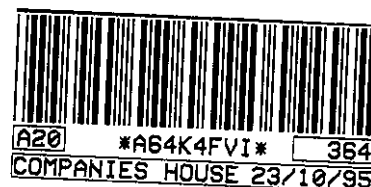


Company Number 2306320

ZURICH HOLDINGS (UK) LIMITED

REPORT AND CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 1994



**ZURICH HOLDINGS (UK) LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1994**

---

Company Registration Number: 2306320

Registered Office: Zurich House  
Stanhope Road  
Portsmouth  
Hampshire  
PO1 1DU

Directors: R F Huppi (Swiss) - Chairman  
D W White - Managing Director  
R M Farr BA  
B J Howett BComm., FCA - (Appointed 03.05.94)  
D L C Lee FCA - (Resigned 03.05.94)

Company Secretary: M J Chandler BSc, ACIS

Bankers: The Royal Bank of Scotland plc  
5 - 10 Great Tower Street  
London  
EC2P 3HX

Auditors: Grant Thornton  
Chartered Accountants  
Enterprise House  
Isambard Brunel Road  
Portsmouth  
Hampshire  
PO1 2RZ

## **ZURICH HOLDINGS (UK) LIMITED**

### **REPORT OF THE DIRECTORS**

---

The directors submit their report together with the audited Group Accounts for the year ended 31 December 1994.

#### **Principal activity and review of the business**

The principal activity of the company is to act as a general holding company. The principal activity of its subsidiary undertakings is the transaction of insurance and reinsurance business.

The net loss in the company for the year after taxation amounted to £2,045,213 (1993: £2,412,500).

The net profit in the group for the year after taxation amounted to £3,094,000 (1993: £7,169,000) which is included within the balance now carried forward on the profit and loss account.

On 2 March 1994 the company acquired the entire issued share capital of General Surety Holdings Limited for the sum of £2,765,000.

#### **Directors**

The directors are listed on page 2.

Mr D L C Lee resigned from the Board on 3 May 1994 and Mr B J Howett was appointed in his place.

The Board wish to place on record their appreciation for the service that Mr Lee gave to the company whilst acting as a Board member.

#### **Shareholdings**

Throughout the year Mr D L C Lee held a joint interest in 100 voting shares in Zurich Insurance Company (U.K.) Limited, together with three other persons.

#### **Share capital**

During the year 27,000,000 ordinary shares of £1 each were issued at par, partly to increase working capital and partly to fund an increase in the company's investment in Zurich Re (UK) Limited. £14,500,000 was paid in cash on 21 December 1994.

The consideration received for the balance of 12,500,000 shares was an undertaking to pay £12,500,000 in cash on 1 February 1995. This amount was received in full on 1 February 1995.

## ZURICH HOLDINGS (UK) LIMITED

### REPORT OF THE DIRECTORS (CONTINUED)

---

#### Directors' Responsibilities for financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention or detection of fraud and other irregularities.

#### Auditors

Grant Thornton, having offered themselves for reappointment as auditors shall be deemed to be reappointed for the next financial year in accordance with section 386 of the Companies Act 1985.

