

BRITISH RESERVE INSURANCE COMPANY LIMITED**DIRECTORS' REPORT**

Directors: W R Treen (Chairman)
D C Loretto
G R Stratford

Secretary: C J Kiddle Morris

Registered Office: Cornhill House, 6 Vale Avenue
Tunbridge Wells, Kent TN1 1EH

The Directors present their Report for the year ended December 31, 1997.

ACCOUNTS

The Directors submit the audited accounts of the Company for the year ended December 31, 1997. The results for the year are shown in the Profit and Loss Account on pages 5 and 6.

The Directors are not recommending the payment of a final dividend.

An interim dividend of £5 per share was paid by means of the distribution of assets of the Company on July 31, 1997.

ACTIVITIES

The Company transacts most classes of general insurance business.

The Company transferred the whole of its shareholding in Domestic Insurance Services Limited to Cornhill Insurance PLC during the year as part of a Group restructuring.

The Company increased its shareholding in the issued share capital of Fine Instruments Finance Limited to 100% during the year.

DIRECTORS

The Directors shown above served as Directors throughout the year.



BRITISH RESERVE INSURANCE COMPANY LIMITED

DIRECTORS' REPORT

ELECTIVE REGIME

In accordance with Section 379A of the Companies Act 1985 the Company has passed a resolution to dispense with the obligations to hold an Annual General Meeting, to lay Reports and Accounts before the Company in General Meeting and to appoint Auditors annually.

By Order of the Board



C J KIDDLE MORRIS
SECRETARY

February 26, 1998

BRITISH RESERVE INSURANCE COMPANY LIMITED

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 profit or loss 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 the 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 Company 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BRITISH RESERVE INSURANCE COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS OF BRITISH RESERVE INSURANCE COMPANY LIMITED

We have audited the accounts on pages 5 to 18 which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 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

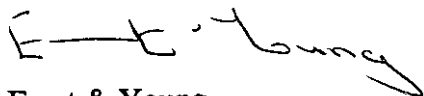
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 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.

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at December 31, 1997 and the effect of the movement in those reserves during the year on the technical account - general business and the profit before tax are disclosed in note 18.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at December 31, 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

February 26, 1998

BRITISH RESERVE INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1997

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Gross premiums written	2	3,587		3,567	
Outwards reinsurance premiums		<u>(82)</u>		<u>(169)</u>	
Net premiums written			3,505		3,398
Change in the gross provision for unearned premiums	17	2,182		8,548	
Change in the provision for unearned premiums, reinsurers' share	17	<u>-</u>		<u>-</u>	
Net change in the provision for unearned premiums			2,182		8,548
Earned premiums, net of reinsurance			<u>5,687</u>		<u>11,946</u>
Allocated investment return transferred from the non technical account			750		1,062
Total technical income			<u><u>6,437</u></u>		<u><u>13,008</u></u>
Gross claims paid		2,848		5,004	
Reinsurers' share		<u>(356)</u>		<u>(987)</u>	
Net claims paid			2,492		4,017
Change in the gross provision for claims	17	(1,038)		(96)	
Change in the provision for claims, reinsurers' share	17	<u>(227)</u>		<u>(602)</u>	
Net change in the provision for claims			(1,265)		(698)
Claims incurred, net of reinsurance			1,227		3,319
Net operating expenses	4		1,204		5,674
Total technical charges			<u><u>2,431</u></u>		<u><u>8,993</u></u>
Balance on the technical account - general business before the equalisation provision			4,006		4,015
Change in the equalisation provision	18		<u>(105)</u>		<u>(102)</u>
Balance on the technical account - general business			<u><u>3,901</u></u>		<u><u>3,913</u></u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1997

NON TECHNICAL ACCOUNT

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Balance on the technical account - general business			3,901		3,913
Investment income	7	4,222		4,642	
Investment expenses and charges	8	(645)		(421)	
Allocated investment return transferred to the technical account - general business		<u>(750)</u>		<u>(1,062)</u>	
			2,827		3,159
Other income			25		5
Other charges			<u>(59)</u>		<u>(196)</u>
Profit on ordinary activities before tax	2		6,694		6,881
Tax on profit on ordinary activities	9		<u>(1,656)</u>		<u>(2,796)</u>
Profit on ordinary activities after tax			5,038		4,085
Dividends			<u>25,000</u>		<u>-</u>
(Loss)/profit retained for the financial year			(19,962)		4,085
Retained profit brought forward			<u>28,059</u>		<u>23,974</u>
Retained profit carried forward			<u>8,097</u>		<u>28,059</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR YEAR ENDED DECEMBER 31, 1997

