction in the revaluation reserve.

The 1993 Regulations require that all investments are carried at current value. Accordingly, the accounting policy adopted by the Company in valuing its investments in group undertakings and participating interests, which in previous years were carried at cost, has been changed. The excess of current value over the cost of investments in group undertakings and participating interests is transferred to the revaluation reserve. The 1994 comparative figures have been restated to reflect this change in accounting policy. There is, however, no effect on the profits of the current or prior years. The change in policy resulted in an increase in investments in group undertakings and participating interests in the Company's balance sheet at 31 December 1994 of £17,219,000 and an increase in the revaluation reserve of the same amount.

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

	1995 Gross premiums written £000	1995 Gross premiums earned £000	1995 Gross claims incurred £000	1995 Gross operating expenses £000	1995 Reinsurance balance £000
Direct insurance:					
Accident & health	876	919	(507)	(151)	-
Marine, aviation and transport	4,351	4,351	(2,674)	(596)	(793)
Fire and other damage to property	7,119	7,864	(1,099)	(1,081)	(3,855)
Liability	(463)	(351)	3,534	(30)	(1,832)
Miscellaneous	1,949	2,710	(13,222)	(415)	6,999
	<u>13,832</u>	<u>15,493</u>	<u>(13,968)</u>	<u>(2,273)</u>	<u>519</u>
Reinsurance	<u>74,929</u>	<u>74,139</u>	<u>(53,699)</u>	<u>(7,909)</u>	<u>(11,308)</u>
	<u><u>88,761</u></u>	<u><u>89,632</u></u>	<u><u>(67,667)</u></u>	<u><u>(10,182)</u></u>	<u><u>(10,789)</u></u>

IC INSURANCE LIMITED

Notes (continued)

3. Analysis of gross premiums written, gross premiums earned, gross claims incurred, and operating expenses and the reinsurance balance. (continued)

	1994 Gross premiums written £000	1994 Gross premiums earned £000	1994 Gross claims incurred £000	1994 Gross operating expenses £000	1994 Reinsurance balance £000
Direct insurance:					
Accident & health	2,072	1,945	(2,190)	(343)	-
Marine, aviation and transport	5,551	5,551	1,533	(602)	(6,886)
Fire and other damage to property	10,032	13,088	(10,600)	(1,662)	447
Liability	1,704	11,008	(13,199)	(664)	1,569
Miscellaneous	3,792	6,978	(33,678)	(678)	15,301
	<u>23,151</u>	<u>38,570</u>	<u>(58,134)</u>	<u>(3,949)</u>	<u>10,431</u>
Reinsurance	<u>64,221</u>	<u>78,257</u>	<u>(45,750)</u>	<u>(7,104)</u>	<u>(16,559)</u>
	<u>87,372</u>	<u>116,827</u>	<u>(103,884)</u>	<u>(11,053)</u>	<u>(6,128)</u>

4. Prior years' claims provisions

(Under)/over provisions for claims 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:-

	1995 £000	1994 £000
Accident and health		
Marine, aviation and transport	(273)	(1,764)
Fire and other damage to property	274	(1,071)
Liability	517	8,709
Miscellaneous	2,935	(5,447)
	<u>(976)</u>	<u>11,761</u>
	<u>2,477</u>	<u>12,188</u>

Although provisions for claims 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.

IC INSURANCE LIMITED
Notes (continued)
5. Net operating expenses

	1995 £000	1994 £000
Acquisition costs		
Change in gross deferred acquisition costs	9,371 (277)	9,909 (1,826)
Administrative expenses	9,094 1,088	8,083 2,970
Gross operating expenses	10,182	11,053
Reinsurance commissions and profit participation	(6,900)	(5,850)
Change in deferred reinsurance commission	462	1,582
	<u>3,744</u>	<u>6,785</u>

6. Investment income

	Technical account		Non-technical account	
	1995 £000	1994 £000	1995 £000	1994 £000
Income from participating interests	-	-	200	588
Income from other investments	2,887	5,045	14,113	14,255
Gains on the realisation of investments	-	-	4,741	6,584
	<u>2,887</u>	<u>5,045</u>	<u>19,054</u>	<u>21,427</u>

7. Investment expenses and charges

	Technical account		Non-technical account	
	1995 £000	1994 £000	1995 £000	1994 £000
Investment management expenses	70	124	340	352
Losses on the realisation of investments	-	-	7,562	8,281
Value adjustments on investments	-	-	500	202
	<u>70</u>	<u>124</u>	<u>8,402</u>	<u>8,835</u>

IC INSURANCE LIMITED

Notes (continued)

8. Profit on ordinary activities before tax

	1995 £000	1994 £000
Profit on ordinary activities before tax is stated:-		
<i>after crediting</i>		
Income from listed investments	5,548	6,743
<i>after charging</i>		
Depreciation		
Auditors' remuneration	-	133
Audit		
Other services	48	43
Commissions payable in respect of direct insurance business	12	7
	1,889	3,032

9. Remuneration of directors

	1995 £000	1994 £000
Remuneration as executives	83	165

The emoluments, excluding pension contributions, of the Chairman were £20,641 (1994:£62,821) and those of the highest paid director were £33,427 (1994:£62,821).

