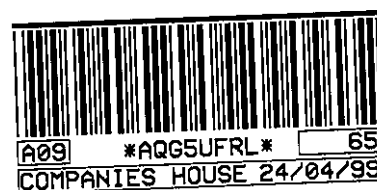


Homecare Insurance Limited
Directors' report and financial statements

31 December 1998

Registered number 2793290



Homecare Insurance Limited

Directors' report and financial statements

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Homecare Insurance Limited

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 1998.

Principal activities

The principal activities of the Company are domestic appliance breakdown insurance and theft and accidental damage insurance for domestic appliances and mobile phones. The company is an authorised United Kingdom insurance company.

Business review

Details of the results for the period are set out in pages 4 to 5. The business has progressed to plan in 1998 with the main growth area being in the insurance of mobile phones both in the UK and in Ireland. These areas will provide the platform for further growth in 1999. The trading results show a profit after taxation of £144,802. No Dividends have been paid or are proposed. This results in a surplus of £397,133 carried forward.

Directors and Directors Interests

The directors of the company during the period were:

Sir Timothy Kitson *Chairman*
Clive Featherstone *FCILA ACII Deputy Chairman* (resigned 31st December 1998)
Roger Webb *FCA Managing Director*
Stephen Pyatt *AIIC*
Barry J Seymour *KHS ACIB*
Kevin A Kenny
Richard Horton *FCA*

The beneficial interest of Roger Webb in the shares of Fishers International plc was represented at 31st December 1998 by 282,527 ordinary shares (1997: 279,204), by options on a further 200,000 shares (1997: 200,000), and by further options under a SAYE scheme on 44,416 shares (1997: 44,416). The exercise price on the share options granted on 12 May 1995 is 13.75 pence per share and these are exercisable between May 1998 and May 2005 and the exercise price on the SAYE, option is 10.8 pence per share.

Mr Barry Seymour did not have any disclosable interest in the shares of the Company.

The interests of the other directors in the shares who are all directors of Fishers International plc are disclosed in the Accounts of that Company.

Year 2000

The Group is fully alert to the Year 2000 problem and to the technology, systems and associated business issues. A group-wide programme has been commissioned by the Board, and staff have been working for some time under close supervision of management to address the issue, ensuring the continued smooth running of operations and relationships with customers, suppliers, intermediaries and reinsurers.

Given the complex nature of the issue it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However, based on progress to date, the directors have no reason to believe that an acceptable state of readiness will not have been achieved by 1 July 1999.

Homecare Insurance Limited

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:

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

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

Auditors

KPMG as auditors have expressed their willingness to continue in office in accordance with Section 385 of the Companies Act 1985. A motion authorising the directors to determine the auditors' remuneration will be put to the Annual General Meeting.

By order of the Board



R. Horton
Secretary

26th February 1999

REGISTERED OFFICE
Chancery House
St Nicholas Way
Sutton
Surrey
SM1 1EU

KPMG

8 Salisbury Square
Blackfriars
London EC4Y 8BB

Report of the auditors to the members of Homecare Insurance Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Equalisation Reserves

Our evaluation of the presentation of information in the financial statements has regard to the statutory requirements for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 1998, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax are disclosed in notes 1 and 12.

Opinion

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

KPTC

KPMG

Chartered Accountants
Registered Auditors
London

5 March 1999

Homecare Insurance Limited

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

	Note	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Earned premiums net of reinsurance			
Gross premiums written	2	7,460,370	16,342,024
Outward reinsurance premium		<u>(373,435)</u>	<u>(2,094,814)</u>
		<u>7,086,935</u>	<u>14,247,210</u>
Change in the gross provision for unearned premiums		365,760	1,021,498
Change in the provision of unearned premiums, reinsurers' share		<u>(19,867)</u>	<u>51,708</u>
		<u>345,893</u>	<u>1,073,206</u>
Earned premiums, net of reinsurance		<u>7,432,828</u>	<u>15,320,416</u>
Allocated investment return transferred from the non-technical account		<u>60,420</u>	<u>56,945</u>
Claims incurred net of reinsurance			
Claims paid			
Gross amount		(1,751,519)	(2,575,034)
Reinsurers' share		<u>107,310</u>	<u>372,283</u>
		<u>(1,644,209)</u>	<u>(2,202,751)</u>
Increase in provision for claims			
Gross amount		(211,848)	(13,584)
Reinsurers' share		<u>-</u>	<u>(2,732)</u>
		<u>(211,848)</u>	<u>(16,316)</u>
Claims incurred, net of reinsurance		<u>(1,856,057)</u>	<u>(2,219,067)</u>
Operating expenses	3	<u>(5,437,505)</u>	<u>(12,810,284)</u>
Underwriting Profit - balance on technical account before equalisation provisions	4	<u>199,686</u>	<u>348,010</u>
Provision for Equalisation Reserves	12	<u>(195,031)</u>	<u>(187,230)</u>
Balance on the technical account - general business		<u>4,655</u>	<u>160,780</u>

