

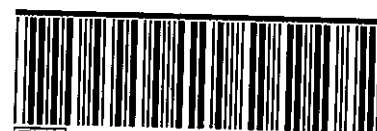
AC-1242

BRITISH AEROSPACE (INSURANCE) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31st DECEMBER 1995

Company Registered Number 999757



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COMPANIES HOUSE 29/7/96

BRITISH AEROSPACE (INSURANCE) LIMITED

BOARD OF DIRECTORS

M A Finlayson	Director
S Hobson	Director
P W McDonald	Director
J H Meyrick-Jones	Chairman
M J Pratt	Managing Director
P V Thompson	Director
S A Jones	Secretary

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements for the year ended 31st December 1995. The Directors consider the state of the Company's affairs to be satisfactory.

BUSINESS REVIEW

The principal activity of the Company is the underwriting of authorised classes of insurance in respect of the property and the employees of British Aerospace Public Limited Company and its group undertakings.

PROFITS AND APPROPRIATIONS

	<u>1995</u>	<u>1994</u>
	<u>£000</u>	<u>£000</u>
Profit on ordinary activities before taxation	323	2,597
Tax (charge)/credit on profit on ordinary activities	(80)	40
Profit for the financial year	<u>243</u>	<u>2,637</u>

PROPOSED DIVIDEND

The Directors are not proposing to pay a final dividend for the year. (1994 - £250,000). The retained profit for the year of £243,000 (1994 - £2,637,000) will be transferred to reserves.

SHARE CAPITAL

During the year the Company issued additional share capital of £1,500,000 to strengthen the balance sheet in support of the increase in business written.

BRITISH AEROSPACE (INSURANCE) LIMITED

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company at the beginning of the year were Mr J H Meyrick-Jones (Chairman), Mrs D C Cosby, Mr M A Finlayson and Mr M J Pratt. Mrs D C Cosby resigned as a Director on 16th June 1995. Mr S Hobson, Mr P W McDonald and Mr P V Thompson were appointed Directors on 13th February 1995. Mr S A Jones was Secretary during the year but resigned on 9th February 1996. Mr D S Parkes was appointed Secretary on 9th February 1996.

None of the Directors has (or has held) any beneficial interest in the share capital of the Company (or any other subsidiary undertaking of British Aerospace Public Limited Company).

The Directors' beneficial interests in the share capital of the Company's ultimate parent undertaking, British Aerospace Public Limited Company, were as follows:-

	<u>At 31st December 1995</u>		<u>At 1st January 1995</u>	
	Ord Shares of 10p each	Share Options	Ord Shares of 10p each	Share Options
M A Finlayson	-	250	-	250
S Hobson	-	-	-	-
P W McDonald	-	-	-	-
J H Meyrick-Jones	-	14,139	-	738
M J Pratt	-	925	-	925
P V Thompson	-	-	-	-

Share options were granted under the British Aerospace Executive Share Option Scheme as follows.

On 1st May 1992 exercisable at a subscription price of £2.9408 between 1st May 1997 and 31st October 1997. Under this scheme Mr J H Meyrick-Jones had 408 share options at the beginning of the year and Mr M J Pratt has 637 share options.

On 30th November 1994 exercisable at a subscription price of £3.5745 between 1st January 2000 and 30th June 2000. Under this scheme Mr J H Meyrick-Jones had 330 share options at the beginning of the year, Mr M A Finlayson has 250 share options and Mr M J Pratt has 288 share options.

Mr J H Meyrick-Jones was granted 14,139 share options on 16th March 1995 exercisable at a subscription price of £4.88 between 16th March 1998 and 15th March 2005. His options under the British Aerospace SAYE scheme were cancelled on 24th May 1995.

There have been no changes in the interests of the Directors of the Company between 31st December 1995 and the date of this report.

BRITISH AEROSPACE (INSURANCE) LIMITED

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 of the profit or loss for that period. In preparing those 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, 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 company will continue in business.

The Directors are responsible for maintaining proper accounting records 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board of Directors



D S Parkes
Secretary

29th February 1996

BRITISH AEROSPACE (INSURANCE) LIMITED

REPORT OF THE AUDITORS, KPMG TO THE MEMBERS OF BRITISH AEROSPACE (INSURANCE) LIMITED

We have audited the financial statements on pages 5 to 19.

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.