The emoluments, excluding pension contributions, of the directors (including the Chairman and the highest paid director) were within the following ranges

	Number of directors	
	1995	1994
£0 - £5,000		
£10,001 - £15,000	4	3
£20,001 - £25,000	1	-
£30,001 - £35,000	1	-
£35,001 - £40,000	1	-
£40,001 - £45,000	-	1
£60,001 - £65,000	-	1
	-	1

10. Taxation

	1995 £000	1994 £000
UK Corporation tax at 33% (1994-33%) on the result for the year	1,374	4,169
Tax attributable to Franked Investment Income	1,962	1,684
Overseas taxation	64	147
	3,400	6,000

Dividends

The Directors recommend the payment of a dividend of £10,000,000 (17.4 p per share) (1994 - £19,000,000: 33pence per share). The dividend is payable on or before 30 June 1996.

IC INSURANCE LIMITED

Notes (continued)

12. Investments in group undertakings and participating interests

	Group			
	Current value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Participating interest	<u>1,843</u>	<u>2,390</u>	<u>1,303</u>	<u>1,953</u>

	Company			
	Current value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Shares in group undertaking	34,631	23,708	6,926	6,926
Participating interest	<u>1,843</u>	<u>2,390</u>	<u>1,303</u>	<u>1,953</u>
	<u>36,474</u>	<u>26,098</u>	<u>8,229</u>	<u>8,879</u>

Shares in group undertaking represents the company's investment in its wholly owned subsidiary undertaking, Arbil International Insurance Limited, which is registered in the Cayman Islands, which transacts general reinsurance business. The accounts of the group undertaking have been made up to 30 September 1995.

Participating interest in 1995 represents the company's investment in 1,500,000 shares of Blair International Insurance (Cayman) Limited, constituting a 50% investment in the nominal share capital of that company. Blair International Insurance (Cayman) Limited is registered in the Cayman Islands and transacts general reinsurance business.

Participating interest in 1994 included the company's investment in Blair International Insurance Limited (in members' voluntary liquidation), a Bermudian company. Blair International Insurance Limited was wound up on 10 March 1995 and the liquidation proceeds received in excess of the current value shown in the 1994 comparative figures are included in investment income.

13. Other financial investments

	Group			
	Current value		Cost	
	1995 £000	1994 £000	1995 £000	1994 £000
Shares and other variable-yield securities	814	15,582	531	17,170
Debt securities and other fixed-income securities	67,760	166,620	70,481	179,727
Deposits with credit institutions	<u>132,185</u>	<u>63,587</u>	<u>132,185</u>	<u>63,587</u>
	<u>200,759</u>	<u>245,789</u>	<u>203,197</u>	<u>260,484</u>

Included in the above were investments:

Listed on the UK Stock Exchange	67,760	153,583	70,481	165,857
Unlisted investments	<u>814</u>	<u>531</u>	<u>318</u>	<u>531</u>

IC INSURANCE LIMITED

Notes (continued)

13. Other financial investments (continued)

	Company		Cost	
	Current value			
	1995 £000	1994 £000	1995 £000	1994 £000
Shares and other variable-yield securities	-	15,264	-	16,852
Debt securities and other fixed-income securities	56,372	69,149	59,507	77,069
Deposits with credit institutions	48,729	55,013	48,729	55,013
	<u>105,101</u>	<u>139,426</u>	<u>108,236</u>	<u>148,934</u>
Included in the above were investments:				
Listed on the UK Stock Exchange	<u>56,372</u>	<u>84,413</u>	<u>59,507</u>	<u>93,921</u>

Financial investments in the subsidiary undertaking with a market value of £12,103,000 (1994 - £13,493,000) were pledged as collateral to secure liabilities under one of its reinsurance treaties. Letters of credit totalling £2,501,000 (1994 - £3,140,000), against which no collateral has been provided, have been issued by a bank on behalf of the Company.