Zurich House  
Stanhope Road  
Portsmouth  
Hampshire  
PO1 1DU

BY ORDER OF THE BOARD



M J Chandler  
Secretary

16 October 1995

# ZURICH HOLDINGS (UK) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	Acquisitions £'000	£'000	Total £'000	1993 £'000
Gross premiums written	4a/b	2,373	450,932	453,305	371,387
Reinsurance ceded		<u>(1,953)</u>	<u>(171,572)</u>	<u>(173,525)</u>	<u>(167,568)</u>
Net premiums written		420	279,360	279,780	203,819
Decrease/(increase) in unearned premiums		<u>1,287</u>	<u>(37,303)</u>	<u>(36,016)</u>	<u>(1,868)</u>
Premiums earned		<u>1,707</u>	<u>242,057</u>	<u>243,764</u>	<u>201,951</u>
Gross claims incurred		1,930	392,593	394,523	380,414
Reinsurance recoverable		<u>(386)</u>	<u>(197,751)</u>	<u>(198,137)</u>	<u>(207,777)</u>
Net claims incurred		1,544	194,842	196,386	172,637
Commission and expenses		<u>(530)</u> <u>1,014</u>	<u>65,612</u> <u>260,454</u>	<u>65,082</u> <u>261,468</u>	<u>45,084</u> <u>217,721</u>
Underwriting (loss)/Profit	4c	<u>693</u>	<u>(18,397)</u>	(17,704)	(15,770)
Income from other fixed asset investments	6			25,020	25,266
Other income/(expenses)	5			<u>(2,176)</u>	<u>(1,935)</u>
Profit before tax	5			5,140	7,561
Tax	8			<u>(1,635)</u>	<u>(109)</u>
Profit after tax				3,505	7,452
Profit attributable to minority interests	17			<u>(411)</u>	<u>(283)</u>
Retained profit for the year transferred to reserves	16			<u>3,094</u>	<u>7,169</u>
All operations are continuing					

ZURICH HOLDINGS (UK) LIMITED  
STATEMENT OF RECOGNISED GAINS & LOSSES

---

	1994 £'000	1993 £'000
Retained profit for the year	3,094	7,169
Unrealised investment (losses)/gains after taxation	(3,147)	2,184
Foreign exchange (losses)/gains after taxation	(1,903)	1,200
	<hr/>	<hr/>
Total gains & losses recognised since last annual report	<u>(1,956)</u>	<u>10,553</u>

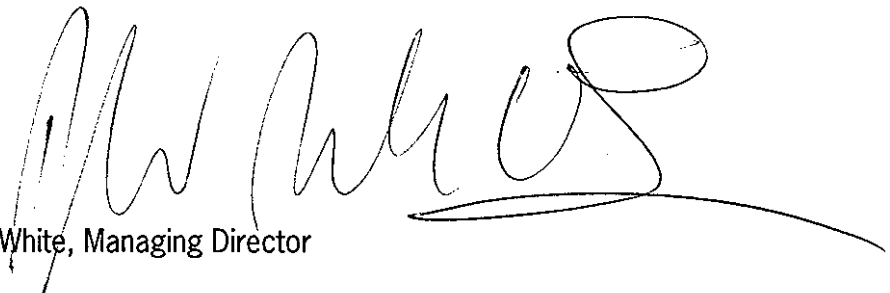
**ZURICH HOLDINGS (UK) LIMITED**  
**BALANCE SHEETS AT 31 DECEMBER 1994**

	Notes	1994 £'000	Group 1993 £'000	1994 £'000	Company 1993 £'000
<b>Fixed assets</b>					
Tangible fixed assets	9	35,412	33,558	488	488
Investments in group companies	10	-	-	159,766	107,001
		<u>35,412</u>	<u>33,558</u>	<u>160,254</u>	<u>107,489</u>
<b>Current assets</b>					
Investments	11	466,553	364,133	-	-
Debtors	12	210,532	158,605	13,772	1,157
Short term deposits		6,322	10,653	140	3,076
Cash and bank balances		<u>5,413</u>	<u>8,402</u>	<u>1</u>	<u>-</u>
		688,820	541,793	13,913	4,233
<b>Creditors: amounts falling due within one year</b>	13	<u>636,276</u>	<u>526,542</u>	<u>78,332</u>	<u>53,342</u>
Net current assets (liabilities)		<u>52,544</u>	<u>15,251</u>	<u>(64,419)</u>	<u>(49,109)</u>
Total assets less current liabilities		87,956	48,809	95,835	58,380
<b>Creditors: amounts falling due after more than one year</b>	14	<u>13,975</u>	<u>-</u>	<u>12,500</u>	<u>-</u>
		<u>73,981</u>	<u>48,809</u>	<u>83,335</u>	<u>58,380</u>

ZURICH HOLDINGS (UK) LIMITED  
BALANCE SHEETS AT 31 DECEMBER 1994 (CONTINUED)

	Notes	1994 £'000	Group 1993 £'000	1994 £'000	Company 1993 £'000
<b>Capital and reserves</b>					
Share capital	15	104,300	77,300	104,300	77,300
Profit and loss account	16	<u>(40,435)</u>	<u>(38,196)</u>	<u>(20,965)</u>	<u>(18,920)</u>
Shareholders funds		63,865	39,104	83,335	58,380
Minority shareholders interest	17	10,116	9,705		
		<u>73,981</u>	<u>48,809</u>	<u>83,335</u>	<u>58,380</u>

The financial statements were approved by the Board of Directors on 16 October 1995.

