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for the record

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ON THE MICROFICHE RECORD

Companies House regrets that the microfiche record for this company, contain some documents, which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause

03-05-95

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Report & Accounts 1994

Contents

General Accident

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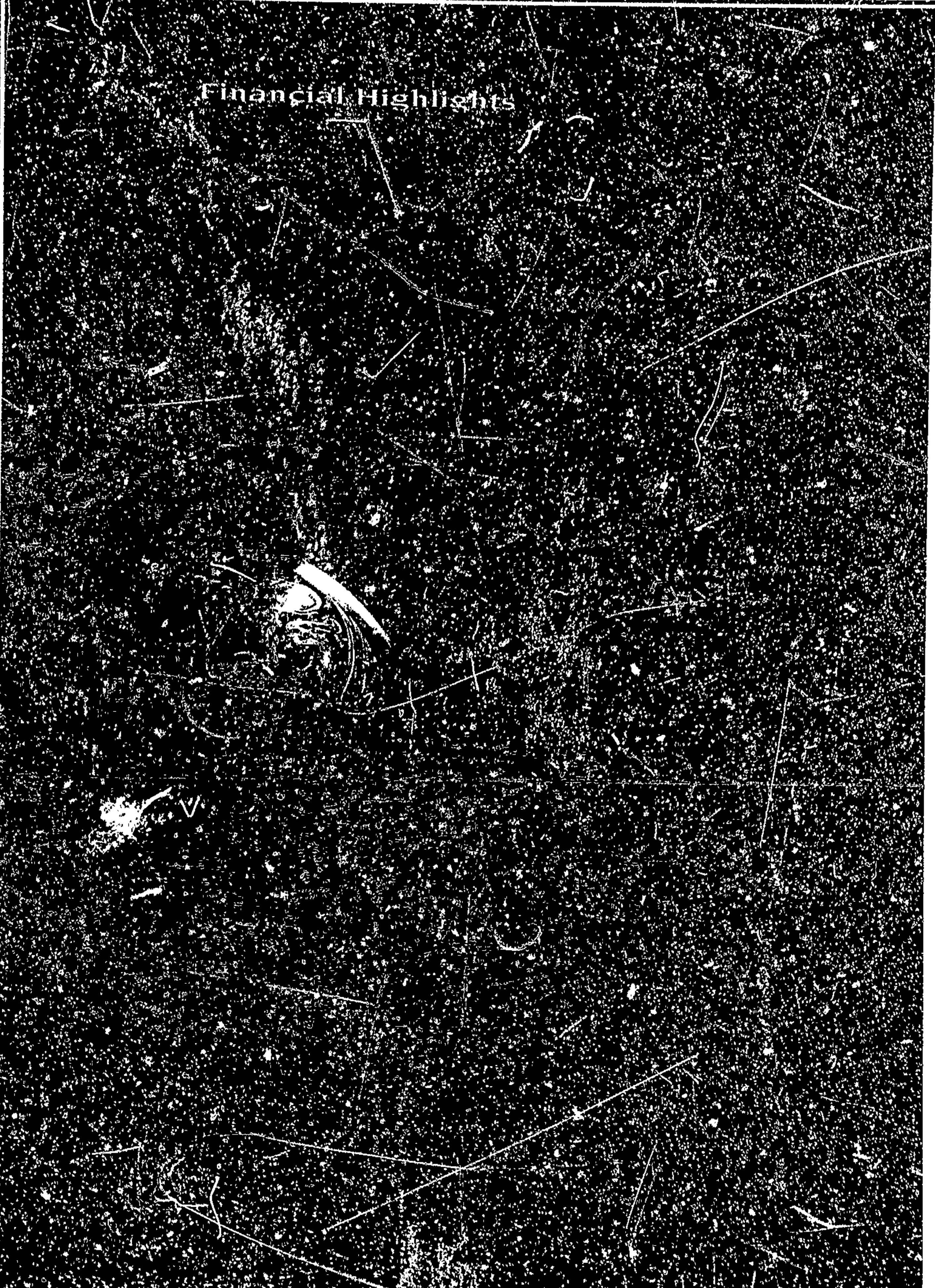
Financial Highlights



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		1994 £m	1993 £m
Premium Income	General business	4,253·2	4,181·8
	Long term business	887·3	866·1
		5,140·5	5,047·9
Profit and Loss	Investment income	481·0	509·1
	General business underwriting result	(70·6)	(229·0)
	Long term business profits	53·3	49·1
	Property services result	(10·0)	(9·5)
		453·7	319·7
	Interest on loans	14·0	15·9
	Employee profit sharing	11·4	8·9
	Profit before taxation	428·3	294·9
	Taxation	96·6	49·6
	Profit after taxation	331·7	245·3
	Minority interests	2·3	0·7
	Profit attributable to shareholders	329·4	244·6
	Dividends – preference shares	21·1	19·5
	– ordinary shares	131·4	124·1
	Earnings per ordinary share	68·1p	50·0p
	Dividend per ordinary share	29·0p	27·5p
Shareholders' Funds	Total capital and surplus	2,182·3	2,710·2
	Net asset value per ordinary share	427p	545p

Territorial Analysis

General business	1994		1993	
	Premium Income £m	*Under-writing Result £m*	*Premium Income £m*	*Under-writing Result £m*
UK	1,520·5	200·6	1,379·1	59·7
USA	1,249·0	(111·9)	1,342·1	(140·4)
Canada	584·3	(73·6)	627·7	(44·1)
Asia-Pacific	422·5	(11·7)	358·2	(2·9)
Europe other than UK	200·3	(15·6)	212·2	(41·1)
Other overseas	152·3	(12·1)	107·1	(18·4)
London market business incl. internal reinsurance	124·3	(46·3)	155·4	(41·8)
	4,253·2	(70·6)	4,181·8	(229·0)

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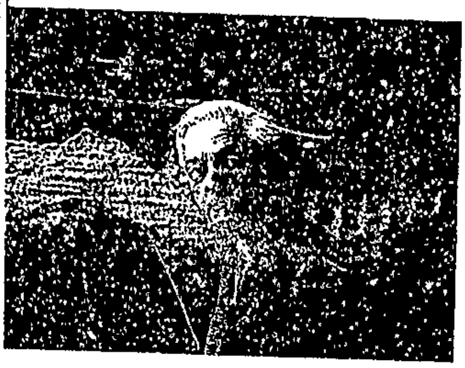
Chairman's Statement



I am pleased to report, for a second successive year, a record pre-tax profit. At £428 million, this represents a further improvement of £133 million, or 45%, over the result for 1993. The earnings per ordinary share are 68·1p (1993: 50·0p).

The underwriting loss, at £71 million, represents 1·7% of net premiums written as compared with 5·5% in 1993.

