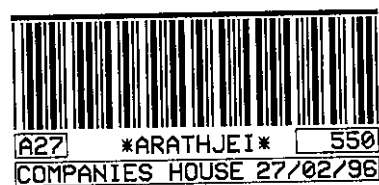


HAMILTON INSURANCE COMPANY LIMITED
FINANCIAL STATEMENTS - 31 DECEMBER 1995
TOGETHER WITH DIRECTORS'
AND AUDITORS' REPORTS

The Company's registered number is 1655888



HAMILTON INSURANCE COMPANY LIMITED

DIRECTORS & OFFICERS

- Directors : C J Messer - Chairman
A C Broadley
L N Bangs
G D Gilmer
A K A Ferguson
A R Hill
P A de Chazal
D H Maitland CVO
- Secretary : A K A Ferguson - Resigned as Company Secretary on
19 February 1996
C J Rivers - Appointed as Company Secretary on
19 February 1996
- Registered Office : North Street
Winkfield
Windsor
Berkshire
SL4 4TD
- Auditors : Arthur Andersen
1 Surrey Street
London
WC2R 2PS
- Bankers : The Royal Bank of Scotland plc
67 Lombard Street
London
EC3P 3DL
- Solicitors : Simmons & Simmons
14 Dominion Street
London
EC2M 2RJ

HAMILTON INSURANCE COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER 1995

The Directors present their annual report on the affairs of the Company, together with the financial statements and Auditors' report, for the year ended 31 December 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company is a wholly owned subsidiary of HFC Bank plc and is a member of the Household International, Inc. group of companies.

The principal activity of the Company continues to be the transaction of general insurance business. The Directors expect operations to continue at current levels.

RESULTS AND DIVIDEND

This year for the first time all Insurance Companies are required to comply with the EU Directive on Insurance Companies accounts as detailed in Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

The restatement of the accounts under the above regulations has not impacted current or prior year profit or retained earnings.

Gross written premiums increased by £6,939,000 during the year, and net earned premium income increased by £3,510,000.

Investment income increased by £536,000 during the year and profit after taxation increased by £470,000 to £640,000 (1994 - profit £170,000)

The Directors have not recommended or paid a dividend (1994 interim dividend declared and paid of £1,007,000).

Results were as follows:-	1995
	£000
Profit for the year after taxation	640
Dividend paid	-
Retained earnings for the year	<u>640</u>
Retained profit, beginning of year	1,753
Retained profit, end of year	<u><u>2,393</u></u>

DIRECTORS' REPORT (Continued)

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company are shown on page 1.

On 31 January 1996 A C Broadley resigned as Managing Director and Chief Executive Officer and as a Director on 19 February 1996.

On 17 May 1995 G D Gilmer was appointed as a Director.

On 20 December 1995 A K A Ferguson was appointed as a Director.

On 19 February 1996 A R Hill was appointed as a Director.

The Directors who held office at 31 December 1995 had no interests in the shares of Household International (U.K.) Limited or any of its subsidiary companies.

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts 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 of the Company for that year. In those financial statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently;
- judgements and estimates made are reasonable and prudent;
- a statement is given as to whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985 as applicable to Insurance Companies. They are also responsible for taking all reasonable steps to ensure the assets of the company are safeguarded and that steps are taken for prevention and detection of fraud and other irregularities.

In exercising these duties and responsibilities the Directors take account of the advice given to them and obtained by them. The directors regularly review reports on the systems and controls which are established to give reasonable assurance that the business is being conducted in accordance with the above principles.

DIRECTORS' REPORT (Continued)

AUDITORS

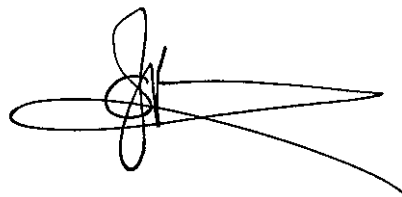
The Company having passed in General Meeting an elective resolution in accordance with s. 379(A) Companies Act 1985 to dispense with the obligation to appoint auditors annually as permitted by s.386 Companies Act 1985, Arthur Andersen shall be deemed to be re-appointed as auditors to the Company for the next financial year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY

HFC Bank plc, the Company's parent company, maintains an Insurance Policy through Lloyd's of London for the Directors and Officers of Hamilton Insurance Company Limited against liability arising from negligence or breach of duty in relation to the Company.

North Street
Winkfield
Windsor
Berkshire
SL4 4TD

BY ORDER OF THE BOARD

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by a series of loops and a long horizontal stroke extending to the right.

19 February 1996

C J Rivers
Secretary

Hamilton Insurance Company

London

Auditors' report to the Shareholders of Hamilton Insurance Company

We have audited the financial statements on pages 6 to 18, which have been prepared on the bases described in the statement of accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 3 the Company's Directors are responsible for the preparation of the 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.