14. Debtors arising out of direct insurance operations

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Amounts owed by policyholders	1,107	8,959	1,107	8,959
Amounts owed by intermediaries	1,055	1,258	1,055	1,258
	<u>2,162</u>	<u>10,217</u>	<u>2,162</u>	<u>10,217</u>

15. Debtors arising out of reinsurance operations

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Amounts owed by companies in which the company has a participating interest	1,540	7	1,842	3,199
Other reinsurance debtors	16,787	21,224	7,299	9,604
	<u>18,327</u>	<u>21,231</u>	<u>9,141</u>	<u>12,803</u>

IC INSURANCE LIMITED

Notes (continued)

16. Other debtors

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amounts owed by parent undertaking	463	-	463	-
Amounts owed by group undertakings	1,249	2,483	1,249	2,483
Corporation tax recoverable	3,385	1,108	3,385	1,108
Other debtors	271	575	271	575
	<u>5,368</u>	<u>4,166</u>	<u>5,368</u>	<u>4,166</u>

17. Tangible assets

	Group & Company			
	Computer equipment	Motor vehicles	Furniture & equipment	Total
	£000	£000	£000	£000
Cost				
At beginning of year	1,046	97	79	1,222
Disposals	(1,046)	(97)	(79)	(1,222)
At the end of the year	-	-	-	-
Depreciation				
At beginning of year	610	24	75	709
Disposals	(610)	(24)	(75)	(709)
At the end of the year	-	-	-	-
Net book value				
At 31 December 1995	-	-	-	-
At 31 December 1994	<u>436</u>	<u>73</u>	<u>4</u>	<u>513</u>

18. Share capital

	1995	1994
	£000	£000
Authorised		
75,000,000 ordinary shares of £1 each (1995 and 1994)	<u>75,000</u>	<u>75,000</u>
Allotted, called up and fully paid		
57,575,700 ordinary shares of £1 each (1995 and 1994)	<u>57,576</u>	<u>57,576</u>

IC INSURANCE LIMITED
Notes (continued)
19. Reserves

	Group			Total
	Exchange revaluation reserve £000	Investment revaluation reserve £000	Profit and loss account £000	£000
At beginning of year				
As previously stated	938	21,027	6,632	28,597
Prior year adjustment (see note 2)	(1,203)	(35,722)	36,925	-
As restated	(265)	(14,695)	43,557	28,597
Retained profit for the year	-	-	1,345	1,345
Revaluation of investments	-	12,257	-	12,257
Currency translation differences	(1,693)	-	-	(1,693)
At end of year	<u>(1,958)</u>	<u>(2,438)</u>	<u>44,902</u>	<u>40,506</u>
	Company			Total
	Exchange revaluation reserve £000	Investment revaluation reserve £000	Profit and loss account £000	£000
At beginning of year				
As previously stated	(39)	968	10,449	11,378
Prior year adjustment (see note 2)	-	6,743	10,476	17,219
As restated	(39)	7,711	20,925	28,597
Retained profit for the year	-	-	(4,602)	(4,602)
Revaluation of investments	-	17,399	-	17,399
Currency translation differences	(888)	-	-	(888)
At end of year	<u>(927)</u>	<u>25,110</u>	<u>16,323</u>	<u>40,506</u>

The profit for the financial year of the Company amounted to £5,398,000 (1994 - £13,868,000).

IC INSURANCE LIMITED
Notes (continued)
20. Technical provisions and deferred acquisition costs

	Group			Total
	Provision for unearned premiums	Claims outstanding	Deferred acquisition costs	
	£000	£000	£000	£000
Gross amount				
At beginning of year	19,977	296,154	1,847	314,284
Exchange gain/(loss)	127	(1,396)	(19)	(1,250)
Movement in the provision	(871)	(52,891)	296	(54,058)
At end of year	<u>19,233</u>	<u>241,867</u>	<u>2,124</u>	<u>258,976</u>
Reinsurance amount				
At beginning of year	15,354	157,377	1,534	171,197
Exchange gain/(loss)	127	(731)	(22)	(582)
Movement in the provision	1,962	(13,318)	484	(11,840)
At end of year	<u>17,443</u>	<u>143,328</u>	<u>1,996</u>	<u>158,775</u>
Net technical provisions				
At end of year	<u>1,790</u>	<u>98,539</u>	<u>128</u>	<u>100,201</u>
At beginning of year	<u>4,623</u>	<u>138,777</u>	<u>313</u>	<u>143,087</u>

