

Registered Number 1378853

**QBE REINSURANCE (UK) LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**1997**



# **QBE REINSURANCE (UK) LIMITED**

## **ANNUAL REPORT AND ACCOUNTS 1997**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Contents	1
General Manager's report	2
Directors' report	3
Profit and loss account - technical account - general business	5
Profit and loss account - non-technical account	6
Balance sheet	7
Notes to the accounts	9
Auditors' report	20

## **QBE REINSURANCE (UK) LIMITED**

### **GENERAL MANAGER'S REPORT**

The Company continues to run-off the reinsurance portfolio underwritten prior to 15 November 1996 when it was known as Allstate Reinsurance Co. Ltd.

This activity has been handled in a sound and orderly manner and I am pleased to report that the Company has produced a profit after tax of £8.8m. In addition, shareholders funds have risen by 26% to £40.0m.

During the period, management has been actively addressing the issues arising from the Year 2000 date recognition problem. I am confident that we shall be Year 2000 compliant by the end of 1998.

Finally, I would like to express my thanks to our staff on behalf of the Board of Directors for their dedicated efforts during the past twelve months.



R.M. Grant

# **QBE REINSURANCE (UK) LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

### **Principal activity and future prospects**

The principal activity of the Company is to run-off the insurance portfolio in existence at the date of the acquisition of the Company by QBE International Insurance Limited. Further details of the Company's operations and future developments are provided in the General Manager's report on page 2.

### **Overseas branch**

The Company has a branch in Switzerland.

### **Significant events**

On 21 June 1997, the Company changed its registered office to Corn Exchange, Mark Lane, London EC3R 7NE.

### **Results**

The results of the Company for the year are set out in the profit and loss account on pages 5 and 6. The profit for the year was £8,827,000 (1996: loss £5,213,000). The directors have paid the 5% dividend amounting to £500,000 on the preference shares (1996: £500,000) but do not propose the payment of a dividend on the ordinary shares (1996: £nil).

### **Directors**

The directors of the Company during the year were as follows:

M.A. Bower	
N.G. Drabsch	Appointed 15 August 1997
R.M. Grant	
F.M. O'Halloran	

At no time during the year did any director have a beneficial interest in the shares of the Company.

The directors are not required to disclose any interests they may have in the shares of the ultimate controlling entity, QBE Insurance Group Limited, which is incorporated in Australia.

### **Secretary**

Miss M.D. Greenhalgh resigned as Company Secretary on 6 January 1997 and Mr R.J. MacGregor was appointed in her stead.

# **QBE REINSURANCE (UK) LIMITED**

## **DIRECTORS' REPORT (continued)**

### **Statement of directors' responsibilities**

Company legislation in the United Kingdom requires that the directors prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

In complying with these requirements, the directors acknowledge their responsibilities for ensuring that adequate accounting records are maintained and for safeguarding the assets of the Company, including the provision of a system of controls such as would be reasonably expected to prevent and detect fraud and other irregularities.

In the opinion of the directors, these financial statements have been prepared using suitable accounting policies which have been consistently applied and supported by reasonable and prudent judgements. The Company's directors confirm that the accounts have been prepared in accordance with all applicable accounting standards and that it is appropriate to use a going concern basis in their preparation.

### **Auditors**

Coopers & Lybrand were appointed auditors on 3 July 1997. A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the Board:



R.J. MacGregor

Secretary

London

27 April 1998

# QBE REINSURANCE (UK) LIMITED

## PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT - GENERAL BUSINESS For the year ended 31 December 1997

		1997		1996	
	Notes	£'000	£'000	£'000	£'000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	2(b)	(4,332)		73,654	
Outward reinsurance premiums		<u>(322)</u>		<u>(3,153)</u>	
			(4,654)		70,501
Change in the gross provision for unearned premiums			<u>23,075</u>		<u>3,113</u>
<b>Earned premiums, net of reinsurance</b>			<u>18,421</u>		<u>73,614</u>
<b>Claims incurred, net of reinsurance</b>					
Claims paid					
Gross amount		(43,568)		(50,472)	
Reinsurers' share		<u>6,697</u>		<u>8,394</u>	
		<u>(36,871)</u>		<u>(42,078)</u>	
Change in the provision for claims					
Gross amount		32,940		(65,078)	
Reinsurers' share		<u>(5,330)</u>		<u>32,059</u>	
		<u>27,610</u>		<u>(33,019)</u>	
<b>Claims incurred, net of reinsurance</b>			(9,261)		(75,097)
<b>Changes in other technical provisions</b>			675		(675)
<b>Net operating expenses</b>	4		<u>(10,838)</u>		<u>(21,484)</u>
<b>Balance on technical account - general business</b>			<u><u>(1,003)</u></u>		<u><u>(23,642)</u></u>

The results above are all derived from discontinued operations.

The notes set out on pages 9 to 19 form part of these accounts.

# QBE REINSURANCE (UK) LIMITED

## PROFIT AND LOSS ACCOUNT

### NON-TECHNICAL ACCOUNT

For the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Balance on general business technical account		(1,003)	(23,642)
Investment income	7(a)	16,357	17,195
Unrealised gains on investments		-	36
Investment expenses and charges	7(b)	(1,459)	(1,500)
Unrealised losses on investments		(177)	-
Other charges	8	(1,114)	(731)
<b>Profit/(loss) on ordinary activities before taxation</b>	9	12,604	(8,642)
Tax on profit/loss on ordinary activities	10	(3,777)	3,429
<b>Profit/(loss) on ordinary activities after taxation</b>		8,827	(5,213)
Dividends paid - preference shares		(500)	(500)
<b>Retained profit/(loss) for the year</b>	15	8,327	(5,713)

The results above are all derived from discontinued operations.

There are no recognised gains and losses for the current or preceding financial year other than those included in the profit and loss account above and therefore no statement of total recognised gains and losses has been presented.

The notes set out on pages 9 to 19 form part of these accounts.

# QBE REINSURANCE (UK) LIMITED

## BALANCE SHEET

As at 31 December 1997

	Notes	1997 £'000	1996 £'000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	11	209,474	196,872
Deposits with ceding undertakings		11,141	14,061
		<u>220,615</u>	<u>210,933</u>
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding		55,393	65,537
		<u>55,393</u>	<u>65,537</u>
<b>Debtors</b>			
Debtors arising out of reinsurance operations		15,033	49,049
Other debtors	12	7,937	11,109
		<u>22,970</u>	<u>60,158</u>
<b>Other assets</b>			
Tangible assets	13	-	140
Cash at bank and in hand		9,953	24,443
		<u>9,953</u>	<u>24,583</u>
<b>Prepayments and accrued income</b>			
Accrued interest and rent		3,231	3,004
Deferred acquisition costs		-	5,915
Other prepayments and accrued income		-	163
		<u>3,231</u>	<u>9,082</u>
<b>Total assets</b>		<u>312,162</u>	<u>370,293</u>

The notes set out on pages 9 to 19 form part of these accounts.



# QBE REINSURANCE (UK) LIMITED


## BALANCE SHEET

As at 31 December 1997

		1997		1996	
	Notes	£'000	£'000	£'000	£'000
<b>Liabilities</b>					
<b>Capital and reserves</b>					
Called up share capital	14,15		28,400		28,400
Profit and loss account	15		11,616		3,289
<b>Shareholders' funds</b>	15		<u>40,016</u>		<u>31,689</u>
Equity shareholders' funds		30,016		21,689	
Non equity shareholders' funds		10,000		10,000	
		<u>40,016</u>		<u>31,689</u>	
<b>Technical provisions</b>					
Provision for unearned premiums			-		23,075
Claims outstanding			266,600		301,497
Other technical provisions	16		-		675
			<u>266,600</u>		<u>325,247</u>
Deposits received from reinsurers			-		26
<b>Creditors</b>					
Creditors arising out of reinsurance operations			3,580		12,895
Other creditors including taxation and social security	17		1,961		137
			<u>5,541</u>		<u>13,032</u>
Accruals			5		299
<b>Total liabilities</b>			<u>312,162</u>		<u>370,293</u>

Approved by the Board on 27 April 1998 and signed on its behalf:

  
R.M. Grant  
Director

  
M.A. Bower  
Director

The notes set out on pages 9 to 19 form part of these accounts.