	Notes	1997 £'000	1996 £'000
Profit for the year		5,038	4,085
Unrealised investment gains/(losses)	16	<u>478</u>	<u>(462)</u>
Total recognised gains		<u>5,516</u>	<u>3,623</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 1997

ASSETS

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Investments					
Land and buildings	10	200		900	
Investments in group undertakings and participating interests	11	96		267	
Other financial investments	12	<u>18,726</u>		<u>51,211</u>	
			19,022		52,378
Reinsurers' share of technical provisions					
Claims outstanding	17		13,325		13,222
Debtors					
Debtors arising out of direct insurance operations	13	256		365	
Debtors arising out of reinsurance operations	13	1,768		2,120	
Other debtors	13	<u>708</u>		<u>20</u>	
			2,732		2,505
Other assets					
Cash at bank and in hand			4,508		2,679
Prepayments and accrued income					
Accrued interest and rent		565		957	
Deferred acquisition costs		<u>348</u>		<u>1,522</u>	
			913		2,479
TOTAL ASSETS			<u><u>40,500</u></u>		<u><u>73,263</u></u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 1997

LIABILITIES

	Notes	1997 £'000	1997 £'000	1996 £'000	1996 £'000
Capital and reserves					
Share capital	15 & 16	5,000		5,000	
Revaluation reserve	16	403		(75)	
Profit and loss account	16	8,097		28,059	
Shareholders funds attributable to equity interests			13,500		32,984
Technical provisions					
Provision for unearned premiums	17	1,870		4,052	
Claims outstanding	17	19,342		20,504	
Equalisation provision	17 & 18	207		102	
			21,419		24,658
Deposits received from reinsurers			300		289
Creditors					
Creditors arising out of direct insurance operations	14	878		893	
Creditors arising out of reinsurance operations	14	1,717		1,770	
Other creditors	14	2,686		12,669	
			5,281		15,332
TOTAL LIABILITIES			<u>40,500</u>		<u>73,263</u>

On behalf of the Board



W R Treen
February 26, 1998

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 and Schedule 9A to the Companies Act 1985.

The financial statements comply with applicable accounting standards. The Company has adopted all material recommendations contained in the paper - Guidance on Accounting for Insurance Business (Excluding Accounting for Investments) issued by the Association of British Insurers.

Under Section 228 of the Companies Act 1985, the Company is exempt from the obligation to prepare and deliver group accounts and consequently the financial statements are confined to information on the parent undertaking.

(b) Basis of accounting

The annual basis of accounting has been applied consistently for all classes of business except for marine, aviation and transport.

The fund basis of accounting has been applied to marine, aviation and transport business since there is insufficient information available to allow the annual basis of accounting to be applied. Under the fund basis of accounting premiums, less claims, commission and related expenses adjusted by reinsurance are carried forward as a fund which is included in claims outstanding. The adequacy of the fund is determined for each underwriting year and makes allowance for known outstanding claims, claims incurred but not reported, claims handling costs, premiums still to be closed and appropriate reinsurance adjustments. The company ceased writing marine, aviation and transport business in 1982.

(c) Premiums

Under both the annual and fund basis of accounting written premiums comprise premiums receivable, including pipeline premiums. All premiums are shown gross of commissions payable to intermediaries but exclude insurance premium taxes. Insurance premium taxes payable at the end of the year are included in the balance sheet as a liability. Outward reinsurance premiums are accounted for in the same accounting period as the premiums to which they relate.

(d) Unearned premiums

For business accounted on an annual basis the proportion of premiums written in the year relating to the period of risk from January 1, to the subsequent date of expiry of the policies is carried forward as a provision for unearned premiums. The provision is calculated on the 24ths basis where the incidence of risk is the same throughout the contract. Where the incidence of risk varies during the term of the contract the time apportionment basis is suitably modified so that the earning pattern matches the risk profile.

