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HIH CASUALTY AND GENERAL INSURANCE LIMITED
A.C.N. 008 482 291

SPECIAL PURPOSE FINANCIAL REPORT FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 1993



COMPANIES HOUSE 10/03/95

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HIH CASUALTY AND GENERAL INSURANCE LIMITED
A.C.N. 008 482 291

DIRECTORS' REPORT

The directors have pleasure in submitting the financial statements of the company for the year ended 31 December 1993 and report as follows:

Directors

The names of the directors in office at the date of this report are:

R R	Williams	B W	Ellis
G O	Sturesteps	W F	Kane
T K	Cassidy	M W	Payne
R A	Eade	J E	Radley

Principal Activities

The principal activity of the company during the year was general insurance underwriting. There were no significant changes in the nature of these activities during the year.

Results

The net profit for the financial year was \$40 252 000 after income tax expense of \$9 680 000.

Dividends

A dividend of \$9 124 000 was paid by the company during the year.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the company or a related body corporate with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the company.

Rounding of Amounts

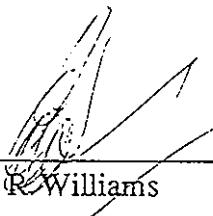
As the company is of a kind referred to in Regulation 3.6.05(6) of the Corporations Regulations, all amounts shown in the financial statements and in the directors' report have been rounded to the nearest thousand dollars in accordance with Section 311 of the Corporations Law and Corporations Regulation 3.6.05.

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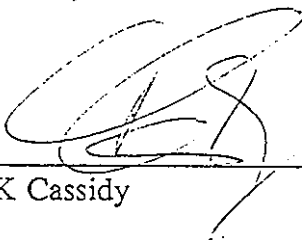
Unearned Premiums

The company is of a kind referred to in the class order covered by National Companies and Securities Commission release 627 exempting the directors from compliance with the requirements of Clause 19 of Schedule 7 of the Companies Regulations (corresponding to the present Clause 20 of Schedule 5 of the Corporations Regulations) relating to the deduction of unearned premiums from receivables.

Signed in accordance with a resolution of the directors.



R. R. Williams Director



T. K. Cassidy Director

Sydney
6 April 1994

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1993

	<u>Note</u>	<u>1993</u> \$000	<u>1992</u> \$000
Gross premium earned	3	315 797	292 523
Outward reinsurance expense		(105 615)	(109 978)
Net premium earned		<hr/> 210 182	<hr/> 182 545
Claims expense	4	(263 304)	(215 305)
Reinsurance recoveries received	3	101 095	75 690
Net claims incurred		<hr/> (162 209)	<hr/> (139 615)
Acquisition costs		(28 788)	(17 925)
Other underwriting expenses		(23 789)	(28 360)
Underwriting profit		<hr/> (4 604)	<hr/> (3 355)
Investment revenue before unrealised gains/(losses) on investments	3	24 367	26 246
Operating profit/(loss) from other business activities		<hr/> (2 133)	<hr/> (3 174)
Operating profit before unrealised gains/(losses) on investments and income tax		17 630	19 717
Unrealised gains/(losses) on investments before income tax	3	32 302	2 720
Operating profit before income tax	5	<hr/> 49 932	<hr/> 22 437
Income tax on operating profit before unrealised gains/(losses) on investments		(4 589)	(6 915)
Income tax on unrealised gains/(losses) on investments		(5 091)	(1 060)
Income tax attributable to operating profit	6	<hr/> (9 680)	<hr/> (7 975)

The accompanying notes form an integral
part of these financial statements

HIH CASUALTY AND GENERAL INSURANCE LIMITED
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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1993

	<u>1993</u> \$000	<u>1992</u> \$000
Operating profit after income tax and before unrealised gains/(losses) on investments	13 041	12 802
Unrealised gain/(loss) on investments after income tax	27 211	1 660
	<hr/>	<hr/>
Operating profit after income tax	40 252	14 462
Retained profits at the beginning of the financial year	28 970	35 164
	<hr/>	<hr/>
Total available for appropriation	69 222	49 626
Dividends provided for or paid	(9 124)	(20 656)
	<hr/>	<hr/>
Retained profits at the end of the financial year	60 098	28 970
	<hr/> <hr/>	<hr/> <hr/>

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part of these financial statements

HHH CASUALTY AND GENERAL INSURANCE LIMITED
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BALANCE SHEET
AT 31 DECEMBER 1993

