

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

Directors: W R Treen (Chairman)
G R Stratford
W Zedelius

Secretary: C J Kiddle Morris

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

Registered No: 307622

The Directors present their Report for the year ended December 31, 1998.

ACCOUNTS

The Directors submit the audited accounts of the Company for the year ended December 31, 1998. 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.

ACTIVITIES

The Company transacts most classes of general insurance business.

DIRECTORS

Mr W R Treen, Mr D C Loretto and Mr G R Stratford served as Directors throughout the year. Mr D C Loretto ceased to be a Director on January 31, 1999. Mr W Zedelius was appointed a Director on February 1, 1999.

SUPPLIERS

It is the policy of the Company to make known to and agree the terms of payment with its suppliers when entering into transactions with them and to keep to those terms. Payment practice for the year to December 31, 1998 was 5 days (1997 11 days) calculated in accordance with the relevant statutory regulations.



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BRITISH RESERVE INSURANCE COMPANY LIMITED

DIRECTORS' REPORT

YEAR 2000

The Company is fully alert to the technology, systems and associated business issues that may result from the Year 2000 problem.

In August 1996 the Company commenced a company wide programme to assess all of its main strategic or business critical systems for Year 2000 compliance.

These strategic or business critical systems have either been tested for Year 2000 compliance or updated except for a small number of software packages which are on schedule to be installed no later than May 1999.

The costs involved in resolving Year 2000 technology issues are initially borne by Cornhill Insurance PLC, this company's parent company, and an appropriate allocation made to subsidiary undertakings.

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 25, 1999

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 confirm that they have complied with the above requirements when preparing the accounts.

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 21 which have been prepared on the basis of the accounting policies set out on pages 9 to 11.

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

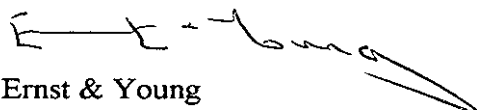
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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, 1998 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, 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

February 25, 1999

BRITISH RESERVE INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1998

TECHNICAL ACCOUNT - GENERAL BUSINESS

	Notes	1998 £'000	1998 £'000	1997 £'000 As restated	1997 £'000 As restated
Gross premiums written	2	3,764		3,587	
Outwards reinsurance premiums		<u>(77)</u>		<u>(82)</u>	
Net premiums written			3,687		3,505
Change in the gross and net provision for unearned premiums			<u>22</u>		<u>2,182</u>
Earned premiums, net of reinsurance			<u><u>3,709</u></u>		<u><u>5,687</u></u>
Gross claims paid		2,147		2,848	
Reinsurers' share		<u>(438)</u>		<u>(356)</u>	
Net claims paid			1,709		2,492
Change in the gross provision for claims	17	(2,765)		(1,038)	
Change in the provision for claims, reinsurers' share	17	<u>839</u>		<u>(227)</u>	
Net change in the provision for claims			<u>(1,926)</u>		<u>(1,265)</u>
Claims incurred, net of reinsurance	3		<u>(217)</u>		<u>1,227</u>
Net operating expenses	4		<u>1,317</u>		<u>1,204</u>
Total technical charges			<u><u>1,100</u></u>		<u><u>2,431</u></u>
Balance on the technical account - general business before the equalisation provision			2,609		3,256
Change in the equalisation provision	18		<u>(110)</u>		<u>(105)</u>
Balance on the technical account - general business			<u><u>2,499</u></u>		<u><u>3,151</u></u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1998

NON TECHNICAL ACCOUNT

	Notes	1998 £'000	1998 £'000	1997 £'000 As restated	1997 £'000 As restated
Balance on the technical account - general business			2,499		3,151
Investment income	7	1,812		4,222	
Unrealised gains on investments		637		478	
Investment expenses and charges	8	<u>(10)</u>		<u>(645)</u>	
			2,439		4,055
Other income			30		25
Other charges			<u>(165)</u>		<u>(59)</u>
Profit on ordinary activities before tax	2		4,803		7,172
Tax on profit on ordinary activities	9		<u>(2,758)</u>		<u>(1,656)</u>
Profit on ordinary activities after tax			2,045		5,516
Dividends			<u>-</u>		<u>25,000</u>
Profit/(loss) retained for the financial year			2,045		(19,484)
Retained profit brought forward			<u>8,500</u>		<u>27,984</u>
Retained profit carried forward	16		<u><u>10,545</u></u>		<u><u>8,500</u></u>

There were no other recognised gains and losses than those within the profit and loss account.

