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**PANFINANCIAL INSURANCE COMPANY  
LIMITED**

**Report and Financial Statements**

**for the year ended 31 December 1994**

**Touche Ross & Co.  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR**

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**REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 1994**

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**REPORT AND FINANCIAL STATEMENTS 31 DECEMBER 1994**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

B Reuterskiold (Chairman)  
P J Grant  
R J Feather

**SECRETARY**

R J Feather

**REGISTERED OFFICE**

Skandia House  
23 College Hill  
London  
EC4R 2SE

**BANKERS**

National Westminster Bank PLC

**SOLICITORS**

Norton, Rose, Botterell & Roche

**AUDITORS**

Touche Ross & Co.  
Chartered Accountants  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 1994.

### **PRINCIPAL ACTIVITIES AND BUSINESS**

PanFinancial suffered from adverse market conditions during 1992 and, after a review of all products underwritten, the company decided to cease underwriting new business in November 1992.

As a result of the cessation of business, gross premium income for the year reached only £0.7 million compared with £2.6 million for the year to 31 December 1993. In addition, the company suffered significant underwriting losses and the result for the year was a loss of £22.7 million compared with a loss of £6.8 million for the year to 31 December 1993.

### **SHAREHOLDER SUPPORT**

The orderly run-off of the company's liabilities will take several years.

The shareholders have agreed to provide support for the company as described in note 17. In May 1994 the company increased its paid up capital to £41.5 million by the issue of 7.5 million £1 preference shares and in December 1994 the shareholders conditionally agreed to provide the funds necessary for the company to run-off its liabilities in an orderly manner.

Following the fulfilment of the specified conditions, and in connection with agreements for the sale of their shareholdings in the company, on 1 March 1995 Skandia Holding AB and The Yasuda Fire and Marine Insurance Company Limited contributed funds to the company totalling £21.75 million.

The new majority shareholder of the company is Mr Philip Grant, a director of the company.

### **RESULTS**

The profit and loss account for the year is set out on page 6.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The directors do not recommend the payment of a dividend. The loss for the year of £22.7 million (1993 - £6.8 million loss) has been added to losses carried forward.

### **FIXED ASSETS**

Details of fixed assets are given in note 12 to the accounts.

### **DIRECTORS**

The present membership of the Board is set out on page 1.

The appointments to or resignations from the Board since 1 January 1994 are as follows:

L H Lindkvist (resigned 1 March 1995)

M Ugai (resigned 1 March 1995)

T Abe (resigned 1 March 1995)

None of the directors held any interests, as defined by the Companies Act 1985, in the share capital of the company during the year.



## **DIRECTORS' REPORT**

### **AUDITORS**

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

R J Feather  
Secretary

2 March 1995



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

These financial statements for the year to 31 December 1994 have been prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing these 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;
- 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 keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

R J Feather

Secretary

2 March 1995



## Chartered Accountants

Touche Ross & Co.  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

Telephone: National 0171 936 3000  
International + 44 171 936 3000  
Telex: 884739 TRLNDN G  
Fax (Gp. 3): 0171 583 1198  
LDE: DX 599

## AUDITORS' REPORT TO THE MEMBERS OF PANFINANCIAL INSURANCE COMPANY LIMITED

We have audited the financial statements on pages 6 to 21 which have been prepared under the accounting policies set out on pages 11 and 12.

### Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. 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.

### Fundamental uncertainty relating to insurance liabilities

In forming our opinion, we have considered the adequacy of the disclosure made in note 16 to the accounts concerning the material uncertainty with respect to the reserves required to cover the insurance liabilities. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

### Opinion

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

*Touche Ross & Co*

Chartered Accountants and Registered Auditors

2 March 1995



**UNDERWRITING REVENUE ACCOUNT**  
**year ended 31 December 1994**

	<b>Note</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
Gross premiums	3	658	2,617
Reinsurance		<u>(846)</u>	<u>(1,562)</u>
Net premiums		(188)	1,055
Commissions	4	<u>2</u>	<u>107</u>
		(186)	1,162
Claims incurred		<u>(21,722)</u>	<u>(5,907)</u>
Underwriting loss transferred to profit and loss account		<u>(21,908)</u>	<u>(4,745)</u>



**PROFIT AND LOSS ACCOUNT**  
**year ended 31 December 1994**

	<b>Note</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
Underwriting loss transferred from underwriting revenue account		(21,908)	(4,745)
Investment income	5	<u>858</u>	<u>248</u>
		(21,050)	(4,497)
Administration expenses	8	(1,490)	(2,101)
Interest payable	10	<u>(126)</u>	<u>(245)</u>
Loss for the year before taxation	3, 9	(22,666)	(6,843)
Taxation	11	<u>-</u>	<u>-</u>
Loss for the year after taxation		(22,666)	(6,843)
Loss brought forward at 1 January		<u>(40,567)</u>	<u>(33,724)</u>
Loss carried forward at 31 December		<u><u>(63,233)</u></u>	<u><u>(40,567)</u></u>

The company ceased underwriting new business in November 1992 and, accordingly, all items in the profit and loss account derive from discontinued activities.