	<u>Note</u>	<u>1993</u> \$000	<u>1992</u> \$000
CURRENT ASSETS			
Cash		65 396	18 363
Receivables	7	177 866	149 470
Investments	8	171 923	106 812
Reinsurance recoveries receivable	9	40 443	26 363
Deferred acquisition costs		19 636	15 841
Other	10	2 794	3 226
TOTAL CURRENT ASSETS		<u>478 058</u>	<u>320 075</u>
NON-CURRENT ASSETS			
Receivables	11	-	6 845
Investments	12	205 371	233 747
Plant and equipment	13	16 481	11 695
Reinsurance recoveries receivable	9	70 296	65 638
Intangibles	14	5 000	6 000
Other	15	7 250	3 919
TOTAL NON-CURRENT ASSETS		<u>304 398</u>	<u>327 844</u>
TOTAL ASSETS		<u>782 456</u>	<u>647 919</u>
CURRENT LIABILITIES			
Creditors and borrowings	16	41 127	47 402
Provisions	17	7 958	4 886
Outstanding claims	18	143 375	104 234
Unearned premiums		92 813	74 277
Other	19	3 665	3 597
TOTAL CURRENT LIABILITIES		<u>288 938</u>	<u>234 396</u>

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part of these financial statements

HHH CASUALTY AND GENERAL INSURANCE LIMITED
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BALANCE SHEET
AT 31 December 1993

	<u>Note</u>	<u>1993</u> \$000	<u>1992</u> \$000
NON-CURRENT LIABILITIES			
Provisions	20	20 175	13 759
Outstanding claims	18	268 746	250 338
TOTAL NON-CURRENT LIABILITIES		<u>288 921</u>	<u>264 097</u>
TOTAL LIABILITIES		<u>577 859</u>	<u>498 493</u>
NET ASSETS		<u>204 597</u>	<u>149 426</u>
SHAREHOLDERS' EQUITY		<u>=====</u>	<u>=====</u>
Share capital	22	144 499	120 456
Retained profits		60 098	28 970
TOTAL SHAREHOLDERS' EQUITY		<u>204 597</u> <u>=====</u>	<u>149 426</u> <u>=====</u>

The accompanying notes form an integral
part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 1993

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES :

This special purpose financial report has been prepared for distribution to members of the company to satisfy the directors' reporting responsibility imposed by the Corporations Law. The company has applied AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", and in the opinion of the directors the company is not a reporting entity as defined.

The financial statements have been prepared in accordance with the requirements of Schedule 5 of the Corporations Regulations, the bases of accounting specified and the disclosure requirements of all applicable accounting standards, with the exception of AASB 1024 "Consolidated Accounts".

(a) Basis of Accounting

The financial statements have been prepared in accordance with historical cost convention and do not take into account changes in either the general purchasing power of the dollar or the prices of specific assets, except for investments, which are stated at net market values (refer Note 1(d)).

All amounts are in Australian dollars.

(b) Premium Revenue and Acquisition Costs

The entity accrues for the total premiums due on policies where the risk commenced on or prior to balance date. Accordingly amounts due in relation to premiums identified but not processed at balance date are brought to account as accrued premiums. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. The unearned portion of these premiums, calculated in accordance with the policy noted below, has been included in the provision for unearned premiums.

The provision for unearned premiums is calculated by apportioning premiums billed, excluding statutory charges, brokerage and commission paid, on a daily basis over the risk period involved. The provision for unearned premiums comprises unearned premiums as calculated above and unearned commission income applicable to these premiums. The provision is shown net of reinsurance premiums applicable thereto.

Acquisition costs comprise all brokerage paid and payable and other applicable acquisition costs incurred in acquiring premium revenue. Acquisition costs are deferred and amortised on a daily basis over the risk period.

Fire service levies received or receivable are included with premiums. Fire service charges paid or payable are fully accrued.

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(c) Provision for Outstanding Claims

Full provision is made for the estimated cost of claims notified but not settled at balance date, by review of individual claims on the basis of current information and in the light of existing court awards and levels of compensation and likely inflationary trends. Provision is also made for claims handling costs, and for the cost of claims incurred by balance date, but not reported until after balance date, based on an analysis of claims reported after balance dates in prior years.

The provision for outstanding claims is measured as the present value of expected future payments. Discount rates used are based on investment opportunities available on funds sufficient to meet future claims.