Dividend and Shareholders' Funds

Your board is pleased to recommend a final dividend of 18·9p per ordinary share, an increase of 6·2% on last year. When added to the interim dividend of 10·1p per ordinary share declared last August, the total dividend per ordinary share is 29·0p (1993: 27·5p per ordinary share), representing an increase of 5·5%. This increase is in line with your board's commitment to a steady and progressive dividend policy and reflects General Accident's continuing strong revenue performance.

As a result of the disappointing performance in the bond and equity markets of the principal countries in which General Accident operates, shareholders' funds decreased during the year from £2,710 million to £2,182 million.

Directors and Staff

I am pleased to report that Sir Alick Rankin joined the board as a non-executive director and joint Deputy Chairman on 25th January 1995. Sir Alick brings with him invaluable experience both as Chairman and former Chief Executive of Scottish & Newcastle plc and through his non-executive role on the boards of a wide range of other major companies. It is the board's intention that Sir Alick succeeds me as Chairman of General Accident following my retirement at the 1997 annual general meeting.

Sir Nicholas Goodison, who has served as a non-executive director since 1987, will be stepping down from the board on the date of the forthcoming annual general meeting. I would like to thank Sir Nicholas for his extensive contribution to General Accident over the last eight years.

On behalf of the board and shareholders I must express appreciation and gratitude to management and staff worldwide for their effort, determination and commitment during the year, without which such an excellent result would not have been possible.

I am pleased to report that, under the terms of the employee profit sharing schemes which are based on the insurance results achieved by the Group in the United Kingdom and Ireland, some 90% of insurance staff in these territories will receive a share of the excellent profits recorded in 1994.

Regulatory Matters

Policyholders Protection Act
I have referred in each of the last two years to the substantial levy charged to our United Kingdom general insurance business under the terms of the Policyholders Protection Act 1975. We anticipate the announcement of a further levy of some £14 million in the first quarter of the current year, increasing the total amount we will have paid since 1992 to some £35 million.

Pension Transfers and Opt-outs
Following extensive discussion throughout 1994 involving the Securities and Investments Board and the life assurance industry, the Personal Investment Authority has issued a Statement of Policy on the matter of providing compensation to

policyholders for inappropriate advice given by company representatives in cases of pension transfers and opt-outs from occupational pension schemes. General Accident has a very small exposure in this area and we continue to believe that any liability which may arise is unlikely to have a significant impact on either shareholders or with-profit life policyholders. We have made appropriate provision for the estimated costs of compensation or reinstatement.

Claims Equalisation Reserves

Encouraging progress is being made towards the implementation of legislation which would enable United Kingdom-based insurance companies to establish claims equalisation reserves for certain classes of insurance exposed to catastrophe losses. In good underwriting years, transfers to these reserves could be made free of tax, and would be available for release, subject to payment of taxation, when a large catastrophe occurs. This mechanism would assist the industry in managing its general insurance business to smooth underwriting results. In addition, it would help to remove a competitive disadvantage faced by United Kingdom general insurers, whose counterparts in a number of important Continental European markets currently enjoy equivalent taxation advantages. We support fully the early implementation of appropriate legislation in this area, which will be of benefit to policyholders generally and, more particularly, the United Kingdom insurance industry.

Developing Markets

I referred last year to the geographic spread of our worldwide business which, historically, is divided in broadly equal parts between the United Kingdom, the United States and other areas of the world, principally Canada and the Asia-Pacific region. Whilst we do not anticipate a significant change in this overall balance in the foreseeable future, we look to an increasing contribution to profits in the longer term from our operations in the developing markets. In this context, we have obtained a licence to establish a representative office in Beijing, China, and we hope in due course to receive permission to open a branch office in Shanghai. In addition, we are actively examining opportunities to develop our business in other emerging markets within the region.

Conclusion

The extent of the recovery in our performance over the last two years, with the achievement of successively record pre-tax results, reflects in part the exceptionally favourable conditions we have experienced in the United Kingdom. More significantly, however, it provides a measure of the benefits flowing from the actions which the company has been taking worldwide to strengthen the quality and profitability of our business.

The ability to sustain superior performance depends greatly on the quality of the service we provide to our customers and we will be maintaining our various initiatives in this regard. In the absence of unforseen events, we expect a further strong performance in the United Kingdom in the current year, together with continuing improvements in the United States and other important areas of our business.

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Operational Review

Although 1994 was a year of significant progress for General Accident, strong worldwide operating results reported by the United Kingdom insurance companies have further increased the already high levels of competition experienced in recent years, particularly for business of good quality. These results reflect exceptionally favourable underwriting experience in the United Kingdom market, due to the relative absence of catastrophe losses, specifically those arising from weather-related events.

However, the United Kingdom market was recording unprecedented underwriting losses no more than three years ago. Taking into account the impact of these losses on the industry's longer-term performance, the difficult operating conditions prevailing elsewhere and the uncertainties in major investment markets, it is to be hoped that the more disciplined underwriting approach which restored the necessary stability to the market will not now give way to the indiscriminate pursuit of market share.

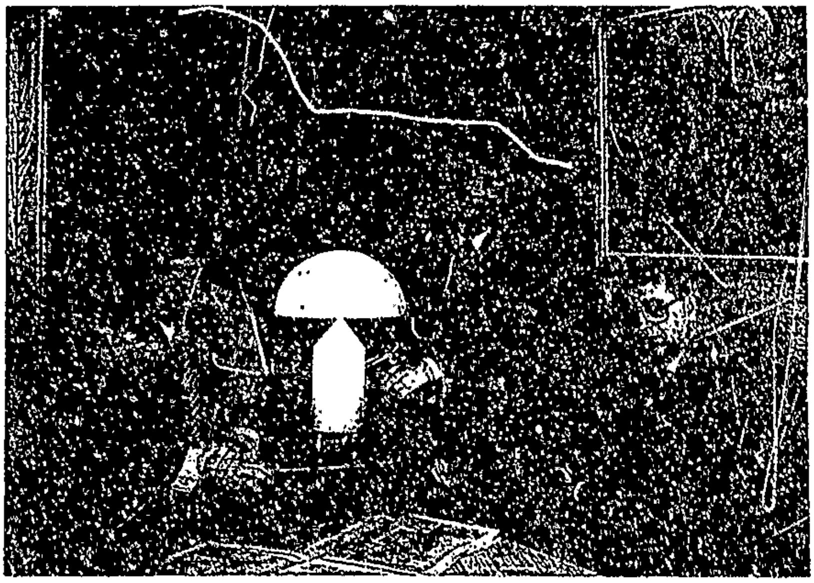
General Accident will continue to maintain tight controls over underwriting and pricing and whilst we remain a competitive insurer, we will not underwrite risks at inadequate premiums.