Opinion

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

KPMG

KPMG
Chartered Accountants
Registered Auditors
London

29th February 1996

BRITISH AEROSPACE (INSURANCE) LIMITED

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT - GENERAL BUSINESS

for the year ended 31st December 1995

	Note	1995		1994	
		£000	£000	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written	3	12,690		6,968	
Outward reinsurance premiums		<u>(8,357)</u>		<u>(3,214)</u>	
			4,333		3,754
Change in the gross provision for unearned premiums		(3,848)		(3,104)	
Change in the provision for unearned premiums, reinsurers' share		<u>4,131</u>		<u>1,734</u>	
			283		(1,370)
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(1,200)		(1,845)	
Reinsurers' share		<u>36</u>		<u>303</u>	
		<u>(1,164)</u>		<u>(1,542)</u>	
Change in the provision for claims					
Gross amount		(6,303)		2,439	
Reinsurers' share		<u>2,721</u>		<u>(1,163)</u>	
		<u>(3,582)</u>		<u>1,276</u>	
			(4,746)		(266)
Net operating expenses	5		<u>(812)</u>		<u>(340)</u>
Balance on the technical account for general business			<u>(942)</u>		<u>1,778</u>

BRITISH AEROSPACE (INSURANCE) LIMITED

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

for the year ended 31st December 1995

	Note	1995		1994	
		£000	£000	£000	£000
Balance on the general business technical account			(942)		1,778
Investment income	4, 6	<u>1,265</u>		<u>819</u>	
			<u>1,265</u>		<u>819</u>
Profit on ordinary activities before tax	6		323		2,597
Tax (charge)/credit on profit on ordinary activities	7		<u>(80)</u>		<u>40</u>
Profit for the financial year			243		2,637
Dividends proposed	8		<u>0</u>		<u>(250)</u>
Retained profit for the financial year transferred to reserves			<u>243</u>		<u>2,387</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December 1995

	1995		1994	
	£000		£000	
Profit for the financial year		<u>243</u>		<u>2,637</u>
Total recognised gains and losses relating to the year		<u>243</u>		<u>2,637</u>

BRITISH AEROSPACE (INSURANCE) LIMITED
RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31st December 1995

	Note	1995		1994	
		£000	£000	£000	£000
Profit for the financial year			243		2,637
Dividends proposed	8		<u>-</u>		<u>(250)</u>
Net addition to shareholders' funds			243		2,387
Opening Shareholders' funds			11,537		9,150
Allotment of Capital	14		<u>1,500</u>		<u>-</u>
Closing shareholders' funds			<u>13,280</u>		<u>11,537</u>

BRITISH AEROSPACE (INSURANCE) LIMITED

BALANCE SHEET

as at 31st December 1995

	Note	1995		1994	
		£000	£000	£000	£000
Assets					
Investments					
Deposits with credit institutions		<u>20,000</u>		<u>16,500</u>	
			20,000		16,500
Reinsurers' share of technical provisions	16				
Provision for unearned premiums		6,523		2,392	
Claims outstanding		<u>3,390</u>		<u>669</u>	
			9,913		3,061
Debtors					
Debtors arising out of direct insurance operations	10	4,596		2,189	
Debtors arising out of reinsurance operations	11	199		202	
Other debtors	12	<u>0</u>		<u>40</u>	
			4,795		2,431
Other assets					
Cash at bank and in hand	13	<u>570</u>		<u>1,035</u>	
Prepayments and accrued income			570		1,035
Accrued interest		252		11	
Deferred acquisition costs		695		-	
Other prepayments and accrued income		<u>229</u>			
			1,176		11
Total assets		<u>36,454</u>		<u>23,038</u>	

BRITISH AEROSPACE (INSURANCE) LIMITED

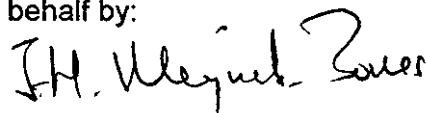
BALANCE SHEET (CONTINUED)