An actuarial estimate of outstanding claims for long tail classes of business is made and taken into consideration in determining the liability at balance date. Such actuarial review includes an allowance for unnotified claims, an allowance for claims inflation, claims handling costs and anticipated investment earnings.

The provision for claims is classified into current and non-current liabilities according to estimated time of payment which has been based on a statistical analysis of payment patterns in prior years.

(d) Investments

Investments are measured at net market values at the balance date. Differences between the net market values of investments at the balance date and their net market values at the previous balance date, or the date of acquisition if later, are recognised in the profit and loss account.

Market values for investments traded on prescribed stock exchanges are determined using a last sale price basis. Market values for investments not traded on prescribed stock exchanges are at independent valuation or at directors' valuation on the basis of current economic conditions and the latest available information on these investments.

Dividend income is taken to account when the underlying shares become ex-dividend. Interest income and expenses are accrued.

(e) Amounts Payable to/Due from Reinsurers, Other Insurers and Statutory Bodies

Amounts payable to or on behalf of, or due from reinsurers, comprise reinsurance premiums less recoveries due from reinsurers for claims paid. Reinsurance recoveries receivable represents amounts due from reinsurers for claims outstanding and is measured at the present value of expected future receipts, calculated on the same basis as the liability for outstanding claims.

Amounts due from or payable to other insurers comprise that portion of claims paid which is the subject of an agreement or anticipated agreement with other insurers in relation to their expected contribution.

Amounts payable to or due from statutory bodies comprise claims recoveries payable to or due from those bodies under the various laws and regulations applying in the states and territories in which the entity operates.

(f) Goodwill

The difference between the purchase consideration plus incidental expenses and the fair values of identifiable net assets in respect of controlled entities acquired is initially brought to account as goodwill. Purchased goodwill is amortised over the period during which the benefits are expected to arise but not exceeding twenty years.

(g) Income Tax

The entity follows the policy of tax effect accounting. The income tax expense per the profit and loss account represents the tax on the reported profit adjusted for income and expenses not assessable or allowable for taxation purposes. The deferred income tax liability and the future income tax benefit accounts represent the tax effect of differences between amounts which have been added to or deducted from earnings in respect of income and expense items recognised in different accounting periods for book and tax purposes. Where applicable, tax balances have been stated at the current Australian corporate tax rate of 33%.

(h) Foreign Currency Transactions

Transactions in currencies other than Australian dollars are recorded at the rates of exchange in effect at the dates of the transactions.

Amounts payable to or by the entity in foreign currencies have been translated into Australian currency at the exchange rates ruling at balance date.

Gains and losses arising from fluctuations in exchange rates are included in profit and loss from operations.

(i) Depreciation

Depreciation and/or amortisation is provided for plant and equipment using the straight line method. Depreciation and/or amortisation rates are based upon the estimated useful lives of the assets.

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(j) Cash Flows

For the purposes of the Statement of Cash Flows per Note 2, cash includes cash on hand and in banks and deposits held at call with banks and/or financial institutions net of outstanding bank overdrafts.

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2. STATEMENT OF CASH FLOWS :

	<u>Note</u>	<u>1993</u> \$000	<u>1992</u> \$000
Cash flows from operating activities			
Premiums and fees received		343 950	299 854
Claims paid		(195 329)	(116 802)
Payment to reinsurers, suppliers and employees		(114 536)	(150 246)
Dividends received		3 282	2 051
Interest received		15 172	11 464
Rent received		770	967
Interest paid		-	(474)
Income taxes paid		(3 905)	(13 032)
	2(c)	<u>49 404</u>	<u>33 782</u>
Cash flows from investing activities			
Purchase of plant and equipment		(8 968)	(3 148)
Proceeds from sale of plant and equipment		1 456	1 609
Payments, net of proceeds, for investments		(7 097)	(72 825)
		<u>(14 609)</u>	<u>(74 364)</u>
Cash flows from financing activities			
Proceeds from issue of shares		14 620	52 056
Dividends paid		-	(20 138)
		<u>14 620</u>	<u>31 918</u>
Net increase/(decrease) in cash held		<u>49 415</u>	<u>(8 664)</u>
Cash at the beginning of the financial year		15 981	24 645
Cash at the end of the financial year	2(a)	<u>65 396</u>	<u>15 981</u>

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2. STATEMENT OF CASH FLOWS (continued) :

Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	<u>1993</u> \$000	<u>1992</u> \$000
Cash	65 396	18 363
Bank overdraft	-	(2 382)
	<u>65 396</u>	<u>15 981</u>
	=====	=====

(b) Business Acquired

In 1992 the entity acquired the remaining 20% holding in Innes Owens Pty Limited. Details of the acquisition are as follows:

	<u>1993</u> \$000	<u>1992</u> \$000
Cash consideration paid:	\$000	\$000
Cash paid for the purchase of the controlled entity	-	1 513
	<u>-</u>	<u>1 513</u>
Net liabilities acquired:		
Cash	-	108
Debtors	-	810
Plant and equipment	-	512
Other assets	-	65
Creditors	-	(1 840)
Provisions	-	(201)
Net liabilities acquired	<u>-</u>	<u>(546)</u>
Goodwill on acquisition	-	2 059
	<u>-</u>	<u>1 513</u>
	=====	=====

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2. STATEMENT OF CASH FLOWS (continued) :

Notes to the Statement of Cash Flows (continued)

(c) Reconciliation of Net Cash provided by Operating
Activities to Operating Profit After Income Tax

	<u>1993</u> \$000	<u>1992</u> \$000
Operating profit after income tax	40 252	14 462
Depreciation and amortisation	3 143	3 675
Bad and doubtful debts	-	376
Net loss from sale of plant and equipment	139	212
Changes in net market value of investments		
- unrealised	(32 302)	(2 720)
- realised	(7 851)	(6 582)
Net exchange gain	-	(1 901)
Changes in assets and liabilities		
Decrease/(Increase)		
- Debtors	(6 934)	10 644
- Reinsurance recoveries	(18 738)	54 613
- Operating assets	(6 694)	6 745
Increase/(Decrease)		
- Creditors	11 324	16 532
- Outstanding claims	57 549	(52 850)
- Income and deferred tax provisions	9 516	(9 424)
	<u>49 404</u>	<u>33 782</u>
	=====	=====

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3. OPERATING REVENUE :

	<u>1993</u> \$000	<u>1992</u> \$000
Premium revenue earned		
Direct	272 708	254 965
Inward reinsurance	43 089	37 558
	<u>315 797</u>	<u>292 523</u>
Reinsurance recoveries revenue	<u>101 095</u>	<u>75 690</u>
Investment revenue		
Dividends from unrelated bodies corporate	3 282	2 051
Interest from		
- related bodies corporate	-	944
- unrelated bodies corporate	12 466	13 747
Rentals	768	1 021
Exchange gains	-	1 901
Changes in net market value of investments, realised	7 851	6 582
	<u>24 367</u>	<u>26 246</u>
Changes in net market value of investments, unrealised	<u>15 428</u>	<u>(13 909)</u>
Changes in net market value of controlled entities, unrealised	<u>16 874</u>	<u>16 629</u>
	<u>32 302</u>	<u>2 720</u>
	<u>56 669</u>	<u>28 966</u>
Revenue from other business activities	<u>7 134</u>	<u>6 269</u>
Proceeds from sale of non-current assets	<u>1 456</u>	<u>1 609</u>
Total revenue	<u>482 151</u>	<u>405 057</u>

4. CLAIMS EXPENSE :

Direct	(237 239)	(182 225)
Inward reinsurance	(26 065)	(33 080)
	<u>(263 304)</u>	<u>(215 305)</u>

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5. OPERATING PROFIT :

	<u>1993</u> \$000	<u>1992</u> \$000
Operating profit before income tax is after charging the following expenses:		
Operating lease rentals	3 919	4 330
Net loss from sale of non-current assets	139	212
Depreciation of plant and equipment	2 143	2 675
Amortisation of goodwill	1 000	1 000
Transfers to provisions		
- doubtful debts	-	-
- employee entitlements	94	428
Bad debts written off	-	376
	<hr/>	<hr/>

6. INCOME TAX:

The difference between income tax expense provided in the accounts and the prima facie income tax expense is reconciled as follows:

	<u>1993</u> \$000	<u>1992</u> \$000
Operating profit	49 932	22 437
	=====	=====
Prima facie tax thereon	(16 478)	(8 751)
Tax effect of permanent and other differences		
- non-deductible net of non-assessable items	-	(398)
- revaluation of investment in controlled entity	5 568	-
Amount over provided in prior years	1 230	1 174
	<hr/>	<hr/>
Total income tax attributable to operating profit	(9 680)	(7 975)
	=====	=====
This amount is attributable to:		
- the current period	(6 693)	(311)
- other periods	(2 987)	(7 664)
	<hr/>	<hr/>
	(9 680)	(7 975)
	=====	=====