(e) Unexpired risks

An unexpired risks provision is established when the expected value of claims and administrative expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premium provision in relation to such policies after deduction of deferred acquisition costs. The assessment of whether a provision is necessary is made by considering separately each category of business accounted for on the annual basis of accounting on the basis of information available at the balance sheet date but offsetting surpluses and deficits between categories that are managed together. Allowance is made for future investment return arising on investments supporting the provision for unearned premiums and the unexpired risk provision.

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

(f) Claims outstanding

The provision for the estimated cost of claims notified but not settled by the balance sheet date is determined on a case by case basis. Where applicable, prudent estimates are made for salvage and subrogation.

The provision for the cost of claims incurred but not reported and claims handling costs is calculated by the application of statistical techniques which allow for anticipated inflation, settlement trends and claims patterns.

(g) Acquisition costs and deferred acquisition costs

Acquisition costs comprise the commission and management expenses of acquiring insurance policies written during the year.

Acquisition costs which relate to a subsequent financial year are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(h) Premium levies

Full provision is made for the potential liability payable to the Policyholders' Protection Board in respect of premiums recognised in these accounts. The charge is included within administrative expenses.

(i) Investment income

Investment income comprises interest and rents receivable, dividends received and realised investment gains. Realised investment gains are calculated as the difference between the net sales proceeds and cost.

An allocation of investment income is made from the non technical account to the technical account - general business on the basis of the estimated rate of return on funds invested to cover the average technical provisions.

(j) Investments

Investments are stated in the balance sheet at current values.

Land and buildings are independently valued at each year end by a member of the Royal Institute of Chartered Surveyors on an open market basis.

Listed investments are stated at the closing mid market value on the last trading day in the financial year. Other investments are valued by the directors on a prudent basis.

The excess or deficit of the current value over cost is included in the revaluation reserve.

(k) Deferred taxation

A provision, based on the liability method, is made for deferred taxation resulting from the allocation for taxation purposes of income and expenditure to different accounting periods from those used for accounting purposes.

Deferred taxation is provided only where it is likely that the amount will become payable in the foreseeable future.

(l) Foreign currencies

Business accounted in original currency is translated into sterling at rates of exchange ruling at the balance sheet date. Other foreign currency transactions are translated at prevailing rates of exchange at the date of the transaction. Technical provisions brought forward at the beginning of the financial year are restated at the rates of exchange ruling at the balance sheet date.

Exchange differences are taken to the non technical account.

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

2 SEGMENTAL INFORMATION

(a) General business by class

	Gross Premiums Written 1997 £'000	Gross Premiums Earned 1997 £'000	Gross Claims Incurred 1997 £'000	Gross Operating Expenses 1997 £'000	Reinsurance Balance
Motor vehicle (third party liability)	-	-	(96)	-	52
Fire and other damage to property	3,586	5,768	1,026	1,204	72
Third party liability	-	-	57	-	(8)
	<u>3,586</u>	<u>5,768</u>	<u>987</u>	<u>1,204</u>	<u>116</u>
Marine, aviation and transport	1	1	823	-	(617)
	<u>3,587</u>	<u>5,769</u>	<u>1,810</u>	<u>1,204</u>	<u>(501)</u>
	1996 £'000	1996 £'000	1996 £'000	1996 £'000	1996 £'000
Motor vehicle (third party liability)	-	-	14	-	-
Fire and other damage to property	3,566	12,114	3,315	5,673	168
Third party liability	-	-	(38)	-	(222)
	<u>3,566</u>	<u>12,114</u>	<u>3,291</u>	<u>5,673</u>	<u>(54)</u>
Marine, aviation and transport	1	1	1,617	1	(1,366)
	<u>3,567</u>	<u>12,115</u>	<u>4,908</u>	<u>5,674</u>	<u>(1,420)</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

2 SEGMENTAL INFORMATION (CONTINUED)

(b) General business analysis

Analysis of gross written premiums:

	1997 £'000	1996 £'000
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All gross direct written premiums result from contracts concluded by the Company in the United Kingdom.

Resulting from risks situated in:

The United Kingdom	3,586	3,566
Marine, aviation and transport	1	1
	<u>3,587</u>	<u>3,567</u>

Analysis of profit on ordinary activities before tax:

	1997 £'000	1996 £'000
Motor vehicle (third party liability)	56	5
Fire and other damage to property	3,641	3,395
Third party liability	111	450
Marine, aviation and transport	93	63
Balance on technical account - general business	<u>3,901</u>	<u>3,913</u>
Investment income	2,827	3,159
Other income	25	5
Other charges	<u>(59)</u>	<u>(196)</u>
Profit on ordinary activities before tax	<u>6,694</u>	<u>6,881</u>

The profit was entirely derived from the United Kingdom.