United Kingdom

The more stable position in respect of claim frequency and costs which had emerged in the United Kingdom general insurance market in 1993 continued last year, and payments for weather-related events were at a considerably lower level than normally experienced. The market has now recorded two years of satisfactory results and emerging competition for business will result in the current favourable returns coming under some pressure.

It is, however, a pleasure to report for General Accident's general insurance business in the United Kingdom the achievement in 1994 of a record underwriting profit. At £200·6 million, this represents a further improvement on the positive underwriting result recorded in the previous year.

Premium levels in the market for personal motor insurance reduced during 1994 as a result of significantly increased competition and a similar trend is evident in the home insurance market. General Accident's personal motor business produced in 1994 a most satisfactory underwriting profit and we continue to maintain our "Super Bonus" option which benefits customers with a history of claims free experience. Our client base for motor insurance is stable, and we believe that the maintenance of high standards of service will ensure that we remain in a position to develop further our personal motor business when market conditions are less volatile.



From right to left:
Nelson Robertson, Group Chief Executive and Deputy Chief Executives Barrie Holder and Bob Scott.

The home account had another very favourable year, with the absence of weather-related losses a major influence on performance. The result also reflected the attention given to assisting our customers to improve their household security through the introduction of a no-claim bonus for contents insurance and our sponsorship of Neighbourhood Watch initiatives. During the year we launched a further new product for home buildings and contents insurance, "Home Classics", which has attracted new customers, particularly through General Accident Direct.

The commercial property portfolio also produced an excellent result for the year, with an absence of major losses. Further encouraging progress was made in promoting our package policies for the small commercial market sector, in which General Accident is one of the leading insurers. Pleasing results in the commercial motor account continued the improving trend of the previous year, following the decision taken to concentrate on the provision of insurance to smaller commercial fleets. The commercial liability account produced an improved result, but claims arising from occupational diseases continued to be of particular concern.

A number of our specialist businesses again produced excellent results. Attention has been paid to the introduction of new products, particularly in areas where new opportunities have emerged. During the year we were active in promoting an annual travel policy sold through our direct operation and we pioneered the direct marketing of mortgage-related creditor insurance through General Accident Direct. The company has for many years been involved in creditor insurance, and this experience enabled us to launch a product capitalising on the opportunity resulting from the Government's proposal to reduce income support benefit for mortgage interest payments.

With its widespread branch network, General Accident continues to give significant support to professional insurance intermediaries whilst accepting that, in the rapidly changing environment, it is essential also to develop direct relationships and provide new services to major financial institutions. We continue to introduce new programmes for staff training and, following an extensive review of technology requirements, new systems are being developed to support the maintenance of cost effective administration and improved service to our customers.

Whilst market conditions in the current period will be difficult, we remain confident that our strategies will enable us to compete successfully in an environment in which new entrants in both underwriting and distribution will produce a wider range of methods for customers to access general insurance. We are committed to the profitable growth of our business whilst maintaining the underwriting disciplines which have produced the encouraging results of the last two years.

United States

The United States property and casualty insurance industry experienced a decline in performance in 1994 due to a high level of catastrophe losses, the strengthening of reserves for environmental liability exposures and the continuing soft market in commercial lines. The Northridge earthquake and a series of winter storms in the northeast caused approximately $14 billion in losses, adding 5·7 points to the industry's operating ratio. Premium growth for the industry slowed to 3·7% as compared with 6·2% in 1993.

General Accident of America recorded last year an operating ratio of 108·0, which represents an improvement of almost 2 points over the previous year, and measures well against a projected industry ratio of 109·6. Our personal automobile results declined slightly, as improvement continued to be hampered by involuntary burdens in certain States. Catastrophe losses, the high cost of catastrophe reinsurance protection and competitive pricing continued to produce unsatisfactory results in both our personal and commercial property portfolios. Commercial casualty business had an operating ratio of 100·5 due to an 11·2 point improvement in workers' compensation lines.

Our premium income in original currency decreased during the year by 1·9%, reflecting the impact of corrective actions taken since 1992. These include programmes to re-underwrite large sections of our portfolio, catastrophe control measures, agency management programmes, and continued emphasis on profitability over premium volume. The decrease was partially offset by rating revisions, increases in business written on national accounts, and planned growth in profitable areas.

The outlook for the United States economy is for modest growth. Whilst there was a further increase in interest rates early in the current year, these should eventually stabilise. Annual premium growth for the industry is expected to remain in the range of 3% to 4%.

Following a strong improvement in the underwriting result in the final quarter of 1994, the outlook for General Accident of America is favourable, as the benefits being obtained from our agency management programmes, increased market selectivity and various initiatives aimed at reducing our expenses, continue to strengthen our operations. Overall, we anticipate modest growth and further improvement in the operating ratio in the current year.

Canada

The strong signs of recovery which emerged in 1994 in a number of sectors of the Canadian economy had little impact on the performance of the general insurance market. Potential benefits of growth in premium income, deriving largely from rating increases, were offset by the cost of weather-related losses at the start of the year and the deterioration in experience of the Ontario automobile insurance market.

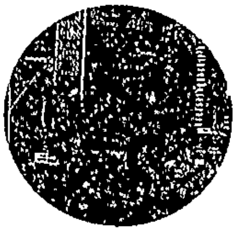
For General Accident of Canada, the year under review was one of the most difficult in almost ninety years of operations, with all aspects of our business under pressure. Underwriting results were affected early in the year by one of the hardest winters on record, followed by a tornado in mid-summer in southern Quebec. In Ontario, a requirement to increase benefits for automobile accident victims led to a significant increase in reserves. Rate increases in this class require regulatory approval but the benefit of price increases is not immediately apparent due to the length of the approval process and the natural flow through the cycle.

In the liability market, several large court awards initially assigned partial liability to municipal governments. However, the inability of other parties to meet their commitments resulted in the application of joint and several liability rules requiring municipalities to pay the full or a larger share. Municipal associations are therefore seeking waivers of these rules and, to the extent possible, we are lending active support to this initiative.

Our staff in Canada carried an abnormally heavy workload during the year to complete the integration of the direct general insurance business of Prudential Corporation plc, acquired in November 1992. All operations have now been successfully integrated and formal amalgamation accomplished. The return on our investment in this business continues to be in line with expectations.

Despite the impact of the extreme weather conditions at the start of the year, Pilot Insurance Company, which is mainly involved in personal lines business, recorded good results in subsequent periods, achieving another excellent performance in 1994.

Notwithstanding some significant mergers last year, the Canadian general insurance market remains highly competitive, with a major banking institution launching a direct marketing insurance subsidiary in the current year. Against this background, General Accident is considering initiatives to enhance the effectiveness of partnerships with intermediaries.