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7. RECEIVABLES (Current) :

	<u>1993</u> \$000	<u>1992</u> \$000
Trade debtors	25 035	24 855
Less Provision for doubtful debts	(1 959)	(1 959)
Trade debtors, net	<u>23 076</u>	<u>22 896</u>
Amounts owing by related bodies corporate	51 360	18 999
Amounts due from reinsurers, other insurers and statutory bodies	36 938	48 865
Accrued premiums	62 281	52 417
Accrued interest, commission and other income	1 844	5 543
Sundry debtors	2 367	750
Total current receivables	<u>177 866</u> =====	<u>149 470</u> =====

8. INVESTMENTS (Current) :

At Directors' valuation

Debentures, unlisted	-	1 018
Short term deposits	7 277	4 973
Loans - secured	15 717	23 096
- unsecured	2 642	3 397
	<u>25 636</u>	<u>32 484</u>

At net market value

Shares in non-related entities, listed	146 287	74 328
Total current investments	<u>171 923</u> =====	<u>106 812</u> =====

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9. REINSURANCE RECOVERIES RECEIVABLE :

	<u>1993</u> \$000	<u>1992</u> \$000
Expected future recoveries (undiscounted)	129 969	100 954
Discount to present value	(19 230)	(8 953)
Reinsurance recoveries receivable	<u>110 739</u> =====	<u>92 001</u> =====
Current	40 443	26 363
Non-current	70 296	65 638
	<u>110 739</u> =====	<u>92 001</u> =====

10. OTHER ASSETS (Current) :

Prepayments and deferred expenses	2 794	3 226
Total current other assets	<u>2 794</u> =====	<u>3 226</u> =====

11. RECEIVABLES (Non-current) :

Amounts owing by related bodies corporate	-	6 845
Total non-current receivables	<u>-</u> =====	<u>6 845</u> =====

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12. INVESTMENTS (Non-current) :

	<u>1993</u> \$000	<u>1992</u> \$000
<u>At Directors' valuation</u>		
Government and semi-government stocks and bonds, unlisted	75 750	133 188
Debentures, unlisted	4 687	-
Shares in controlled entities	57 652	38 778
Shares in unrelated bodies corporate, unlisted	-	200
Loans - secured*	27 062	15 960
- unsecured	-	4 686
	<u>165 151</u>	<u>192 812</u>
<u>At market value</u>		
Investment properties	1 090	405
	<u>1 090</u>	<u>405</u>

* An investment loan secured by mortgage over real properties has been under-performing. After taking legal advice, the directors are of the opinion that the written-down amount of \$14 192 000 (1992: \$13 700 000) included in the 1993 accounts is supported by the underlying securities and recoveries from third parties.

At independent valuation as at 31.12.1993**

Investment properties	39 130	40 530
Total non-current investments	<u>205 371</u>	<u>233 747</u>

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	<u>1993</u> \$000	<u>1992</u> \$000
Independent valuations were carried out by <u>registered valuers as follows:</u>		
Mr. J E O'Grady AAIIV Registered Valuer, of Chesterton International (Melb) Pty Ltd	20 000	21 100
Mr. J B Booth AVLE (VAL) Registered Valuer, of Richard Ellis (New South Wales) Pty Limited	19 130	19 430
	<u>39 130</u>	<u>40 530</u>
 13. PLANT AND EQUIPMENT :		
Leasehold improvements		
at cost	5 703	2 800
less accumulated depreciation	(1 881)	(1 478)
	<u>3 822</u>	<u>1 322</u>
Plant and equipment		
at cost	20 106	16 074
less accumulated depreciation	(7 447)	(5 701)
	<u>12 659</u>	<u>10 373</u>
Total plant and equipment	<u>16 481</u>	<u>11 695</u>
 14. INTANGIBLES (Non-current) :		
Goodwill		
at cost	10 000	10 000
less provision for amortisation	(5 000)	(4 000)
Total intangibles	<u>5 000</u>	<u>6 000</u>

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15. OTHER ASSETS (Non-current) :