# **QBE REINSURANCE (UK) LIMITED**

## **NOTES TO THE ACCOUNTS**

For the year ended 31 December 1997

### **1. Accounting policies**

#### **(a) Basis of preparation**

The accounts have been prepared under the historical cost convention, in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and in accordance with applicable UK financial reporting standards and statements of standard accounting practice. The Company has adopted the recommendations of the Guidance on Accounting for Insurance Business issued by the ABI on 18 December 1995, including revisions made on 22 January 1997.

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

#### **(b) Restatement of prior year comparatives**

Prior period debtors arising out of reinsurance operations included accrued premiums net of commissions. Accrued premiums are now included in debtors arising out of reinsurance operations gross of commissions. Accrued commissions are included in creditors arising out of reinsurance operations. Prior year comparatives have been restated to reflect this.

#### **(c) Cash flow statement**

No cash flow statement is presented as the Company has taken advantage of the provisions of Financial Reporting Standard 1 (FRS1) (revised) which exempts subsidiary undertakings, 90 per cent or more of whose voting rights are controlled within a group, from producing a cash flow statement, provided the consolidated financial statements in which the subsidiary is included, being the consolidated accounts of QBE Insurance Group Limited, are publicly available.

#### **(d) Underwriting result**

The underwriting result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned portion of premiums, net of reinsurance as described below:

##### **(i) Premiums**

Premiums written comprise differences between booked premiums for prior years and those previously accrued.

##### **(ii) Unearned premiums**

Unearned premiums represent the proportion of premiums written in the year that relates to the unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis. In the opinion of the directors, the resulting provision is not materially different from one based on the pattern of incidence of risk.

##### **(iii) Acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred subject to recoverability and amortised over the period in which the related premiums are earned.

##### **(iv) Claims incurred**

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

# **QBE REINSURANCE (UK) LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 December 1997

**(v) Claims outstanding**

Gross provisions for outstanding claims and related reinsurance recoveries have been determined on the basis of actuarial and statistical projections based on information which is currently available, including outstanding loss advices, experience of development of similar claims and the prevailing legal environment. As provisions for claims outstanding are based on the information which is currently available to the directors, the eventual outcome may vary from the original assessment.

**(vi) Other technical provisions - unexpired risks**

Provision for unexpired risks is made where the expected claims, related expenses and deferred acquisition costs are expected to exceed unearned premiums, with no account being taken of future investment income. Unexpired risk surpluses and deficits are offset where, in the opinion of the directors, the business classes concerned are managed together. Post balance sheet events are taken into account in assessing this provision.

**(vii) Outwards reinsurance**

Outwards reinsurance premiums, recoveries and commissions are accounted for so as to match the related inwards transactions.

**(e) Expenses**

Underwriting acquisition costs, general overheads and other expenses are charged as incurred to the profit and loss technical account, net of the change in deferred acquisition costs. Investment expenses are charged to the profit and loss non-technical account.

**(f) Tangible fixed assets**

Depreciation is provided at rates calculated to write off the cost less estimated residual values in equal amounts over the estimated useful lives of the tangible assets, being three years.

**(g) Taxation**

The charge for taxation is based on the result for the period adjusted for disallowable items. Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise at the rates at which it is expected that the tax will arise.

**(h) Investments**

Fixed interest securities are included in the balance sheet at amortised cost. The amortisation is calculated so as to write off the difference between the purchase price and the maturity value over the life of the security.