A statement of total recognised gains and losses has not been prepared as there are no gains or losses for the current year and the preceding financial year other than those shown in the profit and loss account.

A statement of movements on reserves has not been prepared as there are no movements for the current year and the preceding financial year other than those shown in the profit and loss account.

**BALANCE SHEET**  
**31 December 1994**

	Note	1994 £'000	1993 £'000
<b>FIXED ASSETS</b>			
Tangible assets	12	-	9
Investments	12	-	7
		<u>-</u>	<u>16</u>
<b>CURRENT ASSETS</b>			
Debtors	13	7,691	10,032
Investments	14	4,415	203
Cash and deposits at call		10,945	7,599
		<u>23,051</u>	<u>17,834</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(7,622)</u>	<u>(14,521)</u>
<b>NET CURRENT ASSETS</b>		<u>15,429</u>	<u>3,313</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		15,429	3,329
<b>INSURANCE FUNDS</b>	16	<u>(37,162)</u>	<u>(9,896)</u>
<b>NET LIABILITIES</b>		<u>(21,733)</u>	<u>(6,567)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital			
Equity shares	18	14,000	14,000
Non-equity shares	18	27,500	20,000
Profit and loss account		<u>(63,233)</u>	<u>(40,567)</u>
		<u>(21,733)</u>	<u>(6,567)</u>

These financial statements were approved by the Board of Directors on 2 March 1995

Signed on behalf of the Board of Directors

P J Grant

Director



**CASH FLOW STATEMENT**  
**year ended 31 December 1994**

	<b>Note</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
<b>Net cash outflow from operating activities</b>	<b>23</b>	<b>(681)</b>	<b>(20,224)</b>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(126)	(245)
Interest received		858	248
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>732</b>	<b>3</b>
<b>Taxation</b>			
UK corporation tax paid		-	-
<b>Investing activities</b>			
(Purchase)/sale of liquid investments (other than cash equivalents)		(4,212)	2,654
Sale of investment property		7	165
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(4,205)</b>	<b>2,819</b>
<b>Net cash outflow before financing</b>		<b>(4,154)</b>	<b>(17,402)</b>
<b>Financing</b>			
Issue of preference share capital		7,500	20,000
Repayment of finance leases		-	(74)
<b>Net cash inflow from financing</b>	<b>26</b>	<b>7,500</b>	<b>19,926</b>
<b>Increase in cash and cash equivalents</b>	<b>24, 25</b>	<b>3,346</b>	<b>2,524</b>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**  
**for the year ended 31 December 1994**

	<b>1994</b> <b>£'000</b>	<b>1993</b> <b>£'000</b>
Loss for the year	(22,666)	(6,843)
Preference capital subscribed	7,500	20,000
Net (reduction in)/addition to shareholders' funds	(15,166)	13,157
Opening shareholders' funds	(6,567)	(19,724)
Closing shareholders' funds	<u>(21,733)</u>	<u>(6,567)</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES**  
**For the year ended 31 December 1994**

	<b>1994</b> <b>£'000</b>	<b>1993</b> <b>£'000</b>
Loss for the year	(22,666)	(6,843)
Realisation of property revaluation losses of earlier years	-	(138)
Historical cost loss for the year	<u>(22,666)</u>	<u>(6,981)</u>
Historical cost loss retained for the year	<u>(22,666)</u>	<u>(6,981)</u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**1. BASIS OF FINANCIAL STATEMENTS**

The company ceased underwriting new business in November 1992. Its liabilities will take several years to run-off and a provision has been included within administration expenses for run-off costs expected to be incurred in running off its liabilities until 31 December 1997.

The financial statements are prepared under the historical cost convention.

The financial statements have been prepared on a basis consistent with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985 applicable to insurance companies. They have also been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice issued by the Association of British Insurers in May 1990.