Analysis of net assets

Net assets have not been divided by underwriting class as the Company does not maintain records separating assets and liabilities at this level. The Company's net assets are all situated within the United Kingdom.

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

3 PRIOR YEARS CLAIMS PROVISIONS

Material differences between the outstanding claims provision at the beginning of the year, subsequent payments and the remaining outstanding claims provision at the end of the year are as follows:

	1997 £'000	1996 £'000
Motor vehicle (third party liability)	44	(14)
Fire and other damage to property	687	867
Third party liability	(49)	247
Marine, aviation and transport	(41)	(123)
	<u>641</u>	<u>977</u>

4 NET OPERATING EXPENSES

	1997 £'000	1996 £'000
Change in net deferred acquisition costs		
Deferred acquisition costs January 1	1,522	6,252
Deferred acquisition costs December 31	<u>348</u>	<u>1,522</u>
Movement in deferred acquisition costs	1,174	4,730
 Acquisition costs	<u>229</u>	<u>767</u>
Incurred acquisition costs	1,403	5,497
 Administration expenses	(199)	179
Reinsurance commission and profit participation	<u>-</u>	<u>(2)</u>
Net operating expenses	<u>1,204</u>	<u>5,674</u>
 Commission on direct insurance business, included in acquisition costs above	<u>375</u>	<u>539</u>

5 DIRECTORS' INTERESTS AND EMOLUMENTS

Directors' interests in shares and debentures in Cornhill Insurance PLC as shown by the register kept in accordance with Section 325 of the Companies Act 1985, together with details of their options to purchase shares under Share Option Schemes and shares which have been allotted under the Profit -Sharing Share Scheme are set out below:-

	Beneficially Owned		Executive Share Option Scheme		SAYE Share Option Scheme		Profit-Sharing Share Scheme	
	1.1.97	31.12.97	1.1.97	31.12.97	1.1.97	31.12.97	1.1.97	31.12.97
Mr G R Stratford	1,168	1,855	3,959	3,959	1,491	643	358	383

W R Treen and D C Loretto have interests in shares and debentures in Cornhill Insurance PLC as disclosed in the group accounts.

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

5 DIRECTORS' INTERESTS AND EMOLUMENTS (Continued)

Three Directors exercised share options during the year.

The Directors received no emoluments from the Company during the year (1996: nil).

6 AUDITORS' REMUNERATION

In respect of the Company for the year ended December 31, 1997 auditors' remuneration in their capacity as such, amounted to £20,563 (1996: £23,388) and for non audit work amounted to £8,813 (1996: £3,054).

7 INVESTMENT INCOME

	1997 £'000	1996 £'000
Income from land and buildings	45	130
Income from listed investments	3,288	4,115
Income from other investments	285	182
Gains on realisation of investments	604	215
	<u>4,222</u>	<u>4,642</u>

8 INVESTMENT EXPENSES AND CHARGES

Investment management expenses	53	53
Losses on realisation of investments	592	368
	<u>645</u>	<u>421</u>

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

United Kingdom corporation tax charge at 31.5%(1996 33%)	1,690	2,827
Adjustment to prior year provisions	(34)	-
Deferred tax	-	(31)
	<u>1,656</u>	<u>2,796</u>

The potential liability for taxation which would become payable in the event of the disposal of the Company's investments at their market value is estimated to be £ 47,513 (1996 Nil)

10 LAND AND BUILDINGS

	Valuation £'000	Cost £'000
At January 1	900	1,400
Disposals	(300)	(800)
Valuation deficit	(400)	-
At December 31	<u>200</u>	<u>600</u>
All land and buildings are freehold		

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

11 INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	1997 £'000	1996 £'000
Shares in subsidiary undertaking	96	48
Loans to subsidiary undertaking	-	219
	<u>96</u>	<u>267</u>