Asia-Pacific

Excellent premium growth was recorded last year by General Accident's Asia-Pacific operations. The deterioration in the region's underwriting result as compared with 1993 reflected the costs of Australia's Hunter Valley earthquake, the volcanic eruption in Papua New Guinea, and further reserve strengthening at the end of the year, principally in Australia.

Whilst we continue to record an underlying improvement in underwriting performance in Australia, the pace of this improvement remains somewhat disappointing in view of the various initiatives we have been taking, and continue to take, as well as the relative absence of seasonal weather losses.

Although lower than last year, an excellent result was again achieved in New Zealand, where the market is becoming increasingly competitive.

It is pleasing to report an outstanding performance in Asia, with strong premium growth and an improvement in the underwriting result. Further significant progress was achieved in Hong Kong through selective underwriting in this changing market and excellent results were again achieved in Malaysia and Singapore. We continue to develop our relatively new operation in Taiwan, which remains a very competitive market. Our representative office in China is now established.

Europe other than UK

Conditions in many European countries remain difficult and, in some areas, there are new competitive pressures deriving in part from the continuing implementation of European Union liberalisation provisions. However, we have been able for the most part to implement the necessary rate increases and other underwriting measures. As a result of these measures, and with benefits emerging from the comprehensive review of our operations to which reference has previously been made, our underwriting performance in Europe has significantly improved.

It is particularly gratifying to report tangible progress in France, Belgium and the Netherlands, together with better results in Italy and Norway. Favourable results were maintained in Ireland, Germany and Greece, and excellent progress continues to be made in Portugal.

The only disappointments amongst generally improved results were the level of underwriting loss in Denmark, caused by adverse developments on discontinued business, and a poor result in Sweden due to an exceptional number of large claims.

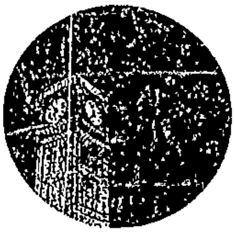
With the benefit of generally improving market conditions and a focused regional approach towards our activities, we have a strong base on which to build selectively our business in Continental Europe.

Other Overseas

The underwriting performance of the other overseas territories reflects an overall improvement, in spite of continued losses in South Africa. In particular, very satisfactory results were achieved in Puerto Rico, other areas of the Caribbean and the Middle East.

Following the re-purchase of the minority interests, additional capital has been provided to the South African company, strengthening its financial base and enabling it to concentrate on the improvement plans we have put in place for the current year. The crime level in South Africa has not abated since the election, but there are signs that the market is beginning to come to terms with the situation.

In Brazil the introduction of the new currency and other government actions have led to stability and a dramatic reduction in the rate of inflation. Our operations have benefited from these changes, producing strong premium growth and an excellent result.



London Market

There are encouraging indications in the marine account that the open 1993 and 1994 underwriting years will yield positive results when closed. However, following actuarial advice, action has been taken to strengthen the marine fund against further deterioration in old account years. The resurgence of excess capacity in international marine markets raises concern that the underwriting stability so recently achieved is already being undermined, but we remain determined to restore profit to this area and will not relax our underwriting standards.

Long Term Business

General Accident continues to support the development of a more realistic basis for the reporting of life profits which has general market acceptance. Meanwhile, using the same methodology as in previous years, and based on the advice of the company's actuaries, the embedded value of the company's long term business at the end of the year increased to almost £540 million as compared to £520 million at the end of 1993, despite a significant fall in investment values. This value includes long term net assets but excludes any estimate of the value of profits arising from business to be written in the future.

United Kingdom

General Accident Life had a further very successful year in 1994, with new business premium income increasing by 55% to £612 million. Single premiums were ahead by 64% to £559 million and annual premiums by 2% to £53 million. This performance, which was achieved against a background of very difficult market conditions, was based on substantial success with our Portfolio Bond, new Guaranteed Investment Bonds and a considerable increase in single premium pension business.

Statutory profits grew by some 10% to £47 million before tax. Prudent reductions have been made in some reversionary bonus rates and in the maturity values of life and pensions policies to reflect recent and likely future investment conditions, but General Accident Life continues to rank highly in with-profits performance tables, with a life fund which ranks among the strongest in the market.

During the year we expanded further our building society relationships, establishing links with the West Bromwich Building Society. The third party administration contracts completed during 1993 with the Leeds Permanent and Halifax building societies have now commenced, and we believe that General Accident Life should gain significantly, both through the resulting contributions to profit and a reduction in unit costs.

A considerable amount of work was undertaken in 1994 to prepare for the disclosure of commission and expenses from the beginning of the current year. This was achieved successfully, although it is too early to assess the impact of the new disclosure requirements on the market as a whole.

Overseas

Our performance in Puerto Rico was excellent, with strong growth in earnings as a result of steady growth in new business combined with reductions in the loss ratio for group health business and in expenses. In New Zealand, where shareholder earnings were affected by weak investment performance, there was an increase in new business, a reduction in lapses and a further reduction in expenses.

Our life company in Ireland made good progress, with strong new business growth. New business levels were, however, disappointing in France and Germany.

Property Services

After a promising start to the year, sales volumes and house prices achieved by General Accident Property Services were at similar levels to those achieved in 1993, reflecting the overall static nature of the housing market.

Increases in interest rates in September and December affected consumer confidence, resulting in many transactions failing to complete and a deterioration in the final result for the year. An operating loss of £10·0 million was incurred, as compared with a loss of £9·5 million in 1993.

Good progress was made in increasing the volumes of business generated for General Accident Life.

The outlook for the current year is somewhat uncertain, with recent interest rate rises resulting in our entering the year behind equivalent 1994 levels. Nevertheless our strategies remain focused on achieving an improved result in 1995, subject to there being no further set-backs in the economy.

Investments and Finance

Adjusted to take account of interest paid of £14·0 million (1993: £15·9 million), net investment income was down from £493·2 million to £467·0 million, a reduction in original currencies of 1·2%, reflecting lower coupons available on bond issues.

Following three years of decline, the trend in worldwide interest rates was reversed in 1994, in response to a series of policy moves initiated by the United States monetary authorities. As a result, bond markets lost part of the capital gains accruing in the preceding four years, with significant falls both in US long bonds and UK gilts. Equity markets also softened as investor confidence was undermined by the changing interest rate environment and the shifts in world money flows.

Cash flow generated by our United Kingdom general insurance operations was again strong with the greater part directed towards bonds. New equity investment was less pronounced, although the opportunity was taken to acquire selected stocks. Our life assurance operations also provided strong cash flows. These were directed particularly towards equity investment and the opportunity was taken to strengthen our interests in a number of selected overseas markets.