The company's subsidiary PanFinancial Inc., incorporated in the USA, was liquidated during the year. Consolidated accounts have therefore not been prepared for the year ended 31 December 1994 and the comparatives included in the underwriting revenue account and the profit and loss account show only the results of PanFinancial Insurance Company Limited.

The particular accounting policies adopted are described in Note 2 below.

**2. ACCOUNTING POLICIES**

**(a) Underwriting result**

*Credit risk and asset risk*

The underwriting results are determined at the end of each year. Following the decision to cease underwriting new business in November 1992, the provisions for claims outstanding and claims incurred but not reported were increased and combined so as to establish an overall provision equal to the estimated future liabilities in respect of one year business. Any further provision required is made when the need is recognised, and should any adjustment be necessary in future years such an adjustment will be made as soon as the need becomes apparent.

*Political risk*

The majority of policies give cover for periods in excess of one year. The directors have adopted a three year basis of accounting whereby underwriting results in respect of each underwriting year are determined not less than three years after its commencement, at which stage the underwriting result is transferred to the profit and loss account. Any further provision required is made when the need is recognised, and should any adjustment be necessary in future years such an adjustment will be made as soon as the need becomes apparent.

*Financial facilities*

Until the end of 1991 the company wrote financial facility insurance which is reported with the one year credit risk business. Certain financial guarantee business under this heading was written prior to 1991 for periods up to seven years. This specific class of business is included under the three year business above.

**(b) Gross premiums written**

Premiums are credited to the underwriting revenue account at the later of inception date and the date the premium is recorded.

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**2. ACCOUNTING POLICIES (CONTINUED)**

**(c) Insurance funds**

The insurance fund for one year business comprises provisions for claims outstanding and claims incurred but not reported so as to establish an overall provision equal to the estimated future liabilities in respect of one year business.

The insurance fund for three year business comprises provisions for claims outstanding and claims incurred but not reported.

**(d) Investment income**

Investment income is recorded on the accruals basis.

**(e) Tangible fixed assets**

Depreciation at the following rate is included within the provision for run-off costs.

Motor vehicles	25% per annum
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**(f) Foreign exchange**

Underwriting and trading transactions in foreign currencies are recorded at the rates of exchange prevailing at the end of the month of the transaction. Monetary assets and liabilities denominated in foreign currencies are recorded at the rates of exchange prevailing at the year end. Gains or losses are dealt with in the profit and loss account.

**(g) Investments**

Investments are shown in current assets at the lower of cost and market value, and in fixed assets at cost less any provision for permanent diminution in value.

**(h) Leases**

Rental costs under operating leases are charged within the provision for run-off costs in equal annual amounts over the periods of the leases.

**(i) Commissions**

Commissions payable and receivable on one and three year business are taken to the underwriting revenue account in the year in which they arise.

**(j) Profit commission**

Profit commission is accrued on reinsurance contracts for underwriting years completed up to twelve months before the year end.

**(k) Pension costs**

The costs of individual arrangements are written off as incurred.

**(l) Insurance debtors and creditors**

Insurance debtors and creditors are included in these financial statements on the basis of net settlement with reinsurers which is consistent with previous years and reflects the normal market practice of settlement. Financial Reporting Standard 5 ("FRS 5") requires offset, but only where the ability to insist on net settlement is assured beyond all reasonable doubt. The extent to which net settlement can be enforced is uncertain in some situations. An amendment to FRS 5 was issued in December 1994, the effect of which is to defer until 1996 the implementation date of this particular requirement.


**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**
**3. SEGMENTAL ANALYSIS**

	United Kingdom		Europe		Total	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Gross premiums						
1 year business	97	18	555	1,567	652	1,585
3 year business	6	1,032	-	-	6	1,032
<b>Total</b>	<b>103</b>	<b>1,050</b>	<b>555</b>	<b>1,567</b>	<b>658</b>	<b>2,617</b>
 Loss for the year	 (16,600)	 (753)	 (6,066)	 (6,090)	 (22,666)	 (6,843)

**4. COMMISSIONS**

	1994 £'000	1993 £'000
Incurring on premiums written	(109)	(487)
Recovered from reinsurers	111	594
	<u>2</u>	<u>107</u>

**5. INVESTMENT INCOME**

	1994 £'000	1993 £'000
Interest from current asset investments and deposits	<u>858</u>	<u>248</u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**6. DIRECTORS' EMOLUMENTS**