as at 31st December 1995

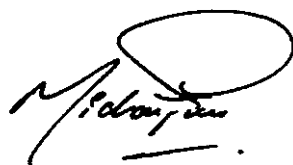
	Note	1995		1994	
		£000	£000	£000	£000
Liabilities					
Capital and reserves					
Called up share capital	14	5,700		4,200	
Profit and loss account	15	<u>7,580</u>		<u>7,337</u>	
 Shareholders' funds attributable to equity interests					
			13,280		11,537
 Technical provisions					
Provision for unearned premiums	16	9,875		6,027	
Claims outstanding		<u>8,064</u>		<u>1,761</u>	
			17,939		7,788
Provisions for other risk and charges	17		83		3
 Creditors					
Creditors arising out of direct insurance operations	18	139		7	
Creditors arising out of reinsurance operations		437		232	
Other creditors including taxation and social security	19	4,143		3,437	
Accruals and Deferred Income	20	<u>433</u>		<u>34</u>	
			5,152		3,710
 Total liabilities			<u>36,454</u>		<u>23,038</u>

These financial statements were approved by the board of Directors on 29th February 1996 and were signed on its behalf by:

J H Meyrick-Jones
Chairman



M J Pratt
Managing Director



BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

1 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, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments and comply with the revised Statement of Recommended Practice issued by the Association of British Insurers.

Following the introduction of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 certain disclosures have been amended and comparative amounts have been represented to comply with these reporting requirements.

As a wholly owned subsidiary of another company incorporated in Great Britain, the company is exempt from preparing group accounts under Section 228 of the Companies Act 1985.

2 Accounting policies

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

Basis of accounting for underwriting activities

All business written is accounted for on an annual basis.

Premiums

Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered into a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

2 Accounting Policies (continued)

Unearned premiums

For business accounted for on the annual basis, the provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method and taking into account the risk profile of the contracts.

Acquisition Costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premiums written which are unearned at the balance sheet date.

Claims incurred

Claims incurred includes all claims and claims settlement expense payments made in respect of the financial period, and the movement in provision for outstanding claims and settlement expenses and includes claims incurred but not reported, net of salvage and subrogation recoveries.

Claims outstanding

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related claims handling expenses. Where applicable, prudent estimates are made for salvage and subrogation recoveries, which are shown in the balance sheet as assets.

Investment Income, expenses and charges

Investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit.

Investments

All investments are stated at their current value.

Deferred taxation

The company provided for deferred tax in full on the timing difference between the treatment of interest receivable for taxation and accounts purposes.

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

- 3 Analysis of gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balance of the three major classes of business written by the Company.

	1995	1995	1995	1995	1995
	Gross	Gross	Gross	Gross	
	premiums	premiums	claims	operating	Reinsurance
	written	earned	incurred	expenses	balance
	£000	£000	£000	£000	£000
Direct insurance:					
Accident & health	1,290	1,208	(1,076)	(126)	(31)
Fire & other damage to property	6,737	4,297	(2,773)	(449)	1,207
Miscellaneous - Business Interruption	3,252	2,052	(3,853)	(215)	(727)
	11,279	7,557	(7,702)	(790)	449

	1994	1994	1994	1994	1994
	Restated	Restated	Restated	Restated	Restated
	Gross	Gross	Gross	Gross	
	premiums	premiums	claims	operating	Reinsurance
	written	earned	Incurred	expenses	balance
	£000	£000	£000	£000	£000
Direct insurance:					
Accident & health	1,539	1,179	(820)	(106)	40
Fire & other damage to property	2,432	1,277	(55)	(115)	812
Miscellaneous - Business Interruption	1,181	627	1,665	(56)	1,233
	5,152	3,083	790	(277)	2,085

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

	1995	1994
	£000	£000
4 Investment income		
Income from other investments	<u>1,265</u>	<u>819</u>
	<u>1,265</u>	<u>819</u>
	1995	1994
	£000	£000
5 Net operating expenses		
Acquisition costs	892	-
Change in gross deferred acquisition costs	(695)	-
Administrative expenses	<u>772</u>	<u>346</u>
Gross operating expenses	969	346
Reinsurance commissions and profit participation	(556)	22
Change in deferred reinsurance commission	<u>399</u>	<u>(28)</u>
	<u>812</u>	<u>340</u>

Operating costs include an allocation of expenses incurred by the holding company on the company's behalf. They also include auditors' remuneration for audit services of £10,340 (1994-£7,638). No directors' remuneration was paid in 1995 or 1994. The company had no employees during the year.