BRITISH RESERVE INSURANCE COMPANY LIMITED

BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 1998

ASSETS

	Notes	1998 £'000	1998 £'000	1997 £'000 As restated	1997 £'000 As restated
Investments					
Land and buildings	10	200		200	
Investments in group undertakings and participating interests	11	-		96	
Other financial investments	12	<u>22,444</u>		<u>18,726</u>	
			22,644		19,022
Reinsurers' share of technical provisions					
Claims outstanding	17		12,422		13,325
Debtors					
Debtors arising out of direct insurance operations	13	609		256	
Debtors arising out of reinsurance operations	13	1,634		1,768	
Other debtors	13	<u>21</u>		<u>708</u>	
			2,264		2,732
Other assets					
Cash at bank and in hand			5,123		4,508
Prepayments and accrued income					
Accrued interest and rent		610		565	
Deferred acquisition costs		<u>408</u>		<u>348</u>	
			1,018		913
TOTAL ASSETS			<u><u>43,471</u></u>		<u><u>40,500</u></u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

BALANCE SHEET FOR THE YEAR ENDED DECEMBER 31, 1998

LIABILITIES

	Notes	1998 £'000	1998 £'000	1997 £'000 As restated	1997 £'000 As restated
Capital and reserves					
Share capital	15 & 16	5,000		5,000	
Profit and loss account	16	<u>10,545</u>		<u>8,500</u>	
Shareholders funds attributable to equity interests			15,545		13,500
Technical provisions					
Provision for unearned premiums	17	1,848		1,870	
Claims outstanding	17	16,513		19,342	
Equalisation provision	17 & 18	<u>317</u>		<u>207</u>	
			18,678		21,419
Deposits received from reinsurers			283		300
Creditors					
Creditors arising out of direct insurance operations	14	1,265		878	
Creditors arising out of reinsurance operations	14	1,699		1,717	
Other creditors	14	<u>6,001</u>		<u>2,686</u>	
			8,965		5,281
TOTAL LIABILITIES			<u>43,471</u>		<u>40,500</u>

These financial statements were approved by the Board of Directors on February 25, 1999 and signed on its behalf by:



W R Treen
Director

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 of, and Schedule 9A to, the Companies Act 1985.

The financial statements comply with applicable accounting standards and have been prepared under the historical cost convention, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice 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.

(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

Provision is made at the balance sheet date for levies declared by the Policyholders' Protection Board before completion of these financial statements. Provision is also made if it is deemed more likely than not that a levy will be raised based on premium income which has already been recognised in these financial statements.

(i) Investment income and expenses

Interest and rent receivable is accounted for on an accruals basis. Dividends are included when the investments to which they relate are declared "ex-dividend". Realised investment gains and losses are calculated as the difference between the net sales proceeds and cost. Unrealised investment gains and losses are calculated as the difference between their valuation at the balance sheet date and their cost.

No allocation of investment return from the non technical account to the technical account has been made. This represents a change in accounting policy and corresponding amounts have been restated.

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

(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.

(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 1998 £'000	Gross Premiums Earned 1998 £'000	Gross Claims Incurred 1998 £'000	Gross Operating Expenses 1998 £'000	Reinsurance Balance 1998 £'000
Motor vehicle (third party liability)	-	-	(71)	-	-
Fire and other damage to property	3,763	3,785	1,081	1,317	72
Third party liability	-	-	(1,383)	-	45
	<u>3,763</u>	<u>3,785</u>	<u>(373)</u>	<u>1,317</u>	<u>117</u>
Marine, aviation and transport	1	1	(245)	-	361
	<u>3,764</u>	<u>3,786</u>	<u>(618)</u>	<u>1,317</u>	<u>478</u>
	1997 £'000	1997 £'000	1997 £'000	1997 £'000	1997 £'000
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>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

2 SEGMENTAL INFORMATION (CONTINUED)

(b) General business analysis

Analysis of gross written premiums:

All gross direct written premiums result from contracts concluded by the Company in the United Kingdom. The resulting risks, except for those relating to marine, aviation and transport (see note 2a), are situated in the United Kingdom.

Analysis of profit on ordinary activities before tax:

	1998 £'000	1997 £'000
Motor vehicle (third party liability)	71	44
Fire and other damage to property	1,205	3,361
Third party liability	1,338	(49)
Marine, aviation and transport	(115)	(205)
Balance on technical account - general business	2,499	3,151
Investment income (including unrealised gains on investments)	2,439	4,055
Other income	30	25
Other charges	(165)	(59)
Profit on ordinary activities before tax	4,803	7,172

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

An over provision of £1,347,000 (1997 under provision £641,000) has arisen between the outstanding claims provision at the beginning of the year, payments made during the year and the provision at the end of the year. This is analysed as follows:

	1998 £'000	1997 £'000
Motor vehicle (third party liability)	71	(44)
Fire and other damage to property	(97)	(687)
Third party liability	1,488	49
Marine, aviation and transport	(115)	41
	<u>1,347</u>	<u>(641)</u>

4 NET OPERATING EXPENSES

	1998 £'000	1997 £'000
Change in net deferred acquisition costs		
Deferred acquisition costs January 1	348	1,522
Deferred acquisition costs December 31	<u>408</u>	<u>348</u>
Movement in deferred acquisition costs	(60)	1,174
 Acquisition costs	<u>892</u>	<u>229</u>
Incurred acquisition costs	832	1,403
 Administration expenses	<u>485</u>	<u>(199)</u>
Net operating expenses	<u>1,317</u>	<u>1,204</u>
 Commission on direct insurance business, included in acquisition costs above	<u>397</u>	<u>375</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

5 DIRECTORS' INTERESTS AND EMOLUMENTS

Directors' interests in ordinary non voting shares of 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	
	1.1.98	31.12.98	1.1.98	31.12.98	1.1.98	31.12.98	1.1.98	31.12.98
Mr G R Stratford	1,855	1,913	3,959	1,250	643	484	383	300

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

Three Directors exercised share options in Cornhill Insurance PLC during the year.

