

IC Insurance Limited

Directors' report and financial statements

31 December 1998

Registered number 218497



Directors' report and financial statements

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Directors' report

The directors present their report together with the audited financial statements for the year ended 31 December 1998. These will be laid before the shareholders at the Annual General Meeting to be held on 9 April 1999 at 1 Adam Street, London WC2N 6AW.

Principal activities

The principal activity of the company is the transaction of general insurance and reinsurance business. The company ceased underwriting new business on 31 December 1998.

The ultimate parent undertaking is Zeneca Group PLC.

Business review

Details of the results for the year are set out on pages 5 and 6. It is expected that the Company will continue to run off its insurance and reinsurance business.

Proposed dividend and transfer from reserves

No dividends were declared for the year ended 31 December 1998 (1997: £40,000,000). The directors recommend that the retained profit for the year of £4,044,000 (1997: loss £5,750,000) be transferred to reserves.

Directors and directors' interests

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

AC Russell	
DJ Gee	(appointed 3 August 1998)
D Taylor	
ND Campbell	(alternate to AC Russell from 25 March 1998)
DT Anderson	(alternate to DJ Gee from 12 December 1998)

GM Connell and JM Charlton resigned as directors on 25 March 1998 and 3 August 1998 respectively.

DT Anderson was an alternate to JM Charlton from 25 March 1998 to 3 August 1998.

The interest of the directors in office at the end of the year in the shares and debentures of Zeneca Group PLC and its subsidiaries are set out in note 23.

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 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.

Payment of suppliers

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

Year 2000

The Company is included within the parent undertakings' group-wide Year 2000 project which is addressing the issue of computer programmes and embedded computer chips being unable to recognise correctly the change of year and other data-related faults associated with the Year 2000.

The Year 2000 project involves the identification, remediation or replacement and subsequent testing of non-compliant systems or equipment, the design and development of contingency and business continuity plans and risk assessment of, and ongoing dialogue with, key suppliers, customers and business partners about their plans and progress in addressing the Year 2000 problem.


The total expenditure for ensuring all of the Company's technology systems will be Year 2000 compliant are not expected to be material.

Due to the general uncertainty inherent in the Year 2000 problem, however, it is not possible to guarantee that no Year 2000 problems will remain. With the completion of the Year 2000 project as scheduled, the directors believe that the possibility of significant interruptions to normal business operations should be reduced but will still be highly dependent on key services outside of the Company's control.

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

1 Adam Street
London
WC2AN 6AW

5 March 1999

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 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.

Report of the auditors to the members of IC Insurance 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 1998, 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 19.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 March 1999
London

Profit and loss account: technical account - general business
for the year ended 31 December 1998

	Note	1998 £000	1997 £000 <i>restated</i>
Written premiums, net of reinsurance			
Gross premiums written	2	5,788	39,811
Outward reinsurance premiums		(2,754)	(24,340)
Net premiums written		3,034	15,471
Change in the gross provision for unearned premiums	19	370	7,803
Change in the provision for unearned premiums, reinsurers' share	19	(250)	(7,539)
Change in the net provision for unearned premiums		120	264
Earned premiums, net of reinsurance		3,154	15,735
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(13,498)	(20,440)
Reinsurers' share		7,740	15,601
		(5,758)	(4,839)
Change in the provision for claims:			
Gross amount	19	17,021	14,995
Reinsurers' share	19	(10,820)	(23,776)
		6,201	(8,781)
Claims incurred, net of reinsurance		443	(13,620)
Net operating expenses	5	(1,303)	(1,664)
Balance on the technical account - general business		2,294	451

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

Profit and loss account: non-technical account
for the year ended 31 December 1998

	Note	1998 £000	1997 £000 <i>restated</i>
Balance on the technical account - general business		2,294	451
Investment income:			
Income from subsidiary undertaking		-	3,060
Income from other investments	6	3,266	37,257
Unrealised gains on investments		430	174
Investment expenses and charges	7	(544)	(1,011)
		<hr/>	<hr/>
Operating profit on ordinary activities before tax	8	5,446	39,931
Tax on profit on ordinary activities	11	(1,402)	(5,681)
		<hr/>	<hr/>
Operating profit on ordinary activities after tax		4,044	34,250
Dividends		-	(40,000)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year	18	4,044	(5,750)
		<hr/>	<hr/>