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

6	Profit on ordinary activities before tax	1995	1994
		£000	£000
	Profit on ordinary activities before tax is stated:		
	after crediting		
	Income from deposits	1,265	819
	after charging		
	Auditors' remuneration:		
	Audit	10	8
	Other services	17	9
		<u>27</u>	<u>17</u>
		1995	1994
		£000	£000
7	Taxation		
	UK corporation tax at 33% (1994: 33%) on the profit	-	-
	Deferred taxation	(80)	40
		<u>(80)</u>	<u>40</u>
8	Dividends		
	The amount recommended for distribution by way of dividend is £Nil (1994:£250,000 5.9 pence per ordinary share).		
9	Other financial investments	1995	1994
		Market	Market
		value	value
		£000	£000
	Deposits with credit institutions	20,000	16,500
		<u>20,000</u>	<u>16,500</u>
		1995	1994
		Cost	Cost
		£000	£000
	Deposits with credit institutions	20,000	16,500
		<u>20,000</u>	<u>16,500</u>

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

10 Debtors arising out of direct insurance operations

	1995	1994
	£000	£000
Amounts owed by policyholders	-	1,855
Amounts owed by intermediaries	4,596	334
	<u>4,596</u>	<u>2,189</u>

11 Debtors arising out of reinsurance operations

Other reinsurance debtors	199	202
	<u>199</u>	<u>202</u>

Advantage has been taken of the transitional exemption included in the amendment to Financial Reporting Standard No 5: Reporting the Substance of Transactions available to insurers in respect of the offset of balances arising from insurance broking transactions.

12 Other debtors

Other debtors	-	40
	<u>-</u>	<u>40</u>

13 Cash at bank and in hand

Cash at bank	509	1,035
Escrow	61	-
	<u>570</u>	<u>1,035</u>

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

14 Called up share capital

	1995	1994
	£000	£000

Authorised

5,700,000 (1994 : 4,200,000) ordinary shares of £1 each	5,700	4,200
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Allotted, called up and fully paid

5,700,000 (1994 : 4,200,000) ordinary shares of £1 each	5,700	4,200
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15 Reserves

	Profit & Loss account £000	Total £000
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At 1st January 1995	7,337	7,337
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Retained profit for the year	243	243
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At 31st December 1995	7,580	7,580
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BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

16 Technical provisions

	Provision for unearned premiums £000	Claims outstanding £000	Total £000
Gross amount			
At beginning of year	6,027	1,761	7,788
Movement in the provision	3,848	6,303	10,151
At end of year	<u>9,875</u>	<u>8,064</u>	<u>17,939</u>
Reinsurance amount			
At beginning of year	(2,392)	(669)	(3,061)
Movement in the provision	(4,131)	(2,721)	(6,852)
At end of year	<u>(6,523)</u>	<u>(3,390)</u>	<u>(9,913)</u>
Net technical provisions			
At end of year	<u>3,352</u>	<u>4,674</u>	<u>8,026</u>
At beginning of year	<u>3,635</u>	<u>1,092</u>	<u>4,727</u>

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

17 Provisions for other risks and charges

	Provisions for taxation including deferred taxation	
	£000	£000
At beginning of year	3	3
Utilised during the year	-	-
Charge for the year in the profit and loss account	80	80
At end of year	<u>83</u>	<u>83</u>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1995		1994	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Other timing differences	<u>83</u>	<u>-</u>	<u>3</u>	<u>-</u>
	<u>83</u>	<u>-</u>	<u>3</u>	<u>-</u>

18 Creditors arising out of direct insurance operations

	1995 £000	1994 £000
Amounts owed to intermediaries	<u>139</u>	<u>7</u>
	<u>139</u>	<u>7</u>

BRITISH AEROSPACE (INSURANCE) LIMITED

NOTES

19 Other creditors including taxation and social security

	1995	1994
	£000	£000
Amounts due to parent undertaking	4,027	2,908
Proposed dividend	-	250
Other	116	279
	<u>4,143</u>	<u>3,437</u>

20 Accruals and Deferred Income

	1995	1994
	£000	£000
Deferred reinsurance commissions	<u>433</u>	<u>34</u>

21 Ultimate parent company

The ultimate parent undertaking is British Aerospace Public Limited Company, a company incorporated in England and Wales. Copies of its Directors' Report and financial statements may be obtained from Warwick House, P O Box 87, Farnborough Aerospace Centre, Farnborough, Hants GU14 6YU

22 Financial Reporting Standard 1

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a Cash Flow Statement on the grounds that it is a wholly owned subsidiary undertaking.