  
D W White, Managing Director



ZURICH HOLDINGS (UK) LIMITED

CONSOLIDATED CASH FLOW STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £'000	1993 £'000
<b>Net cash inflow from operating activities</b>	18	67,014	121,573
<b>Taxation</b>		52	(103)
<b>Investing activities</b>			
Net purchase of:			
Investments		(107,225)	(134,139)
Fixed assets		(2,246)	(677)
Purchase of subsidiary undertaking	22	8,470	-
<b>Net cash outflow from investing activities</b>		(101,001)	(134,816)
<b>Net cash outflow before financing</b>		(33,935)	(13,346)
<b>Financing</b>			
Issue of ordinary share capital	21	14,500	31,300
Receipts from borrowing		<u>12,500</u>	<u>27,000</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	19	<u>(6,935)</u>	<u>17,954</u>

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1994

---

#### 1. Basis of preparation

These notes form an integral part of the company's accounts which are prepared in compliance with section 255 of and schedule 9A to the Companies Act 1985 and in accordance with applicable accounting standards under the historical cost convention, except that Freehold Property is shown at its revalued amount.

These accounts also comply with the Statement of Recommended Practice of Accounting for Insurance Business issued by the Association of British Insurers.

#### 2. Ultimate parent undertaking

The company is a member of the Zurich Insurance group and its ultimate holding company is Zurich Insurance Company incorporated in Switzerland.

#### 3. Accounting policies

##### a. Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 1994. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full.

Goodwill arising on consolidation is written off to reserves immediately on acquisition.

All subsidiary undertakings listed in note 10 have been consolidated.

##### b. Insurance business

Underwriting results except for certain items of Marine and Treaty business (which are determined on an triennial basis) are determined on an annual basis, whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- i) Premiums written related to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued.
- ii) Unearned premiums are calculated on a time apportionment basis unless a more appropriate method is available. Deductions are made in respect of Reinsurance premiums ceded. Appropriate acquisition costs are deferred subject to

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

---

recoverability and amortised over the period in which the related premiums are earned.

- iii) Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported, together with any adjustments to claims from previous years.
- iv) The technical provisions have been set out on the basis of the information that is currently available, including potential outstanding loss advices, experience of similar claims and case law. Such estimates invariably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an insured loss, the claim triggering the insurance under a claims made coverage, the reporting of that claim to the company, and the company's payment of the claim and the receipt of reinsurance recoveries. Whilst the directors consider the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amounts provided. Adjustments to the amount of the provisions are reflected in the financial statements for the period in which the adjustments are made. The methods used and the estimates made are reviewed on a regular basis.
- v) Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, after taking account of future investment income. Unexpired risk surpluses and deficits have been offset where in the opinion of the directors the business classes concerned are managed together and in such cases provision has only been made where there is an aggregate deficit.

#### c. Expenses

Expenses are charged to the Profit and Loss Account as incurred.

Tangible fixed assets comprising computer equipment, cars and fixtures and fittings are depreciated over a period of three years, on a straight line basis.

No provision for depreciation on freehold land and buildings is considered necessary by the directors since these are maintained to a high standard with the cost of such maintenance being charged to the Profit and Loss Account. Accordingly the directors consider that the economic life of these assets is so long and their residual values, based upon prices at the time of acquisition or subsequent revaluation, are so high that their depreciation is insignificant.

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

---

Zurich Holdings participates in the Zurich Insurance Company's United Kingdom Pension Fund. The contributions to the Fund are determined by a qualified actuary on the basis of regular valuation of the Fund.

Costs in respect of Operating Leases are charged on a straight line basis over the lease term.

#### **d. Investments and investment income**

Fixed interest redeemable securities are stated at market value except that securities which the Group intends to hold to maturity are designated as such and stated at amortised cost.