Before distributions in respect of 1994, shareholders' funds fell from £2,710 million to £2,335 million, a reduction of 14%, reflecting the poor performance of major bond and equity markets during 1994 and in North America in particular. Distributions to shareholders in the year increased from £143·6 million to £152·5 million.

Further reductions in borrowings were achieved during the year. The maturity profile of the remaining borrowings, which are denominated primarily in US dollars, is shown in Note 15 on page 39.

The annual report and accounts for 1995 will be prepared in accordance with new statutory requirements which reflect changes agreed within the European Union. The regulations require the Company to change the basis of calculating and reporting profit before tax for both life and general insurance operations. This will in turn change the structure of the revenue and profit and loss accounts, and the balance sheet.

Conclusion and Outlook

Our underwriting performance in the year under review enabled us to achieve an operating result comfortably above the minimum required rate of return on allocated capital which we have previously established for our worldwide general insurance operations. A further record performance in the United Kingdom, together with continuing improvement in the United States and Europe, more than offset the deterioration experienced in Canada, where our results were influenced significantly by a series of exceptional events. We are also encouraged by the growth in our life assurance business, which is making an increasing contribution to the profitability of the Group.

Our performance in absolute terms and relative to our competitors is ultimately measured by the financial results which we produce. However, we will only meet, and wherever possible exceed, the financial goals we set for the Company by continuing to develop the underlying operational strengths of all our businesses. In a cyclical industry, the achievement of consistently superior results depends on continuously developing our strategic and operational capabilities and the skills with which we apply them to all aspects of our business.

To complement the financial performance measures we have conventionally applied to our business, we are increasingly extending the measurement of our progress to other aspects of our operations. These include the development of our technical and professional skills, the efficiency of our business processes, the effectiveness of our use of technology and, above all, the strength of the relationships which we are building with our customers. Furthermore, converging customer needs and expectations worldwide are providing opportunities for us to transfer our knowledge and skills across the organisation, in support of our activities in existing markets and to assist our entry into new markets. By these various means, we aim to achieve and sustain the superior returns which will create long-term value for our shareholders.

As in previous periods, the start of the current year has been marked by a number of natural catastrophes, including extensive flooding in northern parts of Europe and the Kobe earthquake in Japan. However, General Accident's exposure to these particular events is minimal and, at the time of writing, we have incurred no abnormal losses arising from exceptional circumstances. Whilst we anticipate an increasingly challenging operating environment for our United Kingdom general insurance and life assurance businesses in the period ahead, we believe that the various initiatives we have taken and continue to take will enable us once again to record good performances in our home markets. These, together with further gains anticipated in the United States, and improvements in other important areas of our business, particularly Canada Australia and London Market operations, provide excellent prospects for our operating performance in 1995.

W N Robertson
Group Chief Executive

03-05-95

Directors and Management

[illegible]

The Rt Hon The Lord Nickson [illegible]

Sir Alick Rankin [illegible]

[illegible] Bolton, [illegible]

[illegible] Botting, [illegible]

Sir Anthony Cleaver

W E Farnam

Sir Nicholas Goodison

E Holder, FCCA

The Rt Hon The Lord Macfarlane of Bearsden

The Rt Hon The Earl of Mansfield, [illegible]

Sir Peter Middleton, [illegible]

G N Morris

The Hon F R Noel-Paton

W N Robertson, MA [illegible]

R A Scott

W N Robertson [illegible]

W E Farnam

E Holder, [illegible]

R A Scott

R A Mountker [illegible]

[illegible]

Brief biographical details of the Directors

The Rt Hon The Earl of Airlie, KT GCVO PC
is 68 years of age and was appointed to the board of General Accident in 1962, becoming Chairman in 1987. Lord Chamberlain of the Queen's Household. Until 1984 was Chairman of Schroders plc.

Mr L Bolton, DL
is 58 years of age and was appointed to the board of General Accident in 1982. Managing Director of The Alliance Trust plc and of The Second Alliance Trust plc and a director of TSB Group plc and Scottish Financial Enterprise.

Mrs E L Botting, CBE
is 55 years of age and was appointed to the board of General Accident in 1992. A financial adviser. Chairman of Douglas Deakin Young Limited and a director of Trinity International Holdings plc.

Sir Anthony Cleaver
is 56 years of age and was appointed to the board of General Accident in 1988. Chairman of the United Kingdom Atomic Energy Authority and General Cable plc and a director of Smith & Nephew plc and Loral Aerospace Systems Integration Corporation and past Chairman of IBM United Kingdom Holdings Limited.

Mr W E Farnam*
is 53 years of age and was appointed to the board of General Accident in 1991. Chairman and Chief Executive of General Accident companies in the USA.

Sir Nicholas Goodison
is 60 years of age and was appointed to the board of General Accident in 1987. Chairman of TSB Group plc and Deputy Chairman of British Steel plc. Past Chairman of The Stock Exchange 1976-1988 and of the International Federation of Stock Exchanges 1986-1987.

Mr B Holder, FCCA*
is 49 years of age and was appointed to the board of General Accident in 1990. Deputy Chief Executive responsible for life assurance and estate agency operations and group finance.

The Rt Hon The Lord Macfarlane of Bearsden
is 69 years of age and was appointed to the board of General Accident in 1984. Chairman of Macfarlane Group (Clansman) plc, United Distillers plc, American Trust plc and the Fine Arts Society plc. Deputy Chairman of Clydesdale Bank plc and a director of Edinburgh Fund Managers plc.

The Rt Hon The Earl of Mansfield, DL JP
is 64 years of age and was first appointed to the board of General Accident in 1972. First Crown Estates Commissioner and Chairman. Director of American Trust plc. Former Minister of State, Scottish Office, 1979-83 and Northern Ireland 1983-84.

Sir Peter Middleton, GCB BA
is 60 years of age and was appointed to the board of General Accident in 1992. Permanent Secretary to the Treasury 1983-1991. Chairman of Barclays de Zoete Wedd Limited and Deputy Chairman of Barclays Bank plc. He is also a director of Bass plc and North West Water Group plc.

Mr G N Morris*
is 64 years of age and was appointed to the board of General Accident in 1990. Executive Vice-Chairman of General Accident companies in the USA.

The Rt Hon The Lord Nickson, KBE DL
is 65 years of age and was appointed to the board of General Accident in 1971 becoming Deputy Chairman in 1993. Chairman of Clydesdale Bank plc, past Chairman of Scottish Enterprise and past President of the Confederation of British Industry. He is also a director of Scottish & Newcastle plc, of which he was formerly Chairman, Hambros plc and National Australia Bank Limited.

The Hon F R Noel-Paton
is 56 years of age and was appointed to the board of General Accident in 1987. Managing Director of John Menzies plc and a director of Pacific Assets Trust plc and Macallan-Glenlivet plc.