Other investments are included in the balance sheet at market value.

**(i) Investment income**

Investment income is shown in the profit and loss non-technical account on an accruals basis except for dividends which are taken into account when declared.

**(j) Unrealised gains and losses**

Unrealised gains and losses represent the difference between the valuation of the investments at the balance sheet date and their purchase price, or if they have been previously valued, their valuation at the last balance sheet date. Unrealised gains and losses are recognised in the profit and loss non-technical account.

# **QBE REINSURANCE (UK) LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 December 1997

### **(k) Foreign currency transactions**

Transactions denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the balance sheet date. The results, monetary assets and liabilities of foreign branches are translated into Sterling at the year end rate of exchange. Exchange gains and losses are recognised in the profit and loss non-technical account.

### **(l) Administrative expenses**

The management and administration of the Company is principally carried out by QBE Management (UK) Limited, a fellow subsidiary undertaking, who also provides these services to other group companies. Administrative expenses are recharged by QBE Management (UK) Limited to the Company and are charged to the profit and loss account as incurred.

### **(m) Pensions**

QBE Management (UK) Limited operates a defined contribution pension scheme for its employees. Details of the pension scheme can be found in the accounts of QBE Management (UK) Limited.

### **(n) Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

### **(o) Related parties**

The Company has availed itself of the exemption available under Financial Reporting Standard 8 (FRS8) not to disclose transactions which are with entities that are part of the QBE Group, 90% or more of whose voting rights are controlled within the QBE Group. This exemption is available to the Company as consolidated accounts are publicly available for QBE Insurance Group Limited, the ultimate holding company.

# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

### 2. Segmental information

#### (a) Class of business analysis

All business transacted by the Company is in respect of reinsurance acceptances which were written in the London market.

#### (b) Gross premiums by territory of destination

	1997	1996
	£'000	£'000
Europe - United Kingdom	(1,154)	31,197
- Continental Europe	(1,187)	25,208
North America	(469)	3,194
Other	(1,522)	14,055
	<u>(4,332)</u>	<u>73,654</u>

#### (c) Net assets and profit before tax by class of business

Shareholders' funds are held to meet the solvency requirements of the Company as a whole and, therefore, are not regarded as operating net assets for the purposes of segmental reporting. Accordingly, the net assets in relation to the business segments are not shown. It is, therefore, not appropriate to allocate investment income and hence derive profit before tax for the purposes of segmental reporting.

### 3. Technical provisions

#### (a) Long tail liabilities

As in previous years, claims outstanding include material amounts in respect of long tail liabilities written by the Company. These claims are not expected to be settled for a number of years therefore, as is common to long tail business written in the insurance market generally, there is inherent uncertainty as to the amounts at which these claims will finally be settled.

Nevertheless, in the opinion of the directors the level of technical provisions shown in these financial statements comply with i) paragraph 43 of Part 1 of Schedule 9A to the Companies Act 1985 in that they are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen and ii) paragraph 86 of the ABI Guidance on Accounting for Insurance Business (Excluding Accounting for Investments) in that the level of claims provisions have been set such that no material adverse run-off deviation is envisaged.

# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

### 3. Technical provisions (continued)

#### (b) Prior years' claims provisions

There were no material movements in prior years' claims provisions during the year. In 1996 underprovisions of £10,577,000 on the casualty class and £7,095,000 on the marine and aviation class were offset by an overprovision of £2,573,000 on the property class.

### 4. Net operating expenses

	1997	1996
	£'000	£'000
Acquisition costs	63	15,968
Change in deferred acquisition costs	5,915	(639)
Administrative expenses	4,860	6,161
	<u>10,838</u>	<u>21,490</u>
Reinsurance commissions and profit participation	-	(6)
	<u>10,838</u>	<u>21,484</u>

### 5. Employees

With effect from 1 January 1997, the contracts of employment of all staff were transferred to QBE Management (UK) Limited who recharge the Company for the services provided by those staff. The management charge forms part of administrative expenses (see note 4).