Equity securities are stated at market value.

The Company reports all unrealised gains and losses on investments through the Profit and Loss reserve.

Investment income is shown net of related expenses.

#### **e. Foreign exchange**

In the situation where foreign currency liabilities are substantially covered by foreign currency assets, such assets and liabilities are translated to sterling at the rate of exchange ruling at the balance sheet date and the exchange differences are taken to reserves.

Revenue transactions in foreign currencies are translated to sterling at rates ruling throughout the year. Assets and liabilities are translated at rates ruling at the year end.

Exchange gains and losses arising are incorporated within the profit and loss account for the year.

#### **f. Taxation**

Deferred taxation is provided at the anticipated tax rate on differences which arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included within the financial statements, to the extent that the liability is expected to crystallise in the foreseeable future.

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### 4. Gross Premiums Written

#### a. Geographical analysis

Gross premium written by geographical area was as follows:

	1994 £'000	1993 £'000
Europe and Middle East	184,576	177,016
North America	219,806	153,766
Far East	20,077	17,222
Australia	6,986	5,104
Other	21,860	18,279
	<hr/>	<hr/>
Total	453,305	371,387
	<hr/>	<hr/>

- i) The geographical analysis has been prepared using the location of the insured or reinsured as the basis.
- ii) All business is supplied from the United Kingdom.

#### b. Business Class analysis

Class Type	Gross Premium Direct		Reinsurance Accepted	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Motor	36,535	37,162	283	-
General Liability	21,790	22,185	10,422	7,269
Property	41,070	32,925	64,240	46,986
Marine & Aviation	75,706	70,616	45,911	61,051
PEC Loss	2,990	3,011	17	25
Personal Accident	170	153	-	-
Casualty	96,472	79,667	57,699	10,337
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>274,733</u>	<u>245,719</u>	<u>178,572</u>	<u>125,668</u>
Total 1994	<u>453,305</u>			
Total 1993		<u>371,387</u>		

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### c. Analysis of Underwriting Loss

Class Type	Underwriting Profit/(Loss)	
	1994 £'000	1993 £'000
Motor	(2,572)	(127)
General Liability	(3,958)	(3,146)
Property	7,005	(1,018)
Marine & Aviation	(15,520)	(9,997)
PEC Loss	124	21
Personal Accident	105	65
Casualty	<u>(2,888)</u>	<u>(1,568)</u>
Total	<u>(17,704)</u>	<u>(15,770)</u>

### Net Assets Analysis

Shareholders' funds held to meet solvency requirements of the company as a whole are not regarded as operating net assets for the purposes of segmental reporting. Accordingly the net assets in relation to the foregoing business are not shown.

### 5. Profit on ordinary activities before taxation

This is stated after:

	1994 £'000	1993 £'000
Auditors' remuneration:		
Audit services	129	65
Non-audit services	35	14
Depreciation and amortisation:		
Tangible fixed assets, owned	994	1,144
Hire of plant and machinery	35	15
Other operation lease rentals	1,852	1,128
Other operating income/(expenses)		
Income of rents from land	<u>2,106</u>	<u>1,692</u>
Interest paid		
Repayable wholly or partly in more than 5 years		
Interest payable to group undertakings	<u>3,511</u>	<u>3,608</u>
	<u>3,511</u>	<u>3,608</u>

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### 6. Income from other fixed asset investments

	Listed £'000	1994 Unlisted £'000	Listed £'000	1993 Unlisted £'000
From other fixed asset investments	23,434	1,586	22,712	2,554

### 7. Directors and employees

Staff costs during the year were as follows:-

	1994 £'000	1993 £'000
Wages and salaries	9,090	4,158
Social security costs	892	382
Other pension costs	2,304	714
	<u>12,286</u>	<u>5,254</u>

The average number of employees of the group during the year was

	1994	1993
Reinsurance Accepted	16	12
Direct Business	53	35
Administration	119	92
	<u>188</u>	<u>139</u>

The directors are paid by the ultimate holding company and a split of their remuneration in respect of services within this group is not practicable. There were no employees paid by Zurich Holdings (UK) Limited.