	<u>1993</u>	<u>1992</u>
	\$000	\$000
Future income tax benefit		
- attributable to timing differences	7 250	3 919
- attributable to tax losses	-	-
Total non-current other assets	<u>7 250</u>	<u>3 919</u>
	=====	=====

16. CREDITORS AND BORROWINGS (Current) :

Bank overdraft, unsecured	-	2 382
Trade creditors	16 610	3 036
Amounts owing to related bodies corporate	-	13 183
Amounts payable to statutory bodies	4 677	5 437
Amounts payable to or on behalf of reinsurers	19 840	23 364
Total current creditors and borrowings	<u>41 127</u>	<u>47 402</u>
	=====	=====

17. PROVISIONS (Current) :

Income tax	4 339	1 141
Employee entitlements	3 105	3 303
Other	514	442
Total current provisions	<u>7 958</u>	<u>4 886</u>
	=====	=====

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18. OUTSTANDING CLAIMS :

	<u>1993</u> \$000	<u>1992</u> \$000
Expected future claim payments (undiscounted)	487 092	438 195
Discount to present value	(74 971)	(83 623)
Liability for outstanding claims	<u>412 121</u> =====	<u>354 572</u> =====
Current	143 375	104 234
Non-current	268 746	250 338
	<u>412 121</u> =====	<u>354 572</u> =====

- (i) The weighted average expected term to settlement from the balance date of the outstanding claims is estimated to be 3.4 years.
- (ii) The following average inflation rates and discount rates were used in measuring the outstanding claims liability:

For the succeeding and subsequent years

	%	%
Inflation rate	5.0	5.0
Discount rate	7.0	7.0

19. OTHER LIABILITIES (Current) :

	<u>1993</u> \$000	<u>1992</u> \$000
Other creditors and accruals	<u>3 665</u> =====	<u>3 597</u> =====

20. PROVISIONS (Non-current) :

	<u>1993</u> \$000	<u>1992</u> \$000
Employee entitlements	893	795
Deferred income tax liability	19 282	12 964
Total non-current provisions	<u>20 175</u> =====	<u>13 759</u> =====

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21. NET CLAIMS DEVELOPMENT TABLE :

This table presents the liability for outstanding claims net of reinsurance and other recoveries receivable, on the basis of the amounts reported in the balance sheets of the last five financial years, and the change to those net amounts from remeasuring as at the current balance date the liability for outstanding claims net of reinsurance and other recoveries receivable as at the end of each of those five years.

	<u>1993</u> \$000	<u>1992</u> \$000	<u>1991</u> \$000	<u>1990</u> \$000	<u>1989</u> \$000
Reported net liability	301 382	262 571	260 808	210 261	166 919
Cumulative under/(over) estimation after discounting	-	(11 965)	125	(10 131)	(31 737)

22. SHARE CAPITAL :

	<u>1993</u> \$000	<u>1992</u> \$000
Authorised capital		
- 199 800 000 ordinary shares of \$1 each	199 800	199 800
- 200 000 8% redeemable cumulative preference shares of \$1 each	200	200
Total authorised capital	<u>200 000</u> =====	<u>200 000</u> =====
Issued and paid up capital		
- 144 498 763 ordinary shares of \$1 each, fully paid	144 499	120 456
Total issued capital	<u>144 499</u> =====	<u>120 456</u> =====

23. COMMITMENTS :

Operating lease expenditure contracted for
is payable as follows:

Not later than one year	2 263	3 687
Later than one year but not later than two years	4 180	3 132
Later than two years but not later than five years	5 185	3 062
Later than five years	15 385	-
	<u>27 013</u> =====	<u>9 881</u> =====

HIH CASUALTY AND GENERAL INSURANCE LIMITED
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24. CONTROLLED ENTITIES:

The following were controlled entities at 31 December 1993. All controlled entities are 100% owned. None of the controlled entities carry on any business outside Australia. The financial years of all controlled entities are the same as that of the ultimate parent entity.