Sir Alick Rankin, CBE
is 60 years of age and was appointed to the board of General Accident as a joint Deputy Chairman in 1995. Chairman of Scottish & Newcastle plc, Christian Salvesen plc and Scottish Financial Enterprise. He is also a director of Bank of Scotland plc, Sears PLC, Securities Trust of Scotland and James Finlay plc.

Mr W N Robertson, MA FCII*
is 61 years of age and was appointed to the board of General Accident in 1984. Group Chief Executive.

Mr R A Scott*
is 53 years of age and was appointed to the board of General Accident in 1992. Deputy Chief Executive responsible for general insurance operations in the UK and Europe.

Executive Director

Directors' Report

The directors submit the annual report and accounts of General Accident plc for the year ended 31st December 1994.

Annual General Meeting

The notice of the annual general meeting is contained on page 47. In addition to the ordinary business, three items of special business will be considered at the meeting.

Firstly, the authority conferred on the board to allot the authorised, but unissued share capital of the Company expires on the date of the forthcoming annual general meeting. The board recommends that this authority be renewed for a further year and Resolution 10, which will be proposed as an ordinary resolution, will, if passed, authorise the board to allot unissued shares up to a maximum nominal amount of £72,000,000 (19·8% of current issued share capital), representing the presently unissued ordinary and preference share capital of £22,000,000 (19·4% of issued ordinary share capital) and £50,000,000 (20·0% of issued preference share capital) respectively. Other than in relation to scrip dividends and the employee share schemes operated by the Company, the directors have no present intention of exercising this authority.

Secondly, Resolution 11, which will be proposed as a special resolution, seeks to renew the authority conferred on the board to issue equity securities of the Company for cash without application of the pre emption rights provided by section 89 of the Companies Act 1985. Other than in connection with a rights or scrip dividend issue, the authority contained in this resolution will be limited to an aggregate nominal value of £5,665,000, representing 5·0% of the current issued ordinary share capital. This authority will terminate no later than fifteen months after the date of the annual general meeting.

In accordance with the guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds Limited, the board confirms its intention that no more than 7·5% of the issued ordinary share capital will be allotted for cash on a non pre-emptive basis during any rolling three year period.

Thirdly, Resolution 12, which will be proposed as an ordinary resolution, will, if passed, authorise the board pursuant to Article 122 of the Articles of Association to permit ordinary shareholders to elect to receive dividends in the form of new ordinary shares instead of cash. The board will also be authorised to capitalise the appropriate nominal amount of the new ordinary shares allotted pursuant to any valid elections, out of reserves. This authority will be valid for all dividends paid before the annual general meeting in the year 2000.

Principal Activities

General Accident plc is the holding company of the General Accident Group whose principal activities are the transaction of insurance business of all classes, other than industrial life business, and the provision of financial services. A review of the business of the Group for the period is contained in the Operational Review on pages 6 to 13 which together with the Chairman's Statement on pages 4 and 5 is deemed to be part of this report.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Results

The Group result for the year is shown in the consolidated profit and loss account on page 25. Further details of the Group's general insurance and long term assurance businesses are contained in the revenue accounts on pages 24 and 28.

Dividends

An interim dividend of 10·1p per ordinary share (1993: 9·7p) costing £45·8 million (1993: £43·8 million) was paid to shareholders on 4th January 1995.

The directors recommend a final dividend of 18·9p per ordinary share (1993:17·8p) costing £85·6 million (1993: £80·3 million) payable on or after 1st July 1995.

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Together with preference dividends of £21·1 million (1993: £19·5 million) the total appropriation from retained earnings in the year in respect of dividends was £152·5 million (1993: £143·6 million). The balance of profit retained amounts to £322·0 million (1993: £145·1 million).

Share Capital

Details of the share capital and shares under option at 31st December 1994 and share issues during the year ending on that date are given in Note 11 on page 37.

Substantial Interests in Ordinary Shares

The register maintained by the Company in accordance with the provisions of section 211 of the Companies Act 1985 shows that, as at 22nd March 1995, no person had reported a notifiable interest in the ordinary share capital of the Company.

Directors

The present members of the board are shown on page 14 and brief biographical notes appear on page 15.

The directors retiring by rotation at the forthcoming annual general meeting are Mr L Bolton, Mrs E L Botting, The Rt Hon The Earl of Mansfield, Sir Peter Middleton and Mr W N Robertson. All being eligible, they each offer themselves for re-appointment and the board, having received a recommendation from the Nomination Committee, supports their re-appointment.

Sir Alick Rankin was appointed a director on 25th January 1995 and, in accordance with the Articles of Association, will retire at the forthcoming annual general meeting. Being eligible, he offers himself for re-appointment.

Sir Nicholas Goodison has tendered his resignation as a director of the Company with effect from 26th April 1995, the date of the annual general meeting.

None of the directors seeking re-appointment has a service contract of more than one year's duration.

Directors' Interests

The following table shows the interests held by each person who was a director at the end of the financial year in the ordinary share capital of the Company as recorded in the register maintained by the Company in accordance with the provisions of section 325 of the Companies Act 1985. All the interests are beneficial.

	At 1st January 1994	*At 31st December 1994*
The Earl of Airlie	2,299	2,299
L Bolton	2,872	2,872
E L Botting	829	1,675
Sir Anthony Cleaver	3,813	3,986
W E Farnam	2,000	2,000
Sir Nicholas Goodison	4,000	4,000
B Holder	10,000	11,250
Lord Macfarlane of Bearsden	39,301	41,100
The Earl of Mansfield	5,454	5,454
Sir Peter Middleton	2,311	2,362
G N Morris	1,500	1,500
Lord Nickson	10,000	10,000
The Hon F R Noel-Paton	1,548	1,548
W N Robertson	23,696	24,946
R A Scott	nil	2,750

Sir Alick Rankin held 1,000 ordinary shares at the date of his appointment. This balance remained unchanged at 22nd March 1995.

On 2nd March Sir Peter Middleton acquired an interest in a further 20 ordinary shares (total: 2,382). The Hon F R Noel-Paton disposed of an interest in 218 shares on 8th March 1995. None of the other directors has reported any changes in their interests during the period 1st January 1995 to 22nd March 1995.

Employees

The Group's employment policies worldwide are designed to allow each business unit the flexibility to meet local conditions and practices in each country of operation. The Group maintains health and safety arrangements as required by law. It is also Group policy and practice to offer employment opportunities which are free from all forms of unfair discrimination. Both in the treatment of existing employees and in recruitment the Group adopts policies to ensure that people are treated equally, regardless of gender, race, colour or physical ability.

The information given below is in respect of employees of the Group in the UK.