Homecare Insurance Limited

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

	Note	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Balance on the technical account - general business	4	<u>4,655</u>	<u>160,780</u>
Investment Income	5	270,957	475,221
Allocated investment return transferred to the general business technical account		<u>(60,420)</u> <u>210,537</u>	<u>(56,945)</u> <u>418,276</u>
Profit on ordinary activities before tax		215,192	579,056
Tax on profit on ordinary activities	9	<u>(70,390)</u>	<u>(180,428)</u>
Profit for the financial year		144,802	398,628
Dividends	10	<u>-</u>	<u>(247,000)</u>
Retained profit for the financial year		144,802	151,628
Retained profit brought forward		<u>252,331</u>	<u>100,703</u>
Retained profit carried forward		<u>397,133</u>	<u>252,331</u>

The company has no recognised gains or losses (31 December 1997: nil) other than the profit for the period, and the turnover and profit arises from continuing operations.

Homecare Insurance Limited

Balance Sheet at 31 December 1998

	Note	31 December 1998		31 December 1997	
		£	£	£	£
ASSETS					
Investments					
Other financial investments	11		3,066,414		6,891,487
Reinsurers' share of technical provisions					
Provision for unearned premiums	12	180,314		200,181	
Claims outstanding	12	<u>-</u>		<u>-</u>	
			180,314		200,181
Debtors					
Debtors arising out of direct insurance operations		419,433		371,207	
Debtors arising out of reinsurance operations		<u>13,640</u>		<u>18,597</u>	
			433,073		389,804
Other assets					
Tangible assets	13	91,540		75,967	
Cash at bank and in hand		528,563		451,596	
Amounts owed by group undertakings		<u>3,650,000</u>		<u>-</u>	
			4,270,103		527,563
Prepayments and accrued income					
Deferred acquisition costs	12	2,343,134		2,055,164	
Other prepayments and accrued income		<u>53,741</u>		<u>14,889</u>	
			<u>2,396,875</u>		<u>2,070,053</u>
Total assets			<u>10,346,779</u>		<u>10,079,088</u>

Homecare Insurance Limited

Balance Sheet

as at 31 December 1998

	Note	31 December 1998		31 December 1997	
		£	£	£	£
LIABILITIES					
Capital and reserves					
Called up share capital	14	6,000,000		6,000,000	
Profit and loss account		<u>397,133</u>		<u>252,331</u>	
Shareholders' funds attributable to equity interests			6,397,133		6,252,331
Technical provisions					
Provisions for unearned premiums	12	2,470,411		2,836,171	
Equalisation provision	12	382,261		187,230	
Claims outstanding	12	<u>271,011</u>		<u>59,163</u>	
			3,123,683		3,082,564
Creditors					
Creditors arising out of direct insurance operations		349,516		114,018	
Creditors arising out of reinsurance operations		112,795		129,503	
Other creditors including taxation	16	221,730		272,006	
Amount due to group undertakings		<u>46,905</u>		<u>127,740</u>	
			730,946		643,267
Accruals			<u>95,017</u>		<u>100,926</u>
Total liabilities			<u>10,346,779</u>		<u>10,079,088</u>

The financial statements were approved by the Board of Directors on 26th February and were signed on its behalf by:



R. Webb
Director

Homecare Insurance Limited

Notes

(forming part of the financial statements)

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

The accounts have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Cash flow statement

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a parent company which is registered in England, and which prepares a consolidated cash flow statement.

Related Parties

The company has taken advantage of the partial exemption from FRS8 with respect to disclosure of transactions with Other Group undertakings.

Underwriting

The annual basis of accounting is applied.

Premium recognition

The company's business consists of insurance contracts under which premiums are payable over periods from monthly to five years. The proportion of the premium receivable in this period relating to a period of risk after the period end is carried forward as a provision for unearned premiums.

Claims recognition

Claims are recognised on receipt of notification.

Outstanding claims

Full provision is made for the estimated cost of claims notified but not settled by the balance sheet date and of claims incurred but not reported by that date.

Acquisition Costs

Acquisition costs are charged to the revenue account on the same basis as the related premiums are recognised. Deferred acquisition costs represent a proportionate allowance for commissions incurred in respect of unearned premiums carried forward.

Equalisation Provision

Equalisation provisions have been established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995 to mitigate exceptional high loss ratios for classes of business displaying a high degree of claims volatility.

Homecare Insurance Limited

Notes (continued)

Investment income

Investment income is accounted for on an accruals basis. Investment income is allocated to the general business technical account based on the return on investment supporting general business.