	1994 £'000	1993 £'000
<b>Directors' emoluments</b>		
Remuneration (including pension contributions and benefits in kind)	195	197
Compensation for loss of office	85	42
	<u>280</u>	<u>239</u>
<b>Emoluments of the chairman (excluding pension contributions)</b>	<u>-</u>	<u>-</u>
<b>Emoluments of the highest paid director (excluding pension contributions)</b>	<u>154</u>	<u>84</u>
	1994	1993
	No	No
<b>Scale of directors' emoluments (excluding pension contributions):</b>		
£ 0 - £ 5,000	4	5
£ 65,001 - £ 70,000	-	1
£ 75,001 - £ 80,000	-	1
£ 80,001 - £ 85,000	-	1
£ 95,001 - £ 100,000	1	-
£ 150,001 - £ 155,000	1	-

**7. EMPLOYEES**

The average number of persons (including directors) employed by the company during the year was 4 (1993 - 17).

	1994 £'000	1993 £'000
<b>The total employee costs were:</b>		
Wages and salaries	383	913
Social security	52	121
Other pension costs	74	52
	<u>509</u>	<u>1,086</u>



**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**8. ADMINISTRATION EXPENSES**

	1994 £'000	1993 £'000
Costs incurred during the year include an increase in the provision for the estimated cost of running off the company's liabilities until 31 December 1997	<u>1,490</u>	<u>2,101</u>

**9. LOSS FOR THE YEAR BEFORE TAXATION**

The loss for the year before taxation is arrived at after charging the following:

	1994 £'000	1993 £'000
Depreciation of owned assets	9	54
Auditors' remuneration		
audit fee	25	50
other services	48	-

**10. INTEREST PAYABLE**

	1994 £'000	1993 £'000
On short term loans	<u>126</u>	<u>245</u>

**11. TAXATION**

As at 31 December 1993 there were tax losses of approximately £20 million available for carry forward against future profits of the same trade. Further tax losses have arisen in the year to 31 December 1994 but these have not yet been quantified.

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**12. FIXED ASSETS**

**(a) Tangible assets**

	<b>Furniture and fixtures £'000</b>	<b>Computer equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Leased equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>					
At 1 January 1994	535	1,090	188	219	2,032
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 1994	535	1,090	188	219	2,032
<b>Accumulated depreciation</b>					
At 1 January 1994	535	1,090	179	219	2,023
Charge for the period	-	-	9	-	9
Disposals	-	-	-	-	-
At 31 December 1994	535	1,090	188	219	2,032
<b>Net book value</b>					
At 31 December 1994	-	-	-	-	-
At 31 December 1993	-	-	9	-	9

**(b) Investments held as fixed assets**

	<b>£'000</b>
<b>Cost and net book value</b>	
At 1 January 1994	7
Disposal in the period	(7)
At 31 December 1994	-

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**13. DEBTORS**

	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Insurance debtors	7,630	9,147
Amount owed by subsidiary undertaking	-	632
Corporation tax recoverable	-	5
Other debtors	61	163
Prepayments and accrued income	-	85
	<u>7,691</u>	<u>10,032</u>

**14. INVESTMENTS HELD AS CURRENT ASSETS**

	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>
<b>Other investments:</b>		
Overseas investments	<u>4,415</u>	<u>203</u>

**15. CREDITORS**

	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year:</b>		
Insurance creditors	3,984	11,143
Other creditors including taxation and social security	1,450	353
Accruals	<u>2,188</u>	<u>3,025</u>
	<u>7,622</u>	<u>14,521</u>
 <b>Other creditors including taxation and social security</b>		
<b>This heading includes:</b>		
Taxation and social security	<u>26</u>	<u>11</u>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**16. INSURANCE FUNDS**

	1994 £'000	1993 £'000
This comprises:		
One year business	35,052	7,670
Three year business	2,110	2,226
	<u>37,162</u>	<u>9,896</u>

Following the decision to cease underwriting new business in November 1992, provisions for claims outstanding and claims incurred but not reported were increased and combined so as to establish an overall provision equal to the estimated future liabilities in respect of one year business.

The insurance fund for three year business comprises provisions for claims outstanding and claims incurred but not reported.

The orderly run-off of the company's liabilities will take several years and there is material uncertainty with respect to the reserves required to cover the insurance liabilities. However, the directors are satisfied that the current level of funds is prudent given the information currently available to them.

**17. SHAREHOLDER SUPPORT**

In December 1994 Skandia Holding AB and The Yasuda Fire and Marine Insurance Company Limited conditionally agreed to provide the funds necessary to enable the company to run-off its liabilities in an orderly manner.