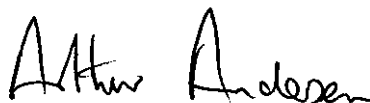
Basis of opinion

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 circumstances of the Company, consistently applied and adequately disclosed.

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

Opinion

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



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS
19 February 1996

HAMILTON INSURANCE COMPANY LIMITED

Profit and loss account

Technical Account - General Business

For the year ended 31 December 1995

	Notes	1995		1994 as restated	
		£000	£000	£000	£000
Notes					
Earned premiums					
Gross premiums written	2	31,037		24,098	
Reinsurance premiums	2	<u>(3,127)</u>		<u>(638)</u>	
Net written premiums			27,910		23,460
Change in gross unearned premiums		(1,518)		(608)	
Change in unearned reinsurance premiums		<u>(1,183)</u>		<u>(1,153)</u>	
			(2,701)		(1,761)
Earned Premiums, net of reinsurance	2		<u>25,209</u>		<u>21,699</u>
Investment income transferred from the non-technical account			2,786		2,250
Claims incurred					
Claims paid		(11,157)		(11,888)	
Reinsurance recoveries		<u>3,011</u>		<u>508</u>	
Net claims paid		<u>(8,146)</u>		<u>(11,380)</u>	
Change in provision for claims		(54)		335	
Change in provision for reinsurance		<u>342</u>		<u>6</u>	
		288		341	
Claims incurred, net of reinsurance	2		(7,858)		(11,039)
Net operating expenses	2,4		(19,182)		(12,656)
Total balance on the technical account for general business			<u><u>955</u></u>		<u><u>254</u></u>

The accompanying notes are an integral part of this profit and loss account

HAMILTON INSURANCE COMPANY LIMITED

Profit and loss account

Non-technical account

For the year ended 31 December 1995

	Notes	1995	1994 as restated
		£000	£000
Balance on the general technical account		955	254
Investment Income	5	2,786	2,250
Allocated investment return transferred to the general business technical account		(2,786)	(2,250)
Profit on ordinary activities before tax		<u>955</u>	<u>254</u>
Tax charge on ordinary activities	8	(315)	(84)
Profit on ordinary activities after tax		<u>640</u>	<u>170</u>
Dividend paid		-	(1,007)
Retained profit / (loss) for the year		<u>640</u>	<u>(837)</u>
Retained profit, beginning of year		1,753	2,590
Retained profit, end of year		<u><u>2,393</u></u>	<u><u>1,753</u></u>

The only recognised gains or losses in the accounting period are those disclosed in the profit and loss account.

The accompanying notes are an integral part of this profit and loss account

HAMILTON INSURANCE COMPANY LIMITED

Balance sheet

At 31 December 1995

	Notes	1995 £000	1994 as restated £000
ASSETS			
Investments	9	44,762	39,602
Reinsurers' share of technical provisions			
Unearned reinsurance premiums		2,112	3,295
Claims outstanding		555	213
Debtors			
Debtors arising out of direct insurance operations	10	2,212	1,577
Debtors arising out of reinsurance operations		185	172
Other assets			
Cash at bank and in hand		61	102
Prepayments and accrued income			
Accrued interest		1,049	941
Deferred acquisition costs		8,396	9,219
TOTAL ASSETS		<u>59,332</u>	<u>55,121</u>

The accompanying notes are an integral part of this balance sheet

HAMILTON INSURANCE COMPANY LIMITED

Balance sheet

At 31 December 1995

	Notes	1995 £000	1994 as restated £000
LIABILITIES			
Capital and reserves			
Called up share capital	14	8,212	8,212
Capital contribution		93	93
Profit and loss account	15	2,393	1,753
Shareholders' funds - equity interests		10,698	10,058
Technical provisions			
Provision for unearned premiums		29,531	28,013
Claims reserves	11	14,004	13,618
		43,535	41,631
Creditors			
Creditors arising out of direct insurance operations	12	4,224	3,005
Creditors arising out of reinsurance operations		167	58
Other creditors including taxation		708	369
		5,099	3,432
TOTAL LIABILITIES		59,332	55,121

The financial statements on pages 6 to 18 were approved by the Board of Directors on 19 February 1996 and signed on its behalf by:

C J Messer
Chairman and Director

A K A Ferguson
Director

The accompanying notes are an integral part of this balance sheet

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and with the ABI Guidance on Accounting for Insurance Business issued by the Association of British Insurers in 1995. The financial statements have been prepared in accordance with Section 255 and Schedule 9A of the Companies Act 1985.

A summary of the more important accounting policies, which have been applied consistently unless otherwise stated is set out below.