12 OTHER FINANCIAL INVESTMENTS

At current value:	1997 £'000	1996 £'000
Debt securities and other fixed income securities	18,425	48,306
Deposits with credit institutions	<u>301</u>	<u>2,905</u>
	<u>18,726</u>	<u>51,211</u>
Included in the above are investments:		
Listed on the UK Stock Exchange	11,138	44,793
Listed on other investment exchanges	<u>7,287</u>	<u>3,513</u>
	<u>18,425</u>	<u>48,306</u>
At cost:		
Shares and unit trusts	1	1
Debt securities and other fixed income securities	17,621	48,046
Deposits with credit institutions	<u>301</u>	<u>2,905</u>
	<u>17,923</u>	<u>50,952</u>
Included in the above are investments:		
Listed on the UK Stock Exchange	10,807	44,443
Listed on other investment exchanges	<u>6,815</u>	<u>3,604</u>
	<u>17,622</u>	<u>48,047</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

13 DEBTORS

Arising out of direct insurance operations	1997 £'000	1996 £'000
Policyholders	204	299
Intermediaries	52	66
	<u>256</u>	<u>365</u>
Arising out of reinsurance operations		
Amounts owed by group undertakings	117	91
Third parties	1,651	2,029
	<u>1,768</u>	<u>2,120</u>
Other debtors		
Third parties	22	20
Tax recoverable	686	-
	<u>708</u>	<u>20</u>

14 CREDITORS

Arising out of insurance operations		
Policyholders	862	343
Intermediaries	16	550
	<u>878</u>	<u>893</u>
Arising out of reinsurance operations		
Amounts owed to group undertakings	1,398	1,624
Third parties	319	146
	<u>1,717</u>	<u>1,770</u>
Other creditors		
Amounts owed to group undertakings	2,304	11,326
Third parties	382	1,288
Tax payable	-	55
	<u>2,686</u>	<u>12,669</u>

15 SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital £'000	Revaluation Reserve £'000	Profit and Loss £'000	Total £'000
At January 1	5,000	(75)	28,059	32,984
Total recognised gains and losses	-	478	5,038	5,506
Dividend	-	-	(25,000)	(25,000)
At December 31	<u>5,000</u>	<u>403</u>	<u>8,097</u>	<u>13,500</u>

The revaluation reserve is non distributable. Tax is only provided on the amounts included in the revaluation reserve where it is likely that tax will become payable in the foreseeable future.

17 TECHNICAL PROVISIONS

	Provision for Unearned Premiums £'000	Claims Outstanding £'000	Equalisation Provision £'000	Total £'000
General Business				
Gross				
At January 1, 1997	4,052	20,504	102	24,658
Movement in rates of exchange	-	(124)	-	(124)
	<u>4,052</u>	<u>20,380</u>	<u>102</u>	<u>24,534</u>
Movement in the provision	(2,182)	(1,038)	105	(3,115)
At December 31, 1997	<u>1,870</u>	<u>19,342</u>	<u>207</u>	<u>21,419</u>
Reinsurance				
At January 1, 1997	-	13,222	-	13,222
Movement in rates of exchange	-	(124)	-	(124)
	-	<u>13,098</u>	-	<u>13,098</u>
Movement in the provision	-	227	-	227
At December 31, 1997	-	<u>13,325</u>	-	<u>13,325</u>
Net technical provisions				
At January 1, 1997	<u>4,052</u>	<u>7,282</u>	<u>102</u>	<u>11,436</u>
At December 31, 1997	<u>1,870</u>	<u>6,017</u>	<u>207</u>	<u>8,094</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

18 EQUALISATION PROVISION

Equalisation reserves are established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995. These reserves, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Schedule 9A of 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. This has had the effect of reducing shareholders' funds by £207,000. The movement in equalisation provision during the year has resulted in a decrease in the technical account - general business result and the profit before taxation of £105,000.

19 ASSETS

Certain of the Company's assets have been deposited in accordance with the local regulations of various countries as security for policyholders and, as required of Insurers authorised to write terrorism cover in Great Britain.

20 RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemption available under FRS8 paragraph 3 section (c), which does not require disclosure in the financial statements of related party transactions where 90% or more of the Company's voting rights are controlled within the Group.

22 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking, Allianz AG Aktiengesellschaft, is incorporated in Germany and copies of the Group accounts are available on request from the Company at, Königinstrasse 28, 80802 München, Germany.

Cornhill Insurance PLC is the parent undertaking of the smallest group of undertakings of which the Company is a member and for which group accounts are drawn up. Cornhill Insurance PLC is incorporated in England and the Group accounts are available on request from the Company Secretary, 32 Cornhill, London EC3V 3LJ.