Following the fulfilment of the specified conditions, and in connection with agreements for the sale of their shareholdings in the company, on 1 March 1995 Skandia Holding AB and The Yasuda Fire and Marine Insurance Company Limited contributed funds to the company totalling £21.75 million.

The new majority shareholder of the company is Mr. Philip Grant, a director of the company.



**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**

**18. CALLED UP SHARE CAPITAL**

	1994 £'000	1993 £'000
Authorised:		
Equity shares: 14,000,000 £1 ordinary shares	14,000	14,000
Non-equity shares: 20,000,000 £1 'A' preference shares	20,000	20,000
Non-equity shares: 7,500,000 £1 'B' preference shares	7,500	-
	<u>41,500</u>	<u>34,000</u>
Called up, allotted and fully paid:		
Equity shares: 14,000,000 £1 ordinary shares	14,000	14,000
Non-equity shares: 20,000,000 £1 'A' preference shares	20,000	20,000
Non equity shares: 7,500,000 £1 'B' preference shares	7,500	-
	<u>41,500</u>	<u>34,000</u>

In May 1994 the company increased its paid up share capital to £41.5 million by the issue of 7.5 million £1 irredeemable preference shares at par, for cash consideration, in order to provide the funds necessary to enable the company to run-off its liabilities in an orderly manner.

The preference shares do not carry voting rights and are not entitled to dividends. They rank in priority to the ordinary shares on a winding-up of the company but are not entitled to any surplus over and above the par value of the shares on a winding-up. The 'B' preference shares rank in priority to the 'A' preference shares on a winding-up of the company.

**19. OPERATING LEASE COMMITMENTS**

At 31 December 1994 the company was committed to making the following payments during the next year in respect of operating leases for land and buildings.

	£'000
Leases which expire after five years	401

Provision has been made within administration expenses for the estimated cost of operating leases until 31 December 2009.

**20. PENSIONS**

The company is winding up its pension scheme for UK employees providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company and are invested in a managed fund.

The most recent actuarial valuation, at 31 December 1992, showed that the market value of the assets of the managed fund was £853,000 and that the actuarial value of these assets represented 160% of the benefits that had accrued to members, after allowing for expected future increases in pay.

Administration costs of £11,800 were incurred during the year in relation to this scheme.

Costs for individual pension arrangements are charged to the provision for the estimated cost of running-off the company's liabilities as incurred.

The pension charge for UK employees for the year was £50,000 (year ended 31 December 1993 - £44,000).


**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994**
**21. RELATED PARTY TRANSACTIONS**

The company has reinsurance contracts with its shareholders on normal commercial terms.

**22. DIRECTOR'S LOAN**

A director, Mr P J Grant, has an interest free season ticket loan. The maximum amount outstanding on the loan during the year was £1,967 (1993 : £2,750) and the balance at 31 December 1994 was £921 (1993 : £1,967).

**23. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	1994 £'000	1993 £'000
Loss for the year before taxation	(22,666)	(6,843)
Depreciation charges	9	39
Finance leases	-	74
Increase/(decrease) in insurance funds	27,266	(10,289)
Decrease/(increase) in debtors	2,341	(5,560)
(Decrease)/increase in creditors	(6,899)	2,358
Investment income	(858)	(248)
Interest payable	126	245
<b>Net cash outflow from operating activities</b>	<b>(681)</b>	<b>(20,224)</b>

**24. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	1994 £'000	1993 £'000
Balance at 1 January	7,599	5,075
Net cash inflow before adjustment for foreign exchange differences	3,165	2,476
Effect of foreign exchange differences	181	48
<b>Balance at 31 December</b>	<b>10,945</b>	<b>7,599</b>

**25. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET**

	1994 £'000	1993 £'000	Change in year £'000
Cash and deposits at call	10,945	7,599	3,346
<b>Total cash and cash equivalents</b>	<b>10,945</b>	<b>7,599</b>	<b>3,346</b>

**NOTES TO THE ACCOUNTS**  
**For the year ended 31 December 1994****26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR**

	<b>Share capital (including premium) £'000</b>
Financing at 1 January 1994	34,000
Net cash inflow from financing	<u>7,500</u>
Financing at 31 December 1994	<u><u>41,500</u></u>

In May 1994 the company increased its share capital by the issue of a further 7,500,000 £1 preference shares in order to provide the funds necessary to enable the company to run-off its liabilities in an orderly manner.