Name of Controlled Entity and Country of <u>Incorporation</u>	Book value of <u>Investment</u>	
	<u>1993</u> \$000	<u>1992</u> \$000
C.E. Heath Real Estate Pty. Limited, Australia	4	-
C.E. Heath Corporate Services Pty. Ltd., Australia	50	50
C.E. Heath Casualty and General (Marine) Pty. Limited, Australia	-	-
C.E. Heath Casualty and General (Workers' Compensation) Pty. Limited, Australia	-	-
C.E. Heath Casualty and General (Liability) Pty. Limited, Australia	-	-
C.E. Heath Casualty and General (Property and Commercial) Pty. Limited, Australia	-	-
C.E. Heath Workers' Compensation (N.S.W.) Pty. Limited, Australia	500	500
C.E. Heath Casualty and General (Disability) Pty. Limited, Australia	-	-
C.E. Heath Overseas Holdings Limited, Australia	50 775	33 751
Innes-Owens Pty. Limited, Australia	4 361	4 515
Heath Workers Compensation (Vic) Pty. Limited, Australia	2 000	-
HIH Casualty and General (Professional Liability) Pty. Limited, Australia	-	-
C.E. Heath Casualty and General (Special Risks) Pty. Limited, Australia	-	-
	<hr/> 57 690	<hr/> 38 816
Less provision for diminution in value	(38)	(38)
	<hr/> 57 652	<hr/> 38 778
	=====	=====

HIH CASUALTY AND GENERAL INSURANCE LIMITED
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24. CONTROLLED ENTITIES (continued) :

The following controlled entities were acquired during the financial year :

Name of entity and date acquired	Proportion of shares acquired	Consideration paid	Fair value of net tangible assets at time of acquisition
	%	\$000	\$000
C.E. Heath Casualty and General (Special Risks) Pty. Limited (13 January 1993)	100	-	-
Heath Workers Compensation (Vic) Pty. Limited (29 March 1993)	100	-	-
HIH Casualty and General (Professional Liability) Pty. Limited (20 August 1993)	100	-	-

25. DIRECTORS' REMUNERATION:

<u>1993</u>	<u>1992</u>
\$000	\$000

The aggregate remuneration (but excluding any payments in connection with their retirement) received, or due and receivable, by the directors of the entity from the entity and related bodies corporate was:

1 359	1 236
-------	-------

The number of directors who are also directors of the ultimate parent entity whose total income falls within the following bands was:

<u>1993</u>	<u>1992</u>
<u>Number</u>	<u>Number</u>

\$ 110 000 - \$ 119 999	1	-
\$ 360 000 - \$ 369 999	1	2
\$ 370 000 - \$ 379 999	1	-
\$ 500 000 - \$ 509 999	1	1

<u>1993</u>	<u>1992</u>
\$000	\$000

The prescribed benefits paid to a person or to a prescribed superannuation fund in connection with the retirement of a person from a prescribed office in relation to the entity for the year ended 31 December was:

12	-
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Amounts paid are disclosed in aggregate only, as the directors believe the provision of full particulars to be unreasonable.

26. AUDITORS' REMUNERATION:

	<u>1993</u>	<u>1992</u>
	\$000	\$000
Total of all remuneration received, or due and receivable, by the auditors of the entity from the entity or any related bodies corporate, in connection with:		
- auditing the financial statements	307	380
- providing other services	600	549
	<hr/>	<hr/>

27. RELATED PARTY TRANSACTIONS :

- The names of each person holding the position of director of the entity at any time during the financial year are R R Williams, G O Sturesteps, T K Cassidy, R A Eade, B W Ellis, W F Kane, M W Payne and J E Radley.
- The ultimate parent entity is C.E. Heath International Holdings Limited.
- During the year the entity ceased utilising the agency services provided by a related body corporate, C.E. Heath Underwriting and Agency Services Limited (ownership interest: nil). Agency fees and commissions paid or payable to this related body corporate amounted to \$Nil for 1993 (1992 \$1 481 000).
- During the year the entity received a fee of \$2 823 000 (1992 \$3 262 000) from C.E. Heath Underwriting and Agency Services Limited for the provision of management and debt collection services. This fee included a reimbursement of expenses incurred amounting to \$2 909 000 (1992 : \$2 571 000).
- The entity provides funding to cover the working capital and investment requirements of certain controlled entities on an interest free basis. The repayment dates of these loans are subject to mutual agreement between the entity and the individual borrower. Details are as follows:

<u>Identities of related parties</u>	<u>Nature of ownership</u>	<u>Ownership interest</u>	<u>Receivable at 31.12.93</u> \$000	<u>Receivable at 31.12.92</u> \$000
Innes-Owens Pty. Limited	Controlled entity	100%	6 134	6 845
C.E. Heath Overseas Holdings Limited	Controlled entity	100%	22 559	15 255

27. RELATED PARTY TRANSACTIONS (continued) :

- f. Effective 1 January 1989, C.E. Heath Underwriting and Insurance (Australia) Pty. Limited (ownership interest: nil), a wholly owned subsidiary of C.E. Heath PLC, which was a related body corporate prior to the public flotation of the ultimate parent entity, transferred its ongoing underwriting operations to the entity.

