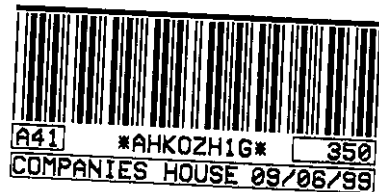


Registered Number 1378853

QBE REINSURANCE (UK) LIMITED
ANNUAL REPORT AND ACCOUNTS
1998



QBE REINSURANCE (UK) LIMITED

ANNUAL REPORT AND ACCOUNTS 1998

<u>Contents</u>	<u>Page</u>
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	18

QBE REINSURANCE (UK) LIMITED

GENERAL MANAGER'S REPORT

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

This activity continues to be handled in a sound and orderly manner and I am pleased to report that the Company has produced a profit after tax of £14.2m (1997: £8.8m.) Following the payment of dividends totalling £18.1m, shareholders' funds at the end of the year amounted to £36.1m.

During the year the Company's management continued to address the various issues arising from the Year 2000 date recognition problem. As a result, I can confirm that following extensive testing, the Company's principal data processing systems are Year 2000 compliant. Our vigilance in this area continues through an ongoing programme to monitor the Year 2000 readiness of our suppliers, and also through the development of a detailed contingency plan.

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

A handwritten signature in black ink, appearing to read 'R.M. Grant', with a stylized flourish at the end.

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 1998.

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. The Company will continue this activity.

Overseas branch

The Company no longer has a branch in Switzerland. The run-off of the portfolio of business underwritten by the Swiss branch is now handled centrally.

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 £14,236,000 (1997: £8,827,000). The directors have paid the 5% dividend amounting to £500,000 on the preference shares (1997: £500,000) and paid a dividend on the ordinary shares of £17,600,000 (1997: £nil).

Directors

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

M.A. Bower	
B.R. Cotterill	Appointed 10 March 1998
N.G. Drabsch	
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

Mr R.J. MacGregor resigned as Company Secretary on 24 July 1998 and Mr H.G. Pallot was appointed in his stead.

Year 2000

A senior management committee was established in late 1997 to co-ordinate the Company's Year 2000 programme. This programme operates within the framework of the Group's world-wide Year 2000 Project, which also began in 1997, under the direction of the ultimate parent company QBE Insurance Group Limited.

As part of this programme the Company's critical business systems have been evaluated to ascertain their readiness for the Millennium date change and upgraded where necessary to comply with the British Standards Institute definition of Year 2000 conformity. These systems are now fully tested and in operational use.

The directors believe that the Company is taking all action necessary to ensure business continuity into the new Millennium. Whilst there can be no guarantee that the Company will experience no adverse effects from the Millennium date change, particularly in relation to its dealings with third parties, the Company is addressing the key risk areas through a series of Year 2000-related initiatives. These include the development of a detailed contingency plan and a programme to monitor the readiness of the Company's key suppliers.

QBE REINSURANCE (UK) LIMITED

DIRECTORS' REPORT (continued)

Year 2000 (continued)

The total cost of carrying out the Company's Year 2000 programme has not been identified separately. The directors believe, however, that the Company's existing budgeted resources are adequate to ensure timely completion of the remainder of the programme.

Euro

During the year the Company took steps to prepare for the introduction of the Euro on 1 January 1999.

The impact on the Company of the introduction of the Euro is not significant. The Company's results will continue to be reported in Sterling.

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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 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

The auditors, formerly Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998 following which Coopers & Lybrand resigned and the Company appointed the new firm, PricewaterhouseCoopers, as auditors.

Elective resolutions to dispense with holding annual general meetings, the laying of accounts before the Company in general meetings and the appointment of auditors annually are currently in force. The auditors, PricewaterhouseCoopers, will therefore be deemed to have been reappointed at the end of 28 days beginning with the day on which copies of this report and accounts are sent to members unless a resolution is passed under Section 393 of the Companies Act 1985 to the effect that their appointment be brought to an end.

By order of the Board:



H.G. Pallot
Secretary
London

22 March 1999

QBE REINSURANCE (UK) LIMITED

PROFIT AND LOSS ACCOUNT TECHNICAL ACCOUNT - GENERAL BUSINESS For the year ended 31 December 1998

		1998		1997	
	Notes	£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance					
Gross premiums written	2(b)	(1,146)		(4,332)	
Outward reinsurance premiums		<u>366</u>		<u>(322)</u>	
			(780)		(4,654)
Change in the gross provision for unearned premiums			<u>-</u>		<u>23,075</u>
Earned premiums, net of reinsurance			(780)		18,421
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(25,636)		(43,568)	
Reinsurers' share		<u>2,182</u>		<u>6,697</u>	
		<u>(23,454)</u>		<u>(36,871)</u>	
Change in the provision for claims					
Gross amount		35,672		32,940	
Reinsurers' share		<u>(3,717)</u>		<u>(5,330)</u>	
		<u>31,955</u>		<u>27,610</u>	
Claims incurred, net of reinsurance			8,501		(9,261)
Changes in other technical provisions			-		675
Net operating expenses	4		<u>(783)</u>		<u>(10,838)</u>
Balance on technical account - general business			<u><u>6,938</u></u>		<u><u>(1,003)</u></u>

The results above are all derived from discontinued operations.