(a) Changes in the presentation of the financial statements

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations") came into effect for periods commencing on or after 23 December 1994 and accordingly have been applied for the first time in these financial statements. The Company has restated the comparative figures for the year ended 31 December 1994 to reflect the changes in the presentation of the financial statements introduced by the Regulations. The restatement has not impacted current or prior year profit or retained earnings.

(b) Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

(c) Annual Basis

The technical result for accident and health, miscellaneous financial loss, and property damage is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

- (i) Premium income is earned over the life of each contract, using rules appropriate to the type of each insurance contract, and taking account of the effect of reinsurance agreements.
- (ii) Provision is made for net unearned premiums which represent unearned premiums written. They are set aside to provide for periods of risk extending beyond the year end. Unearned premiums are calculated on a basis appropriate to the contract.

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995 (cont.)

- (iii) Acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability against future margins and amortised over the period in which the related premiums are earned.
- (iv) Claims paid includes amounts for claims received but not paid. 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 and related expenses, together with any other adjustments to claims from previous years.

(d) Investments

Investments in fixed and variable interest securities are shown in the balance sheet at cost, adjusted for the amortisation of any premium or discount on redemption value on a straight line basis.

Gross investment income is accounted for on an accruals basis.

(e) Transfer of investment return

A transfer of investment return, including unrealised gains and losses, expenses and charges, is made from the non-technical account to the technical account - general business to reflect the return made on those assets directly attributable to the insurance business.

(f) Cashflow statement

Under the provisions of Financial Reporting Standard Number 1 the Company has not provided a cashflow statement because its immediate holding company HFC Bank plc which is incorporated in England and Wales, has prepared consolidated financial statements for the year which contain a consolidated cashflow statement.

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995 (cont.)

2 Segmental Information

A	1995 Rein- surance			1994 Rein- surance		
	Gross £000	ceded £000	Net £000	Gross £000	ceded £000	Net £000
Written premiums						
Direct insurance						
Accident and health	18,479	(2,727)	15,752	14,193	(200)	13,993
Miscellaneous financial loss	11,981		11,981	9,310		9,310
Property damage	577	(400)	177	595	(438)	157
	<u>31,037</u>	<u>(3,127)</u>	<u>27,910</u>	<u>24,098</u>	<u>(638)</u>	<u>23,460</u>

All gross written premiums in respect of direct business are written in the United Kingdom. No inward reinsurance was written in 1995 or 1994.

B	1995 Rein- surance			1994 Rein- surance		
	Gross £000	Ceded £000	Net £000	Gross £000	Ceded £000	Net £000
Earned premiums						
Direct insurance						
Accident and health	17,129	(3,910)	13,219	13,417	(1,344)	12,073
Miscellaneous financial loss	11,811		11,811	9,474		9,474
Property damage	579	(400)	179	598	(446)	152
	<u>29,519</u>	<u>(4,310)</u>	<u>25,209</u>	<u>23,489</u>	<u>(1,790)</u>	<u>21,699</u>

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995 (cont.)

C	1995 Rein- surance			1994 Rein- surance		
	Gross £000	ceded £000	Net £000	Gross £000	ceded £000	Net £000
Incurred claims						
Direct insurance						
Accident and health	8,027	(3,148)	4,879	9,168	(297)	8,871
Miscellaneous financial loss	2,891		2,891	2,064		2,064
Property damage	293	(205)	88	321	(217)	104
	<u>11,211</u>	<u>(3,353)</u>	<u>7,858</u>	<u>11,553</u>	<u>(514)</u>	<u>11,039</u>
D	1995 Rein- surance			1994 Rein- surance		
	Gross £000	ceded £000	Net £000	Gross £000	ceded £000	Net £000
Operating expenses						
Direct insurance						
Accident and health	9,450		9,450	4,292		4,292
Miscellaneous financial loss	9,557		9,557	8,143		8,143
Property damage	272	(97)	175	301	(80)	221
	<u>19,279</u>	<u>(97)</u>	<u>19,182</u>	<u>12,736</u>	<u>(80)</u>	<u>12,656</u>
E	1995 Rein- surance			1994 Rein- surance		
	Gross £000	ceded £000	Net £000	Gross £000	ceded £000	Net £000
Profit on ordinary activity before tax						
Direct insurance						
Accident and health	1,047	(763)	284	1,044	(1,047)	(3)
Miscellaneous financial loss	754	-	754	430	-	430
Property damage	14	(97)	(83)	(24)	(149)	(173)
	<u>1,815</u>	<u>(860)</u>	<u>955</u>	<u>1,450</u>	<u>(1,196)</u>	<u>254</u>

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995 (cont.)

