



BRITISH AVIATION INSURANCE GROUP LIMITED

REPORT and ACCOUNTS

1994

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

Directors' Report

2512067

Principal Activity

The principal activity of the Company is the transaction of aviation insurance as agent for the following insurance companies :

The British Aviation Insurance Company Limited
Commercial Union Assurance Company plc
Eagle Star Reinsurance Company Limited
General Accident Fire & Life Assurance Corporation plc
Guardian Insurance Limited
Royal Insurance plc
Sun Alliance and London Insurance plc

Results and Dividend

The profit on ordinary activity before taxation for the year ended 31 December 1994 amounted to £92,612 (1993 £262,414). The Directors do not recommend a dividend.

Directors

The present Directors, together with their Alternates and date of appointments approved by the Board, are :

C R Barker Bennett (P J Rhodes)
P Crawford
P G Edwards 8.3.95 (P McGrath 8.3.95)
R A Elms (T J Brown)
A J Howell 23.3.94 (J F Mitchell 23.3.94)
R J Taylor (A P Latham)
P G Ward (P L Evans, R J Taylor)

The past Directors of the Company and the date of their resignations are :

J P Dowling 3.2.94
W J Dunham 8.3.95

None of the Directors had any beneficial interests in the share capital of the Company at either the beginning or the end of the year.

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

Directors' Report -- continued

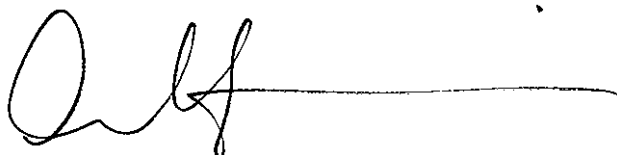
Tangible Fixed Assets

Movements in fixed assets are set out in note 10 to the accounts.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the Board

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

Secretary
20 April 1995

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

CONSOLIDATED PROFIT and LOSS ACCOUNT
for the year ended 31 December 1994

	1994	1993
	£	£
Turnover (note 3)	10,293,622	9,399,367
Administrative expenses (note 4)	10,472,533	9,419,461
	(178,911)	(20,094)
Interest receivable	271,523	282,508
Profit on ordinary activities before taxation	92,612	262,414
Tax on profit on ordinary activities (note 8)	92,612	262,414
Profit for the year	—	—

There are no recognised gains or losses during the current year or the previous year.

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

CONSOLIDATED BALANCE SHEET
as at 31 December 1994


	1994 £	1993 £
Fixed assets		
Tangible assets (note 10)	1,548,853	999,152
Current assets		
Debtors (note 11)	755,264	533,771
Cash at bank and in hand	1,996,073	2,560,503
	2,751,337	3,094,274
Creditors: Amounts falling due within one year (note 12)	(2,651,337)	(2,194,629)
Net current assets	100,000	899,645
Total assets less current liabilities	1,648,853	1,898,797
Creditors : Amounts falling due over one year (note 13)	(1,548,853)	(1,798,797)
Total assets less liabilities	100,000	100,000
Capital and Reserves		
Called up share capital (note 14)	100,000	100,000
Profit and loss account	—	—
	100,000	100,000

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

PARENT COMPANY BALANCE SHEET
as at 31 December 1994

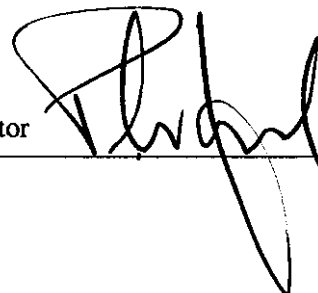
	1994 £	1993 £
Fixed assets		
Tangible assets (note 10)	1,446,206	881,987
Investments (note 9)	11,392	12,763
	<u>1,457,598</u>	<u>894,750</u>
Current assets		
Debtors (note 11)	1,012,800	639,531
Cash at bank and in hand	1,799,673	2,556,875
	<u>2,812,473</u>	<u>3,196,406</u>
Creditors: Amounts falling due within one year (note 12)	<u>(2,621,218)</u>	<u>(2,192,359)</u>
Net current assets	<u>191,255</u>	<u>1,004,047</u>
Total assets less current liabilities	1,648,853	1,898,797
Creditors : Amounts falling due over one year (note 13)	<u>(1,548,853)</u>	<u>(1,798,797)</u>
Total assets less liabilities	<u><u>100,000</u></u>	<u><u>100,000</u></u>
Capital and Reserves		
Called up share capital (note 14)	100,000	100,000
Profit and loss account	—	—
	<u><u>100,000</u></u>	<u><u>100,000</u></u>