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### 8. Taxation

The corporation tax charge is based on the profit for the year at the rate of 33% (1993: 33%).

	1994 £'000	1993 £'000
Corporation tax	1,573	-
Tax credits on franked investment income	245	101
Overseas tax & other taxes	57	8
Prior year items	(240)	-
	<u>1,635</u>	<u>109</u>

### 9. Tangible fixed assets

#### Group

	Freehold land and buildings £'000	Plant, machinery and equipment £'000	Total £'000
Cost or valuation			
1 January 1994	53,023	3,732	56,755
Additions	-	2,261	2,261
Acquisition of subsidiary	550	52	602
Disposals	-	(133)	(133)
At 31 December 1994	<u>53,573</u>	<u>5,912</u>	<u>59,485</u>
Depreciation			
1 January 1994	20,701	2,496	23,197
Charge for year	-	994	994
Adjustments on disposals	-	(118)	(118)
	<u>20,701</u>	<u>3,372</u>	<u>24,073</u>
Net book values 31 December 1994	<u>32,872</u>	<u>2,540</u>	<u>35,412</u>
Net book values 31 December 1993	<u>32,322</u>	<u>1,236</u>	<u>33,558</u>



# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### Company

	Freehold land and buildings £'000	Total £'000
Cost or valuation 1 January 1994	945	945
	—	—
At 31 December 1994	945	945
	—	—
Depreciation 1 January 1994	457	457
	—	—
At 31 December 1994	457	457
	—	—
Net book value 31 December 1994	488	488
	=====	=====
Net book value 31 December 1993	488	488
	=====	=====

No depreciation is charged as noted in the accounting policies.

The freehold which represents land adjacent to Zurich House, Stanhope Road, Portsmouth was purchased on 13 March 1989.

Independent valuations are carried out every three years in accordance with DTI regulations.

The charge for depreciation represents a reduction from the valuation as a result of the directors' opinion that the property had permanently diminished in value together with losses arising on revaluation.

The figures stated above for cost or valuation include valuations for freehold land and buildings as follows:-

### Group

At valuation 1992 32,322

### Company

At valuation 1992 488

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### 10. Investments

#### Company

#### Investments in Group Companies

	1994	1993
Zurich Re (UK) Limited	157,000,000	107,000,000
General Surety Holdings Limited	2,765,000	-
Zurich Life International Services Limited	1,000	1,000
Zurich Municipal Marketing Services Limited	100	100
	<u>159,766,100</u>	<u>107,001,100</u>

#### Subsidiary undertakings

	Country of Registration	Class of Capital	Proportion held		Nature of business
			By Parent Company	By the Group	
Zurich Re (UK) Limited	England	Ordinary	100%	-	Insurance & Reinsurance
Zurich Municipal Marketing Services Limited	England	Ordinary	100%	-	General Trader
General Surety Holdings Limited	England	Ordinary	100%		Holding Company
General Surety & Guarantee Co. Limited	England	Ordinary	-	100%	Surety Bonds
Pilot Assurance Company Limited	England	Ordinary	-	99.996%	Life Assurance
Zurich International (UK) Limited	England	Ordinary	-	100%	Insurance & Reinsurance
ZPC (Construction) Company Limited	England	Ordinary	-	75.01%	Property Investment

ZURICH HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 1994

11. Investments

Group	Book value £'000	1994 Market value £'000	Book value £'000	993 Market value £'000
Shares and other variable yield securities	46,205	46,205	33,855	33,855
Debt securities and other fixed interest securities	369,171	353,197	278,662	291,841
Deposits with credit institutions	<u>51,177</u>	<u>51,177</u>	<u>51,616</u>	<u>51,616</u>
	<u>466,553</u>	<u>450,579</u>	<u>364,133</u>	<u>377,312</u>

All shares and other variable yield securities and debt securities and other fixed interest securities are listed on recognised stock exchanges.

The debt securities and other fixed interest securities are all AAA rated being in Government stock or explicitly guaranteed by Governments.