3	Movements in prior year's claims provisions	1995	1994
		£000	£000
	Opening claims reserve	13,617	14,015
	Payments in respect of previous years claims	(6,609)	(7,677)
	Over provision of prior years provisions	(1,912)	(1,204)
	Claims reserving for current year	13,456	12,695
	Claims paid in respect of current year	(4,548)	(4,211)
	Closing claims reserve	<u>14,004</u>	<u>13,618</u>
4	Net operating expenses	1995	1994
		£000	£000
	Acquisition costs	16,875	10,883
	Changes in deferred acquisition costs	823	(133)
	Administrative expenses	<u>1,581</u>	<u>1,986</u>
		19,279	12,736
	Reinsurance commissions	(97)	(80)
	Net operating expenses	<u>19,182</u>	<u>12,656</u>

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 1995 (cont.)

5 Investment Return	1995 £000	1994 £000
Investment income	2,792	2,265
Investment management charges	(9)	(15)
Investment gain on realisation	3	-
	<u>2,786</u>	<u>2,250</u>
Investment Income on:		
UK listed fixed rate investments	290	449
Luxembourg listed fixed rate investments	179	301
UK listed variable investments	153	182
Cash deposits	2,170	1,333
	<u>2,792</u>	<u>2,265</u>
6 Employee Information	1995 £000	1994 £000
Fees as Directors	74	73
Other emoluments	8	9
	<u>82</u>	<u>82</u>
	£000	£000
Chairman	6	6
Highest paid Director	61	60
	<u>61</u>	<u>60</u>
	Number	Number
£NIL to £5,000	5	4
£5,001 to £10,000	1	1
£10,001 to £60,000	-	-
£60,001 to £65,000	1	1
	<u>7</u>	<u>6</u>

The Company does not employ any staff directly. All employees were employed and paid by Household International (U.K.) Limited in 1995 and 1994.

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995 (cont.)

7	Profit on ordinary activities before tax	1995	1994
		£000	£000
	Profit on ordinary activities before tax is stated after:		
	Auditors' remuneration - Audit	20	20
	- Other	-	-
	Directors' remuneration	<u>82</u>	<u>82</u>

Audit costs have been paid by HFC Bank plc on behalf of Hamilton Insurance Company Limited.

8 Taxation

	1995	1994
	£000	£000
Corporation tax at 33% (1993 - 33%)	<u>315</u>	<u>84</u>

9 Investments

	1995	1994
	£000	£000
London listed securities fixed rate	3,026	4,056
Luxembourg listed securities fixed rate	2,536	2,602
London listed securities variable rate	1,999	2,993
Cash deposits	35,701	26,451
Cash deposits with parent company	<u>1,500</u>	<u>3,500</u>
	<u>44,762</u>	<u>39,602</u>

The difference between the amortised cost and original cost of investments is £238,000. The market value of investments held in 1995 was £44,818,000 (1994 - £38,509,000).

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements

For the year ended 31 December 1995 (cont.)

10 Debtors arising out of direct insurance operations

	1995	1994
	£000	£000
Premiums collected by parent company	<u>2,212</u>	<u>1,577</u>

11 Claims Reserves

	1995	1994
	£000	£000
Claims outstanding	513	181
Other technical provisions	<u>13,491</u>	<u>13,437</u>
	<u>14,004</u>	<u>13,618</u>

12 Creditors arising out of direct insurance operations

	1995	1994
	£000	£000
Amount owed to parent company	3,766	2,620
Insurance premium tax	227	199
External commissions	69	29
Expenses	<u>162</u>	<u>157</u>
	<u>4,224</u>	<u>3,005</u>

13 Reconciliation of Shareholders' Funds

	1995	1994
	£000	£000
Retained profit for the year	640	170
Dividend	-	(1,007)
New share capital subscribed for	-	1,500
Net additions to shareholders' funds	<u>640</u>	<u>663</u>
Opening shareholders' funds	10,058	9,395
Closing shareholders' funds	<u>10,698</u>	<u>10,058</u>

HAMILTON INSURANCE COMPANY LIMITED

Notes to the financial statements for the year ended 31 December 1995 (cont.)

14	Called Up Share Capital	1995	1994
		£000	£000
	Authorised :-		
	Ordinary shares of £1 each	10,000	10,000
	Allotted, called up and fully paid :-		
	Ordinary shares of £1 each	8,212	8,212
15	Reserves	1995	1994
		£000	£000
	Profit and loss account as at 1 January	1,753	2,590
	Retained profit / (loss) for the year	640	(837)
	Profit and loss account as at 31 December	2,393	1,753

16 Ultimate Parent Company

The Company's immediate holding company is HFC Bank plc. The ultimate holding company and the largest group in which HFC Bank plc and its subsidiary companies are consolidated is Household International, Inc., which is incorporated in the State of Delaware, United States of America.

The smallest group in which the results of the Company are consolidated is that headed by HFC Bank plc. The consolidated accounts of these groups are available to the public and may be obtained from the Company Secretary at the Company's registered office.

Hamilton Insurance Assurance Company Limited is registered in England and Wales.