The notes set out on pages 9 to 17 form part of these accounts.

QBE REINSURANCE (UK) LIMITED

PROFIT AND LOSS ACCOUNT NON-TECHNICAL ACCOUNT For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Balance on general business technical account		6,938	(1,003)
Investment income	7(a)	16,036	16,357
Unrealised gains on investments		1,775	-
Investment expenses and charges	7(b)	(1,616)	(1,459)
Unrealised losses on investments		-	(177)
Other charges	8	(2,552)	(1,114)
Profit on ordinary activities before taxation	9	20,581	12,604
Tax on profit on ordinary activities	10	(6,345)	(3,777)
Profit on ordinary activities after taxation		14,236	8,827
Dividends paid - preference shares		(500)	(500)
Dividends paid - ordinary shares		(17,600)	-
Retained (loss)/profit for the year	14	(3,864)	8,327

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 17 form part of these accounts.

QBE REINSURANCE (UK) LIMITED

BALANCE SHEET

As at 31 December 1998

	Notes	1998 £'000	1997 £'000
Assets			
Investments			
Other financial investments	11	195,432	209,474
Deposits with ceding undertakings		9,823	11,141
		<u>205,255</u>	<u>220,615</u>
Reinsurers' share of technical provisions			
Claims outstanding		52,093	55,393
Debtors			
Debtors arising out of reinsurance operations		4,739	15,033
Other debtors		937	7,937
		<u>5,676</u>	<u>22,970</u>
Other assets			
Cash at bank and in hand		9,184	9,953
Prepayments and accrued income			
Accrued interest and rent		3,368	3,231
Total assets		<u>275,576</u>	<u>312,162</u>

The notes set out on pages 9 to 17 form part of these accounts.

QBE REINSURANCE (UK) LIMITED

BALANCE SHEET

As at 31 December 1998

		1998		1997	
	Notes	£'000	£'000	£'000	£'000
Liabilities					
Capital and reserves					
Called up share capital	13,14		28,400		28,400
Profit and loss account	14		7,752		11,616
Shareholders' funds	14		<u>36,152</u>		<u>40,016</u>
Equity shareholders' funds		26,152		30,016	
Non equity shareholders' funds		<u>10,000</u>		<u>10,000</u>	
		<u>36,152</u>		<u>40,016</u>	
Technical provisions					
Claims outstanding			232,139		266,600
Provisions for other risks and charges	12		259		-
Creditors					
Creditors arising out of reinsurance operations			1,399		3,580
Other creditors including taxation and social security	15		5,627		1,961
			<u>7,026</u>		<u>5,541</u>
Accruals			-		5
Total liabilities			<u>275,576</u>		<u>312,162</u>

Approved by the Board on 22 March 1999 and signed on its behalf:



R.M. Grant
Director



M.A. Bower
Director

The notes set out on pages 9 to 17 form part of these accounts.

QBE REINSURANCE (UK) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

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 Statement of Recommended Practice issued by the ABI dated December 1998.

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

(b) 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.

(c) 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) 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.

(iii) 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 1998

(iv) 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.

(v) Outwards reinsurance

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

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

QBE REINSURANCE (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1998

(j) Administrative expenses

The management and administration of the Company is 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.

(k) 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.

(l) 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 1998

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

	1998	1997
	£'000	£'000
Europe - United Kingdom	(305)	(1,154)
- Continental Europe	(314)	(1,187)
North America	(124)	(469)
Other	(403)	(1,522)
	<u>(1,146)</u>	<u>(4,332)</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

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 89 of the ABI Statement of Recommended Accounting Practice on Accounting for Insurance Business 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 1998

4. Net operating expenses

	1998	1997
	£'000	£'000
Acquisition costs	(863)	63
Change in deferred acquisition costs	-	5,915
Administrative expenses	1,646	4,860
	<u>783</u>	<u>10,838</u>

5. Employees

The Company does not employ any staff. All staff are employed by 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).