12. Debtors	1994 £'000	1993 £'000
<b>Group</b>		
Trade debtors	598	442
Amounts due from parent undertakings and other group undertakings	38,979	15,014
Prepayments and accrued income	7,037	5,259
Agents and insurance companies	<u>163,918</u>	<u>137,890</u>
	<u>210,532</u>	<u>158,605</u>
<b>Company</b>		
Amounts due from parent undertaking	12,500	-
Other debtors	<u>1,272</u>	<u>1,157</u>
	<u>13,772</u>	<u>1,157</u>

The amount due from parent undertaking is in respect of called up and allotted share capital not paid. This amount was paid in full on 1 February 1995.

ZURICH HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 1994

13. **Creditors:** amounts falling due within one year

<b>Group</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
Bank overdrafts	933	1,757
Trade creditors	107	123
Sundry creditors	4,331	1,577
Current taxation	951	324
Accruals and deferred income	7,134	2,013
Unearned premiums	133,515	96,480
Outstanding claims	363,529	285,138
Agents and insurance companies	37,455	45,904
Amounts owing to ultimate parent undertaking and its group undertakings	<u>88,321</u>	<u>93,226</u>
	<u>636,276</u>	<u>526,542</u>
<b>Company</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
Amounts owed to parent undertaking and its group undertakings	53,306	53,318
Amounts due to subsidiary undertakings	25,020	19
Sundry creditors	<u>6</u>	<u>5</u>
	<u>78,332</u>	<u>53,342</u>

14. **Creditors:** amounts falling due after more than one year

<b>Group</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
Loan from ultimate parent undertaking	12,500	-
Bank loans and overdrafts	<u>1,475</u>	<u>-</u>
	<u>13,975</u>	<u>-</u>

**ZURICH HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 1994**

	<b>1994 £'000</b>	<b>1993 £'000</b>
The borrowings are repayable as follows:		
Due beyond 5 years - instalments	-	-
- other	<u>13,975</u>	<u>-</u>
	<u>13,975</u>	<u>-</u>
<b>Company</b>		
Loan from ultimate parent undertaking	<u>12,500</u>	<u>-</u>
<b>15. Share capital</b>		
	<b>1994 £'000</b>	<b>1993 £'000</b>
Authorised		
5% non-cumulative redeemable preference shares of £1 each	25,000	40,000
Ordinary shares of £1 each	<u>100,000</u> <u>125,000</u>	<u>60,000</u> <u>100,000</u>
Allotted and called up		
5% non-cumulative redeemable preference shares of £1 each	20,300	20,300
Ordinary shares of £1 each	<u>84,000</u> <u>104,300</u>	<u>57,000</u> <u>77,300</u>
Fully paid up		
5% non-cumulative redeemable preference shares of £1 each	20,300	20,300
Ordinary shares of £1 each	<u>71,500</u> <u>91,800</u>	<u>57,000</u> <u>77,300</u>
On 1 February 1995 the called up share capital was paid in full.		

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

---

On 16 December 1994 the company converted 15,000,000 of the authorised but unissued non-cumulative redeemable 5% Preference shares of £1 each, into 15,000,000 ordinary shares of £1 each.

On 16 December 1994 the company increased its authorised share capital by £25,000,000 to £125,000,000.

On 21 December 1994 a total of 14,500,000 £1 Ordinary shares were issued at par for cash partly to increase working capital and partly to fund an increase in the company's investment in Zurich Re (UK) Limited.

The 5% non-cumulative redeemable preference shares are non-voting. A dividend is payable on these shares only in year of payment of an ordinary dividend. Non-cumulative preference shares have priority on winding up. There is no specific date of redemption and redemption is at the option of the company.

#### 16. Movement on Reserves

Group	Profit and Loss Account £'000
At 1 January 1994	(38,196)
Retained profit for the year (after minority interest)	3,094
Unrealised investment losses	(3,147)
Foreign exchange losses	(1,903)
Goodwill written off on acquisition	<u>(283)</u>
At 31 December 1994	<u>(40,435)</u>

Company	Profit and Loss Account £'000
At 1 January 1994	(18,920)
Retained loss for the year	<u>(2,045)</u>
At 31 December 1994	<u>(20,965)</u>

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

---

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company has not been separately presented in these financial statements. The loss for the year dealt with in the accounts of the Company was £2.045 million (1993: £2.412 million).