Chairman



20 April 1995

Director



BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1994

	1994 £	1993 £
Operating activities		
Net cash inflow from operating activities	685,689	1,725,552
Taxation		
Corporation tax paid	(231,822)	(157,014)
Investing activities		
Payments to acquire tangible fixed assets	(1,343,535)	(377,457)
Receipts from sales of tangible fixed assets	325,238	26,574
Change in cash and cash equivalents	<u>(564,430)</u>	<u>1,217,655</u>

Notes

(1) Reconciliation of operating profit to net cash inflow from operating activities

	1994 £	1993 £
Operating profit before taxation	92,612	262,414
Depreciation of tangible fixed assets	541,466	667,348
(Profit)/loss on sale of tangible fixed assets	(72,870)	582
Increase in debtors	(221,493)	(136,864)
Increase in creditors	345,974	932,072
Net cash inflow from operating activities	<u>685,689</u>	<u>1,725,552</u>

(2) Analysis of changes in cash and cash equivalents during the year

	1994 £	1993 £
Balance at the beginning of the year	2,560,503	1,342,848
Net cash inflow	(564,430)	1,217,655
Balance at the end of the year	<u>1,996,073</u>	<u>2,560,503</u>

(3) Analysis of the balances of cash as shown in the balance sheet

	1994 £	1993 £	Change in year £
Cash at bank and in hand	<u>1,996,073</u>	<u>2,560,503</u>	<u>(564,430)</u>

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

NOTES TO THE ACCOUNTS

1. **Basis of Preparation of Accounts**

The accounts have been prepared under the historical cost convention and in accordance with Section 226 of and Schedule 4 to the Companies Act 1985 and applicable accounting standards.

The group accounts consolidate the accounts of British Aviation Insurance Group Limited and all its subsidiaries made up to 31 December 1994. No profit or loss account is presented for British Aviation Insurance Group Limited, as provided by s228 of the Companies Act 1985.

The profit for the year of the company is £ nil (1993 £ nil).

2. **Accounting Policies**

(i) **Tangible fixed assets**

Depreciation is provided to reduce the cost of assets to their residual value over their estimated useful lives. The directors have assessed the useful lives as being :

Motor vehicles – 4 years

Computer hardware – 4 years

Equipment – 6 years

(ii) **Investments**

Fixed asset investments are shown at cost.

(iii) **Pension costs**

The group operates separate defined benefit pension schemes for its employees in the United Kingdom and for its employees in Canada. It is the policy of the group to provide for pension liabilities on a going concern basis, on the advice of external actuaries, by payments to insurance companies. Independent actuarial valuations on a going concern basis are carried out every three years. Amounts paid in respect of the pension funds are charged to the profit and loss account when paid.

(iv) **Foreign currency.**

In the accounts of individual companies, transactions denominated in foreign currencies are recorded in the local currency at the actual rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end.

3. **Turnover**

Turnover represents management fees receivable, and is in respect of continuing operations.

4. **Administration Expenses**

Administration expenses include:

	1994	1993
Depreciation	£541,466	£667,348
Fee in respect of audit services	£12,139	£11,531

5. **Directors' remuneration**

	1994	1993
Total directors' emoluments	£167,352	£166,344
Emoluments of the highest paid director (excluding pension contributions)	£135,552	£136,850

The Chairman and other directors did not receive any remuneration for their services as directors of this Company.

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

Notes to the Accounts – continued

6.	Staff costs	1994	1993
		£	£
	Wages and salaries	3,936,983	3,851,789
	Social security payments	341,379	312,038
	Other pension costs	843,798	809,107
		<u>5,122,160</u>	<u>4,972,934</u>
	Average weekly number of employees	139	144

7. **Pension Costs**

The Company operates a defined benefit pension scheme in the United Kingdom with assets held in a separate trustee administered fund which is subject to triennial valuation using the projected unit method. For the year under review the cost of the scheme was £ 813,632 (1993 £800,694).

A valuation was carried out at 1 January 1994 by a qualified actuary and contributions to the scheme were determined assuming an investment return of 8% p.a. with provision for salary increases of 6.5% and that at retirement, pensions will be provided by purchasing annuities at rates calculated on the basis of 8% p.a. interest.

British Aviation Insurance Group (Canada) Limited

The non-contributory defined benefits pension plan maintained by British Aviation Insurance Group (Canada) Limited provides benefits based on length of service and final average earnings. For the year under review the cost of the scheme was Canadian \$66,200 (1993 Canadian \$ nil).