In relation to certain inward reinsurance treaties, C.E. Heath Underwriting and Insurance (Australia) Pty. Limited has contracted to continue to indemnify the entity in respect of all losses which are identified after 31 December 1991. The obligations of C.E. Heath Underwriting and Insurance (Australia) Pty. Limited are guaranteed by C.E. Heath PLC. Indemnity received by the entity from C.E. Heath Underwriting and Insurance (Australia) Pty. Limited during the year against losses reported after 31 December 1991 was nil (1992: \$43 500 000).

The aforementioned adjustments have in the past and will in the future be offset against the related underwriting losses for claims reported in 1993 and prior.

- g. Loans to Directors:

	<u>1993</u> \$000	<u>1992</u> \$000
Loans to directors outstanding at year end	-	-
Aggregate amount of loans advanced to directors during the year	-	-
Aggregate amount of loan repayments received from directors during the year	-	1 503

- h. Certain directors entered into the following transactions with the entity on terms and conditions that are no more favourable than those available to other employees, reinsurers and/or customers:
- purchased general insurance cover from the entity
 - entered into reinsurance transactions with the entity for the reason that certain directors are names of Lloyd's of London syndicates.

28. SEGMENT INFORMATION :

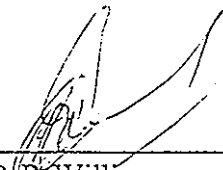
During the year the entity operated predominantly in one industry, that being general insurance, and operated predominantly in one country, that being Australia.

STATEMENT BY DIRECTORS

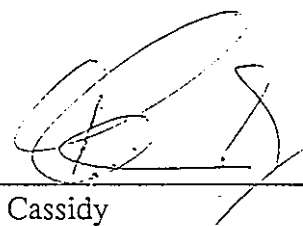
In the opinion of the Board of Directors of HIH CASUALTY AND GENERAL INSURANCE LIMITED, the accompanying balance sheet is drawn up so as to give a true and fair view of the state of affairs of the entity at 31 December 1993, and the related profit and loss account is drawn up so as to give a true and fair view of the profit of the entity for the year then ended. At the date of this statement there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

As detailed in Note 1 to the accounts, the entity is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the accounts who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this "special purpose financial report" has been prepared to satisfy the directors' reporting requirements under the Corporations Law.

Signed in accordance with a resolution of the directors.



R.R. Williams Director



T K Cassidy Director

Sydney
6 April 1994

ARTHUR ANDERSEN

INDEPENDENT AUDIT REPORT

To the members of
HIH Casualty and General Insurance Limited

Scope

We have audited the attached financial statements, being a special purpose financial report, of HIH Casualty and General Insurance Limited for the year ended 31 December 1993 as set out on pages 3 to 28. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain, and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Law and the needs of the members. We have conducted an independent audit of the financial statements in order to express an opinion to the members on their preparation and presentation. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial statements have been prepared for distribution to members for the purpose of fulfilling the requirements of the Corporations Law. We take no responsibility for any reliance on this report or on the financial statements to which it relates, to any person other than the members, or for any purpose other than that for which it has been prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with the accounting policies described in Note 1 to the financial statements. These policies do not require the application of all statements of accounting standards.

The audit opinion expressed in this report has been formed on the above basis.

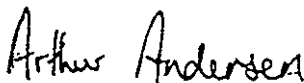
ARTHUR ANDERSEN

HIH Casualty and General Insurance Limited
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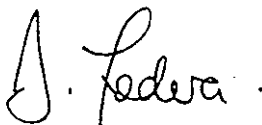
Audit Opinion

In our opinion, the financial statements of HIH Casualty and General Insurance Limited are properly drawn up:

- (a) so as to give a true and fair view, in accordance with the accounting policies described in Note 1 to the financial statements, of:
 - (i) the company's state of affairs as at 31 December 1993 and of its result for the year ended on that date; and
 - (ii) the other matters required by Divisions 4 and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with the statements of accounting standards as described in Note 1 to the financial statements.



Arthur Andersen
Chartered Accountants



Dominic Fodera
Partner

Sydney
6 April 1994