Pension cost

The pension scheme of the Group is Fishers Group Limited Pension Scheme (1993) which was established on 6 October 1993 and is a defined benefit scheme. Pension costs are charged to the profit and loss account over the estimated service lives of the employees.

Depreciation

Depreciation is charged at the following annual rates to write off assets over their anticipated useful lives:

Motor vehicles	-	25% - reducing balance
Office furniture and equipment	-	10% - 15% of the original cost.

Taxation

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

2. Premiums

Turnover consists of gross premiums receivable under general business contracts relating to classes 9 (re Domestic Theft and Accidental Damage Insurance) and 16 (re Domestic Appliance Breakdown Insurance) written by the company and relates wholly to business in the United Kingdom and the Republic of Ireland.

3. Net operating expenses

	Year ended 31 December 1998 £	Year ended 31 December 1997 £
Other charges	779,478	659,053
Acquisition costs and profit commission	4,397,222	14,444,707
Change in deferred acquisition costs and profit commission	287,970	(965,503)
Commission recovered from reinsurers	(27,165)	(1,327,973)
Net operating expenses	<u>5,437,505</u>	<u>12,810,284</u>

Other charges include:

Auditors' remuneration for audit services	<u>17,800</u>	<u>14,800</u>
Depreciation	<u>24,243</u>	<u>16,995</u>

Homecare Insurance Limited

Notes (continued)

4. Underwriting Profit

The Underwriting Profit (represented by the balance on the technical account - excluding equalisation provisions,) by class of business is made up of:-

	Insurance Class 16 Domestic Appliance <u>Breakdown Insurance</u>		Insurance Class 8, 9 Theft & Accidental <u>Damage Insurance</u>		Total General Business Insurance	
	1998	1997	1998	1997	1998	1997
	£	£	£	£	£	£
Total earned premium	1,084,677	11,639,478	6,348,151	3680,938	7,432,828	15,320,416
Claims costs net of reinsurance recoveries	(171,047)	(1,564,518)	(1,685,212)	(654,549)	(1,856,259)	(2,219,067)
Operating costs	(844,000)	(9,884,339)	(4,532,883)	(2,869,000)	(5,376,883)	(12,753,339)
Underwriting profit	<u>69,630</u>	<u>190,621</u>	<u>130,056</u>	<u>157,389</u>	<u>199,686</u>	<u>348,010</u>

5. Investment Income

	Year ended 31 December 1998	Year ended 31 December 1997
	£	£
Bank deposit account interest	120,474	97,452
Interest income on sterling certificates of deposit	<u>150,483</u>	<u>377,769</u>
Total Investment Income	<u>270,957</u>	<u>475,221</u>

6. Employees

The average number of persons employed by the company (including directors) during the year was (1997 : 13)

	Year ended 31 December 1998	Year ended 31 December 1997
	£	£
Wages and Salaries	294,796	189,507
Social Security Costs	24,297	19,626
Pension Cost	<u>10,105</u>	<u>3,424</u>
Total Wages and Salary Costs	<u>329,198</u>	<u>212,557</u>

7. Directors

The total emoluments of the Directors in the year were £102,000 (1997 : £98,000).

Six of the Directors of the Company performed most of their duties in respect of other group undertakings, and their emoluments are disclosed in the financial statements of those companies.

The number of directors accruing benefits under money purchase pension schemes and defined benefit schemes is 1 (1997:1)

Homecare Insurance Limited

Notes (continued)

8. Pension

The pension cost relating to the Fishers Group Limited Pension Scheme (1993), the "Scheme", has been assessed by an independent qualified actuary as at 31 December 1998. Particulars of the actuarial valuation of the Scheme are contained in the financial statements of Fishers Group Limited.

The pension cost for Homecare Insurance Limited was £10,105 (1997: £3,424)

9. Taxation

The charge for corporation tax has been calculated at the rate of 31.0% (31 December 1997: 31.5%)

	Year ended 31 December 1998	Year ended 31 December 1997
	£	£
UK corporation tax	70,390	181,656
Deferred tax (see Note 15)	-	(1,228)
Taxation on profit on ordinary activities	<u>70,390</u>	<u>180,428</u>

10. Dividends

	Year ended 31 December 1998	Year ended 31 December 1997
	£	£
Interim dividends (per share 1998, Nil 1997 4.116p)	-	247,000
Final dividend (per share 1998, Nil 1997 Nil)	-	-
Total dividends for year	<u>-</u>	<u>247,000</u>

11. Investments

	Year ended 31 December 1998	Year ended 31 December 1997
	£	£
One month sterling certificate of deposit	2,027,051	6,037,462
Bank Deposits	<u>1,039,363</u>	<u>854,025</u>
Total investments	<u>3,066,414</u>	<u>6,891,487</u>