The average number of staff employed by the Company for the year was:

	1997	1996
	Number	Number
Underwriting	-	10
Claims	-	4
Administration	-	32
	<u>-</u>	<u>46</u>

Total employee costs for the year were:

	1997	1996
	£'000	£'000
Wages and salaries	-	2,599
Social security costs	-	230
Pension costs	-	391
	<u>-</u>	<u>3,220</u>

# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

6. Directors' emoluments	1997 £'000	1996 £'000
Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	54	414
Company pension contributions to money purchase schemes	4	262
Amounts paid to former directors as compensation for loss of office	96	317
	<b>Number</b>	<b>Number</b>
Number of directors who are members of a money purchase scheme	2	2

The remuneration of the highest paid director for the year ended 31 December 1996 was £515,000. Company pension contributions to money purchase schemes for the highest paid director for the year ended 31 December 1996 were £236,000.

7. Investment income, expenses and charges	1997 £'000	1996 £'000
(a) Income from investments other than participating interests		
Income from investments	16,357	16,987
Gains on realisation of investments	-	208
	<u>16,357</u>	<u>17,195</u>
(b) Investment expenses and charges		
Investment management expenses	(6)	(243)
Losses on realisation of investments	(297)	-
Amortisation of fixed interest securities	(1,107)	(1,257)
Interest payable to group undertakings	(49)	-
	<u>(1,459)</u>	<u>(1,500)</u>
8. Other charges	1997 £'000	1996 £'000
Foreign exchange losses	<u>(1,114)</u>	<u>(731)</u>

# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

### 9. Profit/(loss) on ordinary activities before taxation

	1997	1996
	£'000	£'000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
Audit services	155	115
Other services	10	17
Payments under operating leases - land and buildings	-	339
Depreciation	-	191
Amortisation of fixed interest securities	1,107	1,257

With effect from 1 January 1997, all the Company's rights and obligations under its operating leases were assigned to QBE Management (UK) Limited, a fellow subsidiary company.

### 10. Tax on profit/loss on ordinary activities

	1997	1996
	£'000	£'000
The taxation charged/(credited) for the year comprises:		
UK Corporation Tax at 31.5% (1996: 33%)		
Current	1,977	(494)
Foreign tax	-	243
Deferred taxation	2,026	(2,935)
Over provision in respect of prior years:		
Current	(135)	(243)
Deferred	(91)	-
	3,777	(3,429)

### 11. Investments

#### (a) Other financial investments

	Cost		Book value	
	1997	1996	1997	1996
	£'000	£'000	£'000	£'000
Shares and other variable yield securities	3,366	1,129	3,190	1,163
Debt securities and other fixed interest securities (see note 11(b))	148,019	152,359	144,651	149,381
Deposits with credit institutions	61,633	46,328	61,633	46,328
	213,018	199,816	209,474	196,872

#### Listed investments

Shares and other variable yield securities	3,186	1,159
Debt securities and other fixed interest securities	144,651	149,381
	147,837	150,540



# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

### 11. Investments (continued)

#### (b) Debt securities and other fixed interest securities

	1997	1996
	£'000	£'000
Cost	148,019	152,359
Cumulative amortisation	(3,368)	(2,978)
Amortised cost	144,651	149,381
Maturity value	141,622	149,486
Market value	146,048	149,262

### 12. Other debtors

Other debtors includes a deferred tax asset as follows:

	1997	1996
	£'000	£'000
Deferred tax		
At 1 January	2,935	-
Over provision in respect of prior years	91	-
Charge to profit and loss account	(2,026)	2,935
At 31 December	1,000	2,935

Deferred tax is fully provided in the accounts as follows:

	Amount provided	
	1997	1996
	£'000	£'000
Excess of capital allowances over depreciation	75	242
Other timing differences	925	1,180
Tax losses	-	1,513
	1,000	2,935

# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

### 13. Tangible fixed assets

	Computer equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000
At 1 January 1997	859	137	996
Additions	-	-	-
Transfers to other group company	(859)	(137)	(996)
At 31 December 1997	-	-	-
 Cumulative depreciation			
At 1 January 1997	747	109	856
Charge for year	-	-	-
Transfers to other group company	(747)	(109)	(856)
At 31 December 1997	-	-	-
 Net book value at 31 December 1997	-	-	-
 Net book value at 31 December 1996	112	28	140

All the tangible assets of the Company have been sold to a fellow subsidiary, QBE Management (UK) Limited, for a consideration equivalent to the net book value at the date of sale.