The Directors received no emoluments from the Company during the year (1997: nil).

6 AUDITORS' REMUNERATION

In respect of the Company for the year ended December 31, 1998 auditors' remuneration in their capacity as such, amounted to £20,736 (1997: £20,563) and for non audit work amounted to £11,114 (1997: £8,813).

7 INVESTMENT INCOME

	1998 £'000	1997 £'000
Income from land and buildings	-	45
Income from listed investments	1,480	3,288
Income from other investments	292	285
Gains on realisation of investments	40	604
	<u>1,812</u>	<u>4,222</u>

8 INVESTMENT EXPENSES AND CHARGES

	1998 £'000	1997 £'000
Investment management expenses	-	53
Losses on realisation of investments	10	592
	<u>10</u>	<u>645</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED**NOTES TO THE ACCOUNTS****9 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1998	1997
	£'000	£'000
United Kingdom corporation tax charge at 31.0%(1997 31.5%)	1,667	1,690
Adjustment to prior year provisions	1,091	(34)
	<u>2,758</u>	<u>1,656</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 (1997 Nil)

10 LAND AND BUILDINGS

	Valuation	Cost
	£'000	£'000
At January 1 and December 31, 1998	<u>200</u>	<u>600</u>

11 INVESTMENTS IN GROUP UNDERTAKINGS AND PARTICIPATING INTERESTS

	1998	1997
	£'000	£'000
Shares in subsidiary undertaking	<u>-</u>	<u>96</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

12 OTHER FINANCIAL INVESTMENTS

At current value:	1998 £'000	1997 £'000
Debt securities and other fixed income securities	22,145	18,425
Deposits with credit institutions	299	301
	<u>22,444</u>	<u>18,726</u>
Included in the above are investments:		
Listed on the UK Stock Exchange	15,650	11,138
Listed on other investment exchanges	6,495	7,287
	<u>22,145</u>	<u>18,425</u>
At cost:		
Shares and unit trusts	1	1
Debt securities and other fixed income securities	20,706	17,621
Deposits with credit institutions	299	301
	<u>21,006</u>	<u>17,923</u>
Included in the above are investments:		
Listed on the UK Stock Exchange	14,902	10,807
Listed on other investment exchanges	5,805	6,815
	<u>20,707</u>	<u>17,622</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

13 DEBTORS

Arising out of direct insurance operations	1998 £'000	1997 £'000
Policyholders	449	204
Intermediaries	160	52
	<u>609</u>	<u>256</u>
Arising out of reinsurance operations		
Amounts owed by group undertakings	136	117
Third parties	1,498	1,651
	<u>1,634</u>	<u>1,768</u>
Other debtors		
Third parties	21	22
Tax recoverable	-	686
	<u>21</u>	<u>708</u>

14 CREDITORS

	1998 £'000	1997 £'000
Arising out of insurance operations		
Policyholders	408	862
Intermediaries	857	16
	<u>1,265</u>	<u>878</u>
Arising out of reinsurance operations		
Amounts owed to group undertakings	1,390	1,398
Third parties	309	319
	<u>1,699</u>	<u>1,717</u>
Other creditors		
Amounts owed to group undertakings	4,874	2,304
Third parties	371	382
Tax payable	756	-
	<u>6,001</u>	<u>2,686</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

15 SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	Share Capital	Profit and Loss	Total
	£'000	£'000	£'000
At January 1, 1997	5,000	27,984	32,984
Total recognised gains and losses	-	5,506	5,506
Dividend	-	(25,000)	(25,000)
At January 1, 1998	<u>5,000</u>	<u>8,500</u>	<u>13,500</u>
Total recognised gains and losses	-	2,045	2,045
At December 31, 1998	<u>5,000</u>	<u>10,545</u>	<u>15,545</u>

BRITISH RESERVE INSURANCE COMPANY LIMITED

NOTES TO THE ACCOUNTS

17 TECHNICAL PROVISIONS

	Provision for Unearned Premiums £'000	Claims Outstanding £'000	Equalisation Provision £'000	Total £'000
General Business				
Gross				
At January 1, 1998	1,870	19,342	207	21,419
Movement in rates of exchange	-	(64)	-	(64)
	1,870	19,278	207	21,355
Movement in the provision	(22)	(2,765)	110	(2,677)
At December 31, 1998	1,848	16,513	317	18,678
Reinsurance				
At January 1, 1998	-	13,325	-	13,325
Movement in rates of exchange	-	(64)	-	(64)
	-	13,261	-	13,261
Movement in the provision	-	(839)	-	(839)
At December 31, 1998	-	12,422	-	12,422
Net technical provisions				
At January 1, 1998	1,870	6,017	207	8,094
At December 31, 1998	1,848	4,091	317	6,256

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 £317,000. 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 £110,000.

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.