The average number of persons employed by the Company and its subsidiaries during 1994 was 11,510 (1993:11,908) and the aggregate gross remuneration paid to them was £156·7 million (1993: £151·7 million).

During the year staff and, where applicable, their representatives were consulted on a wide range of matters affecting their interests. Staff are kept informed of the affairs of the Group or their business unit through a variety of communication media, including team meetings, video presentations, electronic mail and special issues of the staff newspaper advising them of the financial progress of the Group on a quarterly basis. In addition, many employees receive the annual report and accounts as shareholders.

In furtherance of General Accident's concern for staff welfare, eligible insurance employees continue to take part in a comprehensive health education and screening programme.

As part of its commitment to improving the standard of customer care General Accident has continued to enhance the capability of its staff through training and development programmes, including investment in technology based training. Remuneration for insurance staff is determined according to individual performance within a merit pay system. Further involvement by staff in the performance of the Group has been encouraged through participation, where eligible, in employee profit sharing and the SAYE share option schemes.

In 1995 an appropriation of 1994 profits amounting to £11·4 million (1994: £8·9 million) in aggregate was made to the trustees of the profit sharing schemes in the UK and Ireland. This is equivalent to 10% and 8·6%, respectively, of their annual salaries, but limited to the relevant statutory maximum amount.

Corporate Code of Conduct

General Accident's corporate policy provides guidance for every employee to act with integrity in all business relationships. The Group recognises its responsibilities to all those with whom its business brings it into contact, including customers, employees, shareholders, suppliers and partners and the community.

The Group is concerned with the conservation of the environment in its broadest sense, recognising its role in this by maintaining responsibly its assets and minimising the use of finite resources through waste and energy management practices.

Each of the businesses is required to have, and to monitor the effectiveness of, a code of conduct covering ethics, the environment and its role in the community based on the Group guidelines and local laws and customs.

Charitable and Political Donations

The sum of £395,800 (1993: £394,142) was donated during the year to charitable organisations in the UK and, in addition, £650,000 (1993: £190,905) was contributed to other community involvement projects.

The Group's charitable giving covers a wide range of sectors and organisations, including many aspects of medical research, social welfare, the young and the elderly and the arts.

No political donations were made during the year (1993: nil).

Voting Rights

As an institutional investor, General Accident's policy is to exercise the voting rights attaching to shares under its control wherever possible, having fully considered the item of business to be voted upon.

Directors' and Officers' Liability Insurance

The Company has maintained insurance to cover directors' and officers' liability as defined by Section 310(3)(a) of the Companies Act 1985.

Auditors

On 6th February 1995 the Group's auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

R A Whitaker, *Secretary*
22nd March 1995

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement set out on page 21, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements 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 which comply with the provisions of the Companies Act 1985 including, in respect of the consolidated financial statements as at and for the year ended 31st December 1994, the provisions applicable to insurance groups.

The directors consider that in preparing the financial statements on pages 22 to 43, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at all times the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements on pages 22 to 43, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion on page 21.

Corporate Governance–Directors' Statement

Throughout the accounting period under review the Company complied with all of the aspects of the Code of Best Practice on which it is required to report. No report is given under paragraph 4.5 of the Code (reporting on the effectiveness of internal controls) as the necessary guidance was not available in respect of the financial year under review.

Non-executive Directors

Two-thirds of board members are non-executive directors who collectively provide a wide range of business expertise for the benefit of the Company. These directors not only provide a valuable source of independent and objective decision making but also play a vital role in maintaining the system of checks and balances necessary to protect shareholders' interests. They approve the overall strategic direction of the Group, actively reviewing and challenging where necessary the direction taken by executive management. There are ten scheduled board meetings each year.

Nomination Committee

Each year one-third of the board, including executive directors, retire by rotation as required by the Articles of Association. Those who are eligible are considered for re-appointment by shareholders at the Company's annual general meeting. Prior to this the Nomination Committee, under the chairmanship of Lord Airlie, reviews the continuing contribution of the directors concerned to ensure that their re-appointment is justified. This committee also considers more general issues of appointments to the board and succession planning.

Audit Committee

The Audit Committee consists of four non-executive directors, under the chairmanship of Sir Peter Middleton. The committee has four scheduled meetings each year and, on behalf of the board, it deals with accounting, legal, compliance, internal control and security issues, and meets regularly with the external auditors.

Compensation Committee

The Compensation Committee consists of six non-executive directors, under the chairmanship of Lord Nickson. The committee has four scheduled meetings each year and reviews, and recommends to the board, the levels of remuneration and bonus payable to executive directors and the operation of the executive share option scheme. The committee also determines the amount of available profits for appropriation to the employee profit sharing schemes and approves the terms of offers made under the SAYE share option scheme.

Report of the Auditors to the Members of General Accident plc

We have audited the financial statements on pages 22 to 43.

Respective responsibilities of Directors and Auditors

As described on page 19 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.

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 Group'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 of the Company give a true and fair view of the state of the Company's affairs as at 31st December 1994 and have been properly prepared in accordance with the Companies Act 1985. In our opinion, the consolidated financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance groups.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 20 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the Listing Rules. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of Opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That bulletin does not require us to perform any additional work necessary to express a separate opinion on the effectiveness of the Company's corporate governance procedures, or on the ability of the Group to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 16, in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion the directors' statement on page 20 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

KPMG
Chartered Accountants
Registered Auditors

24 Blythswood Square, Glasgow G2 4QS

22nd March 1995.

Accounting Policies

Changes in Presentation

As a result of the implementation of Financial Reporting Standard 5 (FRS5) certain related assets and liabilities which had been dealt with on a net basis, are now carried as separate assets and liabilities on the face of the balance sheet. Comparative figures have been adjusted accordingly, see notes 2 and 15.

Disclosure Requirements

The consolidated accounts are prepared in accordance with section 255A of, and Schedule 9A to, the Companies Act 1985 and with the requirements of those accounting standards as considered appropriate to insurance groups. Additional information is disclosed in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers. These requirements do not override the specific statutory exemptions presently available to insurance groups.

The balance sheet of the parent company is prepared in accordance with the provisions of section 226 of, and Schedule 4 to, the Companies Act 1985.

As permitted by section 230 of the Companies Act 1985, no profit and loss account of the parent company is presented.

Consolidation Basis

The results of all subsidiary companies are included in the consolidated accounts and the whole of the consolidated profit of the year, excluding the proportion attributable to outside shareholders, is dealt with in the accounts of the Group.

The results of subsidiary companies acquired during the year are brought into the accounts from the date of purchase and any goodwill arising is written off against inner reserves. Inner reserves are included within revaluation reserve.