#### 17. Minority shareholders interests

	1994 £'000	1993 £'000
Minority shareholders interests	<u>10,116</u>	<u>9,705</u>

This relates to the 24.99% of ZPC (Construction) Company Limited's shares held by the ultimate parent company, Zurich Insurance Company.

The amount attributable to minority interest in the year was £411,000 (1993: £283,000)

#### 18. Reconciliation of operating profit to net cash inflow from operations

	1994 £'000	1993 £'000
Operating profit	5,140	7,561
Depreciation	994	1,144
Losses/(gains) on the sale of investments	550	(3,085)
Increase in debtors	(38,887)	(71,192)
Increase in insurance funds	109,556	161,833
(Decrease)/Increase in creditors	<u>(10,339)</u>	<u>25,312</u>
Net cash inflow from operating activities	<u>67,014</u>	<u>121,573</u>

#### 19. Analysis of changes in cash and cash equivalents

	1994 £'000	1993 £'000
Balance as at 1 January	68,914	50,960
Net cash inflow/(outflow)	<u>(6,935)</u>	<u>17,954</u>
Balance as at 31 December	<u>61,979</u>	<u>68,914</u>

# ZURICH HOLDINGS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

### 20. Analysis of cash and cash equivalents shown on the Balance Sheet

	1994 £'000	1993 £'000	Change in year £'000
Cash at bank and in hand	5,413	8,402	(2,989)
Deposits with credit institutions	51,177	51,616	(439)
Short term deposits	6,322	10,653	(4,331)
Bank overdraft	(933)	(1,757)	824
Total	<u>61,979</u>	<u>68,914</u>	<u>(6,935)</u>

### 21. Analysis of changes in financing

	Share capital 1994 £'000	Share capital 1993 £'000
Balance as at 1 January	77,300	46,000
Cash inflow from financing	14,500	31,300
Share capital issued but not paid	<u>12,500</u>	-
Balance as at 31 December	<u>104,300</u>	<u>77,300</u>

### 22. Goodwill & Purchase of Subsidiary Undertaking

Purchased goodwill written off to reserves relates to the acquisition of General Surety Holdings Limited and its subsidiaries during the year as follows:

	Book Value £'000	Revaluation £'000	Fair Value £'000
Fixed assets			
Tangible	300	302	602
Current assets			
Debtors	540		540
Investments	2,119		2,119
Bank and cash	<u>11,235</u>		<u>11,235</u>
Total assets	<u>14,194</u>	<u>302</u>	<u>14,496</u>



ZURICH HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 1994

	Book Value £'000	Revaluation £'000	Fair Value £'000
Creditors			
Loans	1,475		1,475
Trade creditors	557		557
Taxation	251		251
Other creditors	2,702		2,702
Sundry creditors and accruals	1,159		1,159
Provisions			
Insurance Funds	<u>5,870</u>	—	<u>5,870</u>
Total liabilities	<u>12,014</u>	—	<u>12,014</u>
Net assets	<u>2,180</u>	<u>302</u>	2,482
Goodwill written off			<u>283</u>
			<u>2,765</u>
Satisfied by:			
Cash			<u>2,765</u>
			<u>2,765</u>

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiary undertaking:

	£'000
Cash consideration	(2,765)
Cash at bank and in hand acquired	<u>11,235</u>
Net cash inflow of cash and cash equivalents	<u>8,470</u>

23. Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit for the financial year (before minority interest)	3,505	7,452
Other recognised gains and losses relating to the year (net of tax)	(5,050)	3,384
Increase in share capital	27,000	31,300
Goodwill written off	<u>(283)</u>	—
Net addition to shareholders' funds	25,172	42,136
Opening shareholders' funds	<u>48,809</u>	<u>6,673</u>
Closing shareholders' funds	<u>73,981</u>	<u>48,809</u>

**ZURICH HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 1994**

	<b>1994 £'000</b>	<b>1993 £'000</b>
<b>Shareholders Funds</b>		
Equity	53,681	28,509
Non-equity	<u>20,300</u>	<u>20,300</u>
	<u>73,981</u>	<u>48,809</u>

**24. Capital commitments**

One of the subsidiary undertakings has contracted for Capital expenditure of £154,000 (1993: Nil).