12. Technical Provisions

	Provision for Unearned Premiums	Claims Outstanding	Equalisation Provision	31 December 1998
	£	£	£	£
Gross amount				
at beginning of year	2,836,171	59,163	187,230	3,082,564
Movement in year	(365,760)	<u>211,848</u>	<u>195,031</u>	<u>41,119</u>
At end of year	<u>2,470,411</u>	<u>271,011</u>	<u>382,261</u>	<u>3,123,683</u>
Reinsurance amount				
at beginning of year	200,181	-	-	200,181
Movement in year	(19,867)	-	-	(19,867)
At end of year	<u>180,314</u>	-	-	<u>180,314</u>
Net technical provisions				
At end of year	<u>2,290,097</u>	<u>271,011</u>	<u>382,261</u>	<u>2,943,369</u>
At beginning of year	<u>2,635,990</u>	<u>59,163</u>	<u>187,230</u>	<u>2,882,383</u>

Homecare Insurance Limited

Notes (continued)

Deferred acquisition costs - Acquisition Costs directly associated to gross unearned premiums at the 31 December 1998 were £2,343,134 (1997:£2,055,164)

Equalisation Provisions

Equalisation provisions are established in accordance with the requirement of the Insurance Companies (Reserves) Act 1995. These provisions which are in addition to the provisions required to meet the anticipated ultimate cost of settlement by outstanding claims at the balance sheet date, are required by Schedule A to the Companies Act 1985 to be included within technical provisions in the balance sheet notwithstanding that they do not represent liabilities at the balance sheet date. The movement in equalisation provision during the year resulted in a decrease in the profit before tax of £195,031 (1997: £187,230). This has had the effect of reducing shareholders funds by £263,760 (1997: £129,189).

13. Tangible fixed assets	Office furniture & equipment	Motor vehicle	Total
	£	£	£
Cost			
Brought forward	80,689	27,905	108,594
Additions	15,680	32,816	48,496
Disposals	-	(27,905)	(27,905)
Carried forward	<u>96,369</u>	<u>32,816</u>	<u>129,185</u>
Accumulated Depreciation			
brought forward	20,467	12,160	32,627
Depreciation charge	13,760	10,483	24,243
Disposals	-	(19,225)	(19,225)
Carried forward	<u>34,227</u>	<u>3,418</u>	<u>37,645</u>
Net book amount			
At 31 December 1998	<u>62,142</u>	<u>29,398</u>	<u>91,540</u>
At 31 December 1997	<u>60,222</u>	<u>15,745</u>	<u>75,967</u>
14. Share capital	31 December 1998	31 December 1997	
	£	£	
Authorised			
6,000,000 ordinary shares of £1 each	<u>6,000,000</u>	<u>6,000,000</u>	
Issued and fully paid			
6,000,000 ordinary shares of £1 each	<u>6,000,000</u>	<u>6,000,000</u>	
15. Provision for deferred taxation	31 December 1998	31 December 1997	
	£	£	
At beginning of year	-	1,228	
Credit for period in profit and loss account	-	(1,228)	
At end of year	<u>-</u>	<u>-</u>	

Homecare Insurance Limited

Notes (continued)

16. Other creditors including taxation	31 December 1998 £	31 December 1997 £
Stamp Duty	4,947	-
Insurance premium tax	146,783	90,100
Corporation tax	<u>70,000</u>	<u>181,906</u>
	<u>221,730</u>	<u>272,006</u>

17. Contingent liability

The Policyholders Protection Board raises general business levies on insurers under the Policyholders Protection Act 1975 and in March 1998 announced a levy at a value of NIL on premiums in respect of the calendar year 1996 (1995:Nil). The Association of British Insurers have given an indication that the Policyholders Protection Board will also announce a further NIL levy in respect of the Calendar Year 1997.

In view of the uncertainty as to the probability and sizes of any levies in subsequent years no provisions for any future levies have been made.

18. Ultimate parent company

The immediate parent of the company is Homecare Holdings Limited which is incorporated in England.

The company's ultimate holding company is Fishers International plc which is registered in Ireland.

The largest group in which the results of the company are consolidated is headed by Fishers International plc. The consolidated accounts of this group can be obtained from the Head Office, Chancery House, St. Nicholas Way, Sutton, Surrey, SM1 1EU.

19 Reconciliation of movements in shareholders' funds	31 December 1998 £	31 December 1997 £
Profit for the financial year	144,802	398,628
Dividends	-	(247,000)
Opening shareholders' funds	<u>6,252,331</u>	<u>6,100,703</u>
Closing shareholders' funds	<u>6,397,133</u>	<u>6,252,331</u>

20. Reserves - profit and loss account	31 December 1998 £	31 December 1997 £
Brought forward	252,331	100,703
Retained Profit/Loss for the year	<u>144,802</u>	<u>151,628</u>
Carried forward	<u>397,133</u>	<u>252,331</u>