	Company			Total
	Provision for unearned premiums	Claims outstanding	Deferred acquisition costs	
	£000	£000	£000	£000
Gross amount				
At beginning of year	14,415	130,074	1,778	142,711
Exchange gain/(loss)	(7)	805	(19)	817
Movement in the provision	(924)	(41,063)	294	(42,281)
At end of year	<u>13,484</u>	<u>89,816</u>	<u>2,053</u>	<u>101,247</u>
Reinsurance amount				
At beginning of year	9,962	77,227	1,534	85,655
Exchange gain/(loss)	(5)	411	(22)	428
Movement in the provision	1,843	(19,231)	484	(17,872)
At end of year	<u>11,800</u>	<u>58,407</u>	<u>1,996</u>	<u>68,211</u>
Net technical provisions				
At end of year	<u>1,684</u>	<u>31,409</u>	<u>57</u>	<u>33,036</u>
At beginning of year	<u>4,453</u>	<u>52,847</u>	<u>244</u>	<u>57,056</u>

IC INSURANCE LIMITED
Notes (continued)
21. Creditors arising out of direct insurance operations

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amounts owed to policyholders	1,392	3,121	1,392	3,121
Amounts owed to intermediaries	86	5,690	86	5,690
	<u>1,478</u>	<u>8,811</u>	<u>1,478</u>	<u>8,811</u>

22. Creditors arising out of reinsurance operations

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amounts owed to undertakings in which the company has a participating interest	-	1,579	-	1,579
Amounts owed to other cedants	27,782	38,930	23,568	31,689
	<u>27,782</u>	<u>40,509</u>	<u>23,568</u>	<u>33,268</u>

23. Other creditors including taxation and social security

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Amounts due to parent undertakings	-	8,228	-	8,228
Amounts due to fellow subsidiary undertakings	-	2,933	-	2,933
Corporation tax payable	-	129	-	129
Dividends payable	10,000	19,000	10,000	19,000
Other creditors	258	468	258	468
	<u>10,258</u>	<u>30,758</u>	<u>10,258</u>	<u>30,758</u>

24. Accruals and deferred income

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Deferred reinsurance commissions	1,996	1,534	1,996	1,534
Other accruals and deferred income	2,066	1,000	902	827
	<u>4,062</u>	<u>2,534</u>	<u>2,898</u>	<u>2,361</u>

IC INSURANCE LIMITED**Notes (continued)****25. Reconciliation of profit before tax to net cash (outflow) / inflow from operating activities**

	1995 £000	1994 £000
Profit on ordinary activities before tax		
Depreciation charge	14,745	11,735
Profit on sale of tangible fixed assets	-	133
Realised gain on investments	-	(9)
Realised loss on investments	(4,741)	(6,584)
Value adjustments on investments	7,562	8,281
Income from participating interests	500	202
Decrease in debtors	(200)	(588)
Decrease in prepayments and accrued income	12,034	7,896
Decrease in technical provisions	1,407	533
(Decrease) / increase in creditors	(43,071)	(27,306)
Increase / (decrease) in accruals and deferred income	(31,431)	9,365
	<u>1,528</u>	<u>(244)</u>
Net cash: (outflow) / inflow from operating activities	<u>(41,667)</u>	<u>3,414</u>

26. Analysis of cash and cash equivalents

	1995 £000	1994 £000
Cash at bank and in hand		
Other financial investments - short-term deposits maturing within three months	8,820	21,760
	<u>130,313</u>	<u>58,587</u>
	<u>139,133</u>	<u>80,347</u>

27. Leases

The total rentals under operating leases charged as an expense in the profit and loss account were:-

	1,995 £000	1,994 £000
Buildings	-	649

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 the lease rental payments is re-charged to the company as a component of the overall charge for management services. In 1995 the amount so charged was approximately £145,000.

28. Pensions

The company and its subsidiary have no employees. The staff previously employed by the company transferred to the immediate parent company, I.C. Insurance Holdings Limited during 1994. Details of the pension arrangements for the staff transferred can be found in the annual accounts of I.C. Insurance Holdings Limited. Pension costs incurred by the company in 1994 were £129,000.

IC INSURANCE LIMITED

Notes (continued)

29. 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:-

Director	Class of Stock/ Share Debenture	Holding at 1 January 1995 or date of appointment	Holding at 31 December 1995	Shares under option at 1 January 1995 or date of appointment	Options granted	Options exercised	Shares under option at 31 December 1995
G.M. Connell	Zeneca Ordinary Shares	2,117	2,597	54,595	10,251	14,451	50,395
N. Lyle	Zeneca Ordinary Shares	14,000	15,232	31,349	29,384	-	60,733
D. Taylor	Zeneca Ordinary Shares	-	280	915	6,599	-	7,514
J. Carruthers	Zeneca Ordinary Shares	-	-	686	202	-	888
J.R. Hirst	Zeneca Ordinary Shares	1,135	1,135	-	-	-	-

30. 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.