**25. Lease Commitments**

**Group**

	<b>1994 £'000</b>	<b>1993 £'000</b>
(a) Annual commitments under land & building operating leases were repayable as follows:		
1 year or less	2,288	735
Between 2 and 5 years	8,329	2,574
After 5 years	-	<u>581</u>
	<u>10,617</u>	<u>3,890</u>

	<b>1994 £'000</b>	<b>1993 £'000</b>
(b) Annual commitments under other operating leases were repayable as follows:		
1 year or less	39	42
Between 2 and 5 years	57	97
After 5 years	-	-
	<u>96</u>	<u>139</u>

**Company**

The company does not have any operating lease commitments.

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

---

#### 26. Contingent liabilities

It is the view of the directors that there are no material contingent liabilities at the year end (1993: Nil).

#### 27. Pensions

Certain group companies participate in an approved pension plan in the UK, namely Zurich Insurance Company's United Kingdom Pension Fund. In addition there are unfunded unapproved arrangements in respect of certain executive employees.

The Fund is a defined benefit arrangement and operates on a funded basis. The funding policy is to contribute such variable amounts as, on the advice of the actuary, will achieve a 100% funding level on a projected salary basis. Actuarial assessments covering expenses and contributions are carried out by a qualified actuary, who is an employee of the Zurich Group, with the latest such review being carried out as at 30 June 1994.

The market value of the Fund's assets was £137,594,000 as at 30 June 1994. The actuarial value of the assets represented 91% of the Fund's ongoing liabilities.

Additional contributions are being paid to remove this deficit over the future working lifetime of active members.

The projected unit method was adopted for the valuation of the Fund. Assets were valued by discounting income from a notional portfolio. The main actuarial assumptions used to assess the pension costs for accounting purposes were:-

Investment yield	9.5% p.a.
Individual's salary growth	8.0% p.a.
Equity dividend growth	5.0% p.a.
Pension Increases	4.75% p.a.

The same assumptions have been used to assess the cost of the unfunded arrangements except that a 6.5% p.a. investment yield has been adopted.

For accounting purposes, surpluses or deficits, net of any prepayment/provision, are being amortised over the expected remaining average service life of the members as constant percentages of the relevant scheme salary totals.

The total pension expense in respect of the participating companies for the year ended 31 December 1994 was £1,161,213 (1993: £693,829).

## ZURICH HOLDINGS (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1994

---

In addition the newly acquired subsidiary operates a pension scheme providing benefits based on final pensionable salaries. The assets of the scheme are held separately from those of that company, being invested with an insurance company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with that company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation was at 1 January 1992. The principal assumption used in the valuation was that the annual rate of return on investments would be 1.5% higher than the annual increases in salaries.

The valuation showed that the market value of the scheme's assets was £1,396,000 (including the valuation of annuities purchased for the retired members) and that the actuarial value of those assets represented 107% of the benefits that had accrued to members, after allowing for expected future increases in salaries.

The contributions of that company for 1995 are estimated to be 26% of salaries plus the cost of insuring death in service benefits. The pension charge for the year was £65,742 (1993 £70,709).

This company also contributed £555 in the year (1993 £3,039) to a separate money purchase scheme in respect of one employee.

## REPORT OF THE AUDITORS TO THE MEMBERS OF ZURICH HOLDINGS (UK) LIMITED

---

We have audited the financial statements on pages 5 to 28 which have been prepared under the accounting policies set out on pages 10 to 12.

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

As described on page 4 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.

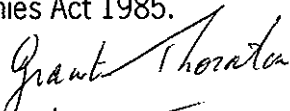
### **Basis of opinion**

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.

### **Opinion**

In our opinion the financial statements in relation to the insurance subsidiary undertakings have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies, and in relation to the other companies in the group give a true and fair view of the state of affairs of the company and the group at 31 December 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Grant Thornton  
Registered Auditors  
Chartered Accountants  
Portsmouth

19 October 1995