Note of Historical Cost Profits and Losses
for the year ended 31 December 1998

	1998 £000	1997 £000
Reported operating profit on ordinary activities before tax	5,446	39,931
Unrealised gains on investments	(430)	(174)
	<hr/>	<hr/>
Historical cost operating profit on ordinary activities before tax	5,016	39,757
	<hr/>	<hr/>
Historical cost retained profit/(loss) for the financial year	3,614	(5,924)
	<hr/>	<hr/>

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

Statement of total recognised gains and losses
for the year ended 31 December 1998

	Note	1998 £000	1997 £000 <i>restated</i>
Retained profit/(loss) for the financial year		4,044	(5,750)
Increase/(decrease) in current value of investment in subsidiary undertaking	18	541	(32,277)
Movement in unrealised foreign exchange loss	18	(108)	(474)
Total gains/(losses) recognised since last annual report		<u>4,477</u>	<u>(38,501)</u>

Reconciliation of movements in shareholder's funds
for the year ended 31 December 1998

	Note	1998 £000	1997 £000 <i>restated</i>
Operating profit on ordinary activities after tax		4,044	34,250
Dividends		-	(40,000)
Retained profit/(loss) for the financial year		<u>4,044</u>	<u>(5,750)</u>
Reduction in share capital		-	(37,576)
Increase/(decrease) in current value of investment in subsidiary undertaking	18	541	(32,277)
Movement in unrealised foreign exchange loss	18	(108)	(474)
Net increase/(decrease) in shareholder's funds		<u>4,477</u>	<u>(76,077)</u>
Shareholder's funds at beginning of year		<u>20,936</u>	<u>97,013</u>
Shareholder's funds at end of year		<u>25,413</u>	<u>20,936</u>

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

Balance sheet
at 31 December 1998


	Note	1998 £000	1997 £000
Assets			
<i>Investments</i>			
Investment in subsidiary undertaking	12	7,542	7,001
Other financial investments	13	34,038	28,994
		<hr/>	<hr/>
		41,580	35,995
<i>Reinsurers' share of technical provisions</i>			
Provision for unearned premiums	19	5	260
Claims outstanding	19	4,737	14,657
		<hr/>	<hr/>
		4,742	14,917
<i>Debtors</i>			
Debtors arising out of direct insurance operations	14	762	3,271
Debtors arising out of reinsurance operations		9,431	23,125
Other debtors	15	6,228	4,311
		<hr/>	<hr/>
		16,421	30,707
<i>Other assets</i>			
Cash at bank and in hand		2,883	9,547
<i>Prepayments and accrued income</i>			
Accrued interest		301	807
Deferred acquisition costs		181	299
		<hr/>	<hr/>
		482	1,106
		<hr/>	<hr/>
Total Assets		66,028	92,272
		<hr/>	<hr/>

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

Balance sheet (continued)
at 31 December 1998

	Note	1998 £000	1997 £000 <i>restated</i>
Liabilities			
<i>Capital and reserves</i>			
Called up share capital	17	20,000	20,000
Profit and loss account	18	6,276	2,232
Revaluation reserve	18	616	75
Exchange reserve	18	(1,479)	(1,371)
		<hr/>	<hr/>
Shareholder's funds attributable to equity interests		25,413	20,936
<i>Technical provisions</i>			
Provision for unearned premiums	19	1,060	1,436
Claims outstanding	19	33,192	49,276
		<hr/>	<hr/>
		34,252	50,712
<i>Creditors</i>			
Creditors arising out of direct insurance operations	20	215	1,317
Creditors arising out of reinsurance operations		2,748	14,006
Other creditors including taxation and social security	21	3,333	4,986
		<hr/>	<hr/>
		6,296	20,309
Accruals and deferred income		67	315
		<hr/>	<hr/>
Total Liabilities		66,028	92,272
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 5 March 1999 and were signed on its behalf by:



D Taylor
Director

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

Cash flow statement
for the year ended 31 December 1998

	Note	1998 £000	1997 £000
Net cash (outflow)/inflow from operating activities	22	(1,643)	35,016
Taxation paid		(374)	(6,300)
Equity dividends paid		-	(50,000)
Reduction in ordinary share capital		-	(37,576)
	16	<u>(2,017)</u>	<u>(58,860)</u>
Cash flows were (utilised)/invested as follows			
(Decrease)/increase in cash holdings		(6,684)	5,349
Net portfolio investment			
Sale of ordinary shares		-	(1,210)
Purchase of ordinary shares		-	797
Deposits with credit institutions		18,301	(54,089)
Sale of gilts		(13,634)	(9,707)
		<u>4,667</u>	<u>(64,209)</u>
Net utilisation of cash flows	16	<u>(2,017)</u>	<u>(58,860)</u>
Movement in opening and closing portfolio investments net of financing			
Net cash (outflow)/inflow for the period		(6,684)	5,349
Cash flow from net portfolio investment		4,667	(64,209)
		<u>(2,017)</u>	<u>(58,860)</u>
Movement arising from cash flows		317	(1,249)
Changes in market values and exchange rate effects		<u>317</u>	<u>(1,249)</u>
Total movements in portfolio investments net of financing		(1,700)	(60,109)
Portfolio investments net of financing at 1 January 1998		38,541	98,650
Portfolio investments net of financing at 31 December 1998	16	<u>36,841</u>	<u>38,541</u>

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

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

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

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

The financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from the preparation of group accounts under s228(1)(b) of the Companies Act 1985.

Further information regarding the parent undertaking in whose consolidated accounts the company is included is shown in note 26.

Investments and investment income

Investments in subsidiary 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 and unrealised gains and losses on the sale of financial investments are included in the profit and loss account non-technical account. In prior years, unrealised gains and losses on financial investments were reported in the revaluation reserve. The accounting policy has been changed in order to comply with the revised Statement of Recommended Practice issued by the Association of British Insurers. Prior year comparative amounts have been restated to reflect this change in policy. Details of the effects of the change in the current and prior year are shown in note 3.

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 reported in the non-technical account. This is a change from prior years, when investment income, expenses and charges were 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. The prior year profit and loss account has been re-presented to reflect this change.

Basis of accounting for underwriting activities

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

Notes (continued)

1 Accounting policies (continued)

Premiums

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 incurred

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

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.

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.

Taxation

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

Notes (continued)

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

	1998 Gross premiums written £000	1998 Gross premiums earned £000	1998 Gross claims incurred £000	1998 Gross operating expenses £000	1998 Reinsurance balance £000
Written as follows					
Direct	5,542	5,912	(315)	(1,929)	(937)
Reinsurance	246	246	3,838	(333)	(4,188)
	<u>5,788</u>	<u>6,158</u>	<u>3,523</u>	<u>(2,262)</u>	<u>(5,125)</u>
By class of business (Direct only)					
Accident and health	577	577	(340)	(33)	-
Marine, aviation and transport	(46)	(46)	102	(159)	13
Fire and other damage to property	5,028	5,398	(3,445)	(1,422)	676
Liability	-	-	1,853	(277)	(50)
Miscellaneous	(17)	(17)	1,515	(38)	(1,576)
	<u>5,542</u>	<u>5,912</u>	<u>(315)</u>	<u>(1,929)</u>	<u>(937)</u>
	1997 Gross premiums written £000	1997 Gross premiums earned £000	1997 Gross claims incurred £000	1997 Gross operating expenses £000	1997 Reinsurance balance £000
Written as follows					
Direct	23,012	28,945	1,227	(4,322)	(26,339)
Reinsurance	16,799	18,669	(6,672)	(1,901)	(9,156)
	<u>39,811</u>	<u>47,614</u>	<u>(5,445)</u>	<u>(6,223)</u>	<u>(35,495)</u>
By class of business (Direct only)					
Accident and 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>

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

Business interruption particulars are included in the miscellaneous class.

The total amount of commission for direct insurance business was £1,557,000 (1997: £3,743,000).

Notes (continued)

3 Change in accounting policy

In accordance with the Association of British Insurers Statement of Recommended Practice - Accounting for Insurance Business, unrealised gains and losses on unlisted investments and fixed income debt securities, previously taken to the revaluation reserve, have been recognised in the profit and loss account- non-technical account. Prior year comparative amounts have been restated accordingly. The impact of this change is to increase profit before tax by £1,370,000 (1997: £1,222,000). The impact of the change on opening reserves is shown in note 18. The change had no effect on shareholders' funds in the current or prior years.

4 Prior years' claims provisions

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

	1998 £000	1997 £000
Accident and health	101	(250)
Marine, aviation and transport	150	(184)
Fire and other damage to property	848	735
Liability	1,803	(2,886)
Miscellaneous	(229)	636
	<hr/> 2,673	<hr/> (1,949)

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.