### 14. Share capital

	Authorised £'000	Called up, allotted and fully paid £'000
At 31 December 1996 and 31 December 1997:		
Ordinary shares of £1 each	30,000	18,400
Non cumulative convertible redeemable preference shares of £1 each	10,000	10,000
	<u>40,000</u>	<u>28,400</u>

The preference shares are redeemable at the option of the Company at par between 31 December 1998 and 31 December 2008, and carry a fixed dividend entitlement of 5% per annum. They carry a right to vote only where the dividend is more than six months in arrears or on matters affecting the share rights. In the event of a return of assets on liquidation, the preference shares rank in priority to ordinary shareholders in repayment of capital outstanding but are not entitled to any other further right of participation in the assets of the Company.

# QBE REINSURANCE (UK) LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1997

### 15. Reconciliation of movements in reserves and shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 1997	28,400	3,289	31,689
Profit in year	-	8,327	8,327
At 31 December 1997	<u>28,400</u>	<u>11,616</u>	<u>40,016</u>

### 16. Other technical provisions

	1997 £'000	1996 £'000
Provision for unexpired risks	<u>-</u>	<u>675</u>

### 17. Other creditors including taxation and social security

	1997 £'000	1996 £'000
Amounts due to group undertakings	1,316	-
Other creditors	645	137
	<u>1,961</u>	<u>137</u>

Other creditors include a mainstream corporation tax liability of £645,000 (1996: £nil).

### 18. Charges on assets

The Company has outstanding liabilities covered by the deposit of certain investments, in respect of undrawn letters of credit amounting to £7,251,000 (1996: £6,042,000).

### 19. Pension costs

The management and administration of the Company is principally carried out by QBE Management (UK) Limited, a fellow subsidiary undertaking. With effect from 1 December 1996, QBE Management (UK) Limited operates a defined contribution pension scheme for its employees. Details of the pension scheme arrangements are disclosed in the accounts of QBE Management (UK) Limited.

The total amount of pension contributions charged by QBE Management (UK) Limited to the Company in the year was £126,000 (1996: £nil). Pension contributions paid by QBE Reinsurance (UK) Limited on its own behalf were £nil (1996: £391,000).

## **QBE REINSURANCE (UK) LIMITED**

### **NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 December 1997

#### **20. Holding company**

The Company's ultimate controlling entity is QBE Insurance Group Limited, the ultimate parent company, which is incorporated in Australia. The consolidated accounts for QBE Insurance Group Limited are available from QBE Reinsurance (UK) Limited's registered office at Corn Exchange, Mark Lane, London EC3R 7NE.

The Company's immediate parent company is QBE International Insurance Limited, which is incorporated in the United Kingdom.

# **QBE REINSURANCE (UK) LIMITED**

## **AUDITORS' REPORT**

### **Auditors' report to the members of QBE Reinsurance (UK) Limited**

We have audited the financial statements on pages 5 to 19.

#### **Respective responsibilities of the directors and auditors**

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion on those statements, based on our audit, and to report our opinion to you.

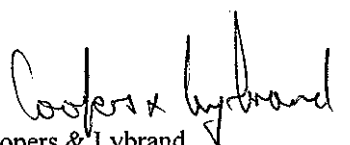
#### **Basis of opinion**

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.

#### **Opinion**

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

  
Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
1 Embankment Place, London WC2N 6NN

27 April 1998