The status of the plan at 31 December 1994, based on an update of an actuarial report dated 18 April 1994 is as follows:—

Pension fund assets – market value	Can\$ 2,355,200
Actuarial present value of accrued pension benefits	Can\$ 2,269,000

8.	Taxation	1994	1993
		£	£
	Based on the profit for the year:		
	Corporation tax at 33% (1993 33%)	40,000	157,711
	Deferred taxation	—	(14,874)
	Overseas taxation	26,297	62,884
	Corporation tax under provided in previous year	26,315	56,693
		<u>92,612</u>	<u>262,414</u>

9. **Investment in subsidiaries**

The Company owns the entire share capital of British Aviation Insurance Group (Canada) Limited (incorporated in Canada), which is the management company for the Group in Canada. The investment is held at cost of Canadian \$ 25,000.

The Company owns the entire share capital of BAIG Limited, registered in England which was dormant throughout the year.

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

Notes to the Accounts – continued

10. Tangible Fixed Assets

(A) GROUP

	COMPUTERS	MOTOR VEHICLES	EQUIPMENT	TOTAL
Cost	£	£	£	£
1 January 1994	869,911	624,503	626,630	2,121,044
Additions	304,718	–	1,038,817	1,343,535
Disposals	–	(624,503)	–	(624,503)
31 December 1994	<u>1,174,629</u>	<u>–</u>	<u>1,665,448</u>	<u>2,840,076</u>
Depreciation				
1 January 1994	369,999	369,399	382,494	1,121,892
Disposals	–	(372,135)	–	(372,135)
Provided during the year	265,568	2,736	273,162	541,466
31 December 1994	<u>635,567</u>	<u>–</u>	<u>655,656</u>	<u>1,291,223</u>
Net book value				
31 December 1994	<u>539,062</u>	<u>–</u>	<u>1,009,792</u>	<u>1,548,853</u>
31 December 1993	<u>499,912</u>	<u>255,104</u>	<u>244,136</u>	<u>999,152</u>

(B) COMPANY

	COMPUTERS	MOTOR VEHICLES	EQUIPMENT	TOTAL
Cost	£	£	£	£
1 January 1994	753,194	624,503	565,590	1,943,287
Additions	287,291	–	1,037,021	1,324,312
Disposals	–	(624,503)	–	(624,503)
31 December 1994	<u>1,040,485</u>	<u>–</u>	<u>1,602,611</u>	<u>2,643,096</u>
Depreciation				
1 January 1994	321,727	369,399	370,174	1,061,300
Disposals	–	(372,135)	–	(372,135)
Provided during the year	237,212	2,736	267,777	507,725
31 December 1994	<u>558,939</u>	<u>–</u>	<u>637,951</u>	<u>1,196,890</u>
Net book value				
31 December 1994	<u>481,546</u>	<u>–</u>	<u>964,660</u>	<u>1,446,206</u>
31 December 1993	<u>431,467</u>	<u>255,104</u>	<u>195,416</u>	<u>881,987</u>

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

Notes to the Accounts – continued

11. Debtors

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Amounts owed by subsidiaries	–	–	276,396	170,784
VAT	72,637	67,723	72,637	67,723
Other debtors	315,300	177,251	297,388	112,333
Prepayments and accrued income	367,327	288,797	366,379	288,691
	<u>755,264</u>	<u>533,771</u>	<u>1,012,800</u>	<u>639,531</u>

12. Creditors: amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Other creditors:				
UK corporation tax payable	34,034	201,093	34,034	201,093
Overseas taxation	30,119	2,270	–	–
Due to members and other managed entities	2,545,049	1,953,727	2,545,049	1,953,727
Accruals and deferred income	42,135	37,539	42,135	37,539
	<u>2,651,337</u>	<u>2,194,629</u>	<u>2,621,218</u>	<u>2,192,359</u>

13. Creditors: amounts falling due after more than one year

The following amounts are included in creditors falling due after more than one year:

	Group		Company	
	1994	1993	1994	1993
	£	£	£	£
Other creditors:				
Due to members and other managed entities	1,548,853	1,798,797	1,548,853	1,798,797

14. Share Capital

	1994	1993
Authorised, 150,000 Ordinary shares of £1 each	£150,000	£150,000
Allotted and called up Share Capital		
100,000 Ordinary shares of £1 each	£100,000	£100,000

15. Capital Commitments

There were no capital commitments at the 31 December 1994 (1993 nil).

BRITISH AVIATION INSURANCE GROUP LIMITED
and Subsidiaries

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT of the AUDITORS
to the members of British Aviation Insurance Group Limited

We have audited the accounts on pages 3 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1994 and of the result of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Chartered Accountants

Registered Auditor

20 April 1995