5 Net operating expenses

	1998 £000	1997 £000
Acquisition costs	1,467	4,690
Change in gross deferred acquisition costs	116	529
Administrative expenses	679	1,004
Reinsurance commissions and profit participation	(959)	(4,559)
	<hr/> 1,303	<hr/> 1,664

Notes (continued)

6 Investment income

	1998 £000	1997 £000 <i>restated</i>
Gain on partial realisation of investment in subsidiary undertaking	-	31,000
Income from other investments	2,757	6,257
Gains on the realisation of investments	509	-
	<hr/> 3,266 <hr/>	<hr/> 37,257 <hr/>

7 Investment expenses and charges

	1998 £000	1997 £000 <i>restated</i>
Investment management expenses	30	120
Value adjustments on listed investments	514	800
Losses on the realisation of investments	-	91
	<hr/> 544 <hr/>	<hr/> 1,011 <hr/>

8 Profit on ordinary activities before tax

	1998 £000	1997 £000 <i>restated</i>
<i>Profit on ordinary activities before tax is stated</i>		
<i>after crediting</i>		
Income from listed investments	1,289	3,751
<i>after charging</i>		
Auditors remuneration:		
Audit	34	33
Other services - audit regulatory return	9	8
- other non audit services	-	25
	<hr/>	<hr/>

Notes (continued)

9 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	35	90
	<hr/>	<hr/>

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

Money purchase schemes	-	-
Defined benefit schemes	3	3
	<hr/>	<hr/>

The number of directors who exercised share options was

2	1
<hr/>	<hr/>

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

1	-
<hr/>	<hr/>

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.

10 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.

11 Taxation

	1998 £000	1997 £000
UK corporation tax on profit at 31% (1997: 31.5%) - current year	1,402	5,132
Tax attributable to franked investment income	-	535
Overseas taxation	-	14
	<hr/>	<hr/>
	1,402	5,681
	<hr/>	<hr/>

Notes (continued)

12 Investment in subsidiary undertaking

	Current value		Cost	
	1998 £000	1997 £000	1998 £000	1997 £000
Shares in subsidiary undertaking	7,542	7,001	6,926	6,926

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.

13 Other financial investments

	Current value		Cost	
	1998 £000	1997 £000	1998 £000	1997 £000
Shares and other variable yield securities	1,178	805	797	797
Fixed-income securities	7,334	20,911	8,078	22,634
Deposits with credit institutions	25,526	7,278	25,526	7,278
	<u>34,038</u>	<u>28,994</u>	<u>34,401</u>	<u>30,709</u>

Included in the above were investments:

Listed on the UK Stock Exchange	7,334	20,911	8,078	22,634
Unlisted investments	1,178	805	797	797

Letters of credit amounting to £2,052,000 (1997: £2,077,000) have been issued by a bank on an unsecured basis 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

	1998 £000	1997 £000
Amounts owed by policyholders	-	1,124
Amounts owed by intermediaries	762	2,147
	<u>762</u>	<u>3,271</u>

Notes (continued)

15 Other debtors

	1998 £000	1997 £000
Corporation tax recoverable	6,210	4,202
Other debtors	18	109
	<hr/> 6,228 <hr/>	<hr/> 4,311 <hr/>

16 Movement in cash, portfolio investments and financing

	At 31 December 1997 £000	Cash flow £000	Changes to market values £000	Other movements £000	At 31 December 1998 £000
Cash at bank	9,547	(6,684)	-	(60)	2,803
Ordinary shares	805	-	373	-	1,178
Deposits with credit institutions	7,278	18,301	-	(53)	25,526
Fixed income securities	20,911	(13,634)	57	-	7,334
	<hr/> 38,541 <hr/>	<hr/> (2,017) <hr/>	<hr/> 430 <hr/>	<hr/> (113) <hr/>	<hr/> 36,841 <hr/>

Notes (continued)

17 Share capital

	1998 £000	1997 £000
<i>Authorised</i>		
20,000,000 (1997: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
<i>Allotted, called up and fully paid</i>		
20,000,000 (1997: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