6. Directors' emoluments

	1998	1997
	£'000	£'000
Emoluments (excluding pension contributions and awards under share option schemes and other long term incentive schemes)	28	54
Company pension contributions to money purchase schemes	<u>2</u>	<u>4</u>
Amounts paid to former directors as compensation for loss of office	<u>-</u>	<u>96</u>
	<u>Number</u>	<u>Number</u>
Number of directors who are members of a money purchase scheme	<u>3</u>	<u>2</u>

7. Investment income, expenses and charges

	1998	1997
	£'000	£'000
(a) Income from investments other than participating interests		
Income from investments	14,842	16,357
Gains on realisation of investments	1,194	-
	<u>16,036</u>	<u>16,357</u>
(b) Investment expenses and charges		
Investment management expenses	(179)	(6)
Losses on realisation of investments	-	(297)
Amortisation of fixed interest securities	(1,423)	(1,107)
Interest payable to group undertakings	-	(49)
Interest payable - other	(14)	-
	<u>(1,616)</u>	<u>(1,459)</u>

QBE REINSURANCE (UK) LIMITED

NOTES TO THE ACCOUNTS (continued) For the year ended 31 December 1998

8. Other charges	1998	1997
	£'000	£'000
Foreign exchange losses	<u>(2,552)</u>	<u>(1,114)</u>

9. Profit on ordinary activities before taxation	1998	1997
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
Audit services	63	155
Other services	12	10
Amortisation of fixed interest securities	<u>1,423</u>	<u>1,107</u>

Non-audit fees paid to PricewaterhouseCoopers and its associates (being the predecessor partnerships of Price Waterhouse and Coopers & Lybrand) during the year were £12,000 of which £nil related to work done by Coopers & Lybrand, the previous auditors, and its associates. Non-audit fees in 1997 comprise solely amounts paid to Coopers & Lybrand.

10. Tax on profit on ordinary activities	1998	1997
	£'000	£'000
The tax charged for the year comprises:		
UK Corporation Tax at 31% (1997: 31.5%)		
Current	5,211	1,977
Deferred	1,259	2,026
Over provision in respect of prior years:		
Current	(125)	(135)
Deferred	-	(91)
	<u>6,345</u>	<u>3,777</u>

QBE REINSURANCE (UK) LIMITED

NOTES TO THE ACCOUNTS (continued) For the year ended 31 December 1998

11. Investments

(a) Other financial investments

	Cost		Book value	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
Shares and other variable yield securities	4,133	3,366	5,766	3,190
Debt securities and other fixed interest securities (see note 11(b))	135,037	148,019	133,023	144,651
Deposits with credit institutions	56,643	61,633	56,643	61,633
	<u>195,813</u>	<u>213,018</u>	<u>195,432</u>	<u>209,474</u>

Listed investments

Shares and other variable yield securities	5,762	3,186
Debt securities and other fixed interest securities	133,023	144,651
	<u>138,785</u>	<u>147,837</u>

(b) Debt securities and other fixed interest securities

	1998	1997
	£'000	£'000
Cost	135,037	148,019
Cumulative amortisation	(2,014)	(3,368)
Amortised cost	<u>133,023</u>	<u>144,651</u>
Maturity value	<u>130,114</u>	<u>141,622</u>
Market value	<u>137,693</u>	<u>146,048</u>

12. Provision for other risks & charges

	1998	1997
	£'000	£'000
Deferred tax		
At 1 January	(1,000)	(2,935)
Over provision in respect of prior years	-	(91)
Charge to profit and loss account	1,259	2,026
At 31 December	<u>259</u>	<u>(1,000)</u>

Deferred tax is fully provided in the accounts as follows:

	Amount provided	
	1998	1997
	£'000	£'000
Excess of capital allowances over depreciation	-	(75)
Other timing differences	259	(925)
	<u>259</u>	<u>(1,000)</u>

QBE REINSURANCE (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1998

13. Share capital

	Authorised £'000	Called up, allotted and fully paid £'000
At 31 December 1997 and 31 December 1998:		
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.

14. Reconciliation of movements in reserves and shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 1998	28,400	11,616	40,016
Retained loss in year	-	(3,864)	(3,864)
At 31 December 1998	<u>28,400</u>	<u>7,752</u>	<u>36,152</u>

15. Other creditors including taxation and social security

	1998 £'000	1997 £'000
Amounts due to group undertakings	5,555	1,316
Other creditors	72	645
	<u>5,627</u>	<u>1,961</u>

Other creditors include a mainstream corporation tax liability of £72,000 (1997: £645,000).

16. Charges on assets

The Company has outstanding liabilities covered by the deposit of cash in respect of undrawn letters of credit amounting to £6,151,000 (1997: £7,251,000).

QBE REINSURANCE (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 1998

17. Pension costs

The management and administration of the Company is principally carried out by QBE Management (UK) Limited, a fellow subsidiary undertaking. QBE Management (UK) Limited operated 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 £103,000 (1997: £126,000).

18. 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 17 which have been prepared in accordance with the accounting policies set out on pages 9 to 11.

Respective responsibilities of 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, based on our audit, on those statements and to report our opinion to you.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

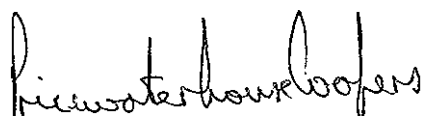
Basis of opinion

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 the Company's affairs at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place, London WC2N 6NN
22 March 1999