18 Reserves

	Exchange revaluation reserve £000	Investment revaluation reserve £000	Profit and loss account £000	Total £000
At beginning of year as previously stated	(1,371)	(1,637)	3,944	936
Prior year adjustment (Note 3)	-	1,712	(1,712)	-
As restated	<u>(1,371)</u>	<u>75</u>	<u>2,232</u>	<u>936</u>
Retained profit for the year	-	-	4,044	4,044
Revaluation of investment in subsidiary undertaking	-	541	-	541
Currency translation differences	(108)	-	-	(108)
At end of year	<u>(1,479)</u>	<u>616</u>	<u>6,276</u>	<u>5,413</u>

Notes (continued)

19 Technical provisions

	Provision for unearned premiums £000	Claims outstanding £000	Total £000
<i>Gross amount</i>			
At beginning of year	1,436	49,276	50,712
Exchange gain/(loss)	(6)	937	931
Movement in the provision	(370)	(17,021)	(17,391)
	<hr/>	<hr/>	<hr/>
Gross amount at 31 December 1998	1,060	33,192	34,252
	<hr/>	<hr/>	<hr/>
<i>Reinsurance amount</i>			
At beginning of year	260	14,657	14,917
Exchange gain	(5)	900	895
Movement in the provision	(250)	(10,820)	(11,070)
	<hr/>	<hr/>	<hr/>
Reinsurers' share at 31 December 1998	5	4,737	4,742
	<hr/>	<hr/>	<hr/>

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 1998 the equalisation provision amounted to £267,000 (1997: £194,000) and due to the immateriality of the amount is included in claims outstanding. The effect of the movement of this provision during the year was a decrease in the balance on the general business technical account and profit before tax of £73,000 (1997: £73,000) and a decrease in shareholders' funds of £50,000 (1997: £50,000).

20 Creditors arising out of direct insurance operations

	1998 £000	1997 £000
Amounts owed to policyholders	-	75
Amounts owed to intermediaries	215	1,242
	<hr/>	<hr/>
	215	1,317
	<hr/>	<hr/>

Notes (continued)

21 Other creditors including taxation and social security

	1998 £000	1997 £000
Amounts due to parent undertaking	195	4,759
Amounts due to participating interest	-	159
Other creditors	168	68
Corporation tax payable	2,970	-
	<hr/> 3,333 <hr/>	<hr/> 4,986 <hr/>

22 Reconciliation of profit before tax to net cash inflow/(outflow) from operating activities

	1998 £000	1997 £000 <i>restated</i>
Operating profit on ordinary activities before tax	5,446	39,931
Realised (gain)/loss on investments	(509)	91
Unrealised gain on investments	(430)	(174)
Value adjustment on investments	514	800
Increase in accrued income and prepayments	624	857
Decrease in accruals and deferred income	(248)	(762)
Increase/(decrease) in debtors	14,660	(13,519)
Decrease in creditors	(15,415)	(549)
(Decrease)/increase in technical provisions	(6,285)	8,341
	<hr/> (1,643) <hr/>	<hr/> 35,016 <hr/>
Net cash (outflow)/inflow from operating activities		

Notes (continued)

23 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:

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

	Class of share/ debenture	Holding at 31 December 1997 (or date of appointment)	Holding at 31 December 1998
AC Russell	Zeneca ordinary shares	3,609	2,175
DJ Gee	Zeneca ordinary shares	-	-
D Taylor	Zeneca ordinary shares	3,376	3,692
ND Campbell	Zeneca ordinary shares	1,113	1,207
DT Anderson	Zeneca ordinary shares	623	730

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 31 December 1997 (or date of appointment)	Granted	Exercised	Shares under option at 31 December 1998
AC Russell	16,761	9,497	-	26,258
DJ Gee	-	-	-	-
D Taylor	12,786	2,123	6,262	8,647
ND Campbell	1,244	2,862	-	4,106
DT Anderson	-	-	-	-

Notes (continued)

24 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 1998 the amount so charged was approximately £123,000.

25 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:

	1998 £000	1997 £000
Gross premiums written	150	(87)
Claims paid	815	3,404
	<hr/>	<hr/>

At 31 December 1998 balances outstanding with group undertakings were:

Debtors arising out of insurance/reinsurance operations	-	987
Creditors arising out of insurance/reinsurance operations	-	1,188
	<hr/>	<hr/>

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 £195,000 was due to the immediate parent.

26 Ultimate parent company

The ultimate holding company of I.C. 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 W1Y 6LN.