The accounts of certain overseas subsidiary companies do not conform with the Group's accounting policies because of local statutory requirements. Adjustments are made on consolidation in order to present the accounts on a uniform basis.

In the parent company's balance sheet shares in subsidiary companies, other than interests in the long term business companies, are stated at net asset value.

Long term businesses are carried at cost or subsequent valuation. Where valuations have been carried out these exclude any estimate of the value of profits arising from business to be written in the future. Resulting adjustments are dealt with through revaluation reserve.

Associated Undertakings

The results of certain companies which might be deemed to be associated undertakings are omitted from the accounts, except to the extent of dividends received, the directors being of the opinion that the amounts involved are insignificant.

Premiums

General Business

General business premiums written are accounted for in the year in which the risk commences. The provisions for unearned premiums have been calculated on the monthly pro rata fraction (24ths) or on a more accurate method with appropriate provision for longer term contracts. Acquisition expenses relating to unearned premiums are deferred.

Long Term Business

Premiums in respect of investment linked policies are accounted for in the period in which the liability is established. Other premiums are accounted for as they fall due for payment.

Claims

General Business

Provisions for notified claims as at 31st December each year are based on individual case estimates after taking into account handling costs, anticipated inflation and trends in settlements. Provision is also made in respect of claims incurred but not reported at 31st December based on statistical methods.

In accordance with local industry practice provisions for certain workers compensation claims in overseas territories are reported after taking into account estimated future investment earnings related to these provisions.

Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the year in which claims are re-estimated or settled.

After taking account of investment income, provision is made as necessary for estimated future general business losses relating to unexpired risks.

Long Term Business
Claims arising from death or maturity are charged against revenue when the insured event is notified or becomes due, surrenders are charged when payment is made and annuities in the period in which each payment becomes due.

Long Term Business

Long term business profits are determined annually on actuarial valuation with the exception of profits from business in the Americas which are determined in accordance with local generally accepted accounting principles.
The transfer of shareholders' profit included in the profit and loss account is stated gross of estimated UK and overseas taxation applicable.
The long term businesses of the UK based companies are carried at directors' valuation. This valuation excludes any estimate of the value of profits arising from business to be written in the future.

Pensions and Other Post Retirement Benefits

Employers' contributions to defined benefit pension schemes are charged to revenue on a basis which spreads the costs over the service lives of the members. Contributions to defined contribution schemes are charged to revenue when incurred. The cost of providing other post retirement benefits is charged to revenue based on the service life of the members.

Investment Income

Investment income includes interest accrued to 31st December on fixed interest securities, mortgages, loans and deposits. No credit is taken for dividends other than those received in the year of account. Investment income is shown as the sum of the dividends received and the related tax credit.

Deferred Taxation

Deferred taxation is provided at the rates expected to apply when the liabilities crystallise on all timing differences, other than those considered likely to continue in the foreseeable future.

Exchange Rates

The assets, liabilities and revenue transactions in currencies other than sterling are translated at the rates of exchange ruling at the year end. Currency underwriting provisions as at 1st January 1994 have been revalued at exchange rates ruling at 31st December 1994.
Differences on exchange are dealt with in revaluation reserve.

Investments

Listed securities are included in the balance sheets at their middle market value.
Properties which are held as investments are revalued annually at open market value as determined by the Group's professionally qualified internal valuers and by external valuers for a proportion of these properties. Properties which are wholly or partially occupied by group companies are included as investments and do not form a material proportion of total assets.
The aggregate surplus or deficit arising from this valuation is dealt with in revaluation reserve. Profits and losses on the realisation of investments, after adjusting for tax, and unrealised appreciation of investments are dealt with as follows:
(i) Long term business – in the revenue account and included in long term funds and reserves.
(ii) Other than long term business – within revaluation reserve.

Depreciation

Equipment, machinery and motor cars, are written off on a straight line basis over their estimated useful lives, which range from three to ten years.
In accordance with SSAP19, no provision is made for depreciation or amortisation of freehold properties and leasehold properties with over 20 years to run, as these properties are held for investment and not consumption. No depreciation is provided in respect of self-occupied property since it does not form a material proportion of total assets.
It is the Group practice to ensure all properties are maintained in a sound state of repair and, accordingly, the directors consider that the lives of these assets are so long and residual values, based on the latest valuation, are so high that depreciation is insignificant. Any permanent diminution in the value of properties is charged to revaluation reserve.

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Consolidated General Business Revenue Account

for the year ended 31st December 1994

		1994 £m		1993 £m	
Premiums written	*see note* 1		4,253·2		4,181·8
Increase in unearned premiums			113·8		102·0
Premiums earned			4,139·4		4,079·8
Claims incurred	2	2,911·2		3,020·2	
Commission		770·8		740·1	
Expenses		567·9		565·5	
Transfer to deferred acquisition costs		(39·9)		(17·0)	
			4,210·0		4,308·8
Underwriting result			(70·6)		(229·0)

Underwriting Provisions and Reserves as per Consolidated Balance Sheet

Provision for unearned premiums				
At beginning of year – before reinsurance		2,002·6		1,903·4
– reinsurance		56·4		52·7
		1,946·2		1,850·7
Portfolio adjustments – including acquisitions		(0·4)		(6·2)
Exchange adjustment		(44·7)		(0·3)
Increase during the year		113·8		102·0
At end of the year – before reinsurance	2,072·9		2,002·6	
– reinsurance	58·0		56·4	
		2,014·9		1,946·2
Provision for outstanding claims				
At end of year – before reinsurance		4,729·4		4,700·2
– reinsurance		504·1		451·7
		4,225·3		4,248·5

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Consolidated Profit and Loss Account

for the year ended 31st December 1994

	Notes	1994 £m	1994 £m	1993 £m	1993 £m
Investment income			481·0		509·1
General business underwriting result			(70·6)		(229·0)
Long term business profits	see note 3		53·3		49·1
Property services result			(10·0)		(9·5)
			453·7		319·7
Interest on loans		13·5		13·9	
Interest on bank loans and overdrafts		0·5		2·0	
	15		14·0		15·9
Employee profit sharing			11·4		8·9
Operating profit before taxation			428·3		294·9
Taxation	8		96·6		49·6
Profit after taxation			331·7		245·3
Minority interests			2·3		0·7
Profit for the year attributable to shareholders			329·4		244·6
Balance brought forward from previous year			145·1		44·1
			474·5		288·7
Dividends for the year					
Preference		21·1		19·5	
Ordinary – interim		45·8		43·8	
– proposed final		85·6		80·3	
			152·5		143·6
Balance carried forward			322·0		145·1
Earnings per ordinary share	9		68·1p		50·0p

There is no material difference between the results for the current year and the previous year as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly a note of the historical cost profits and losses for the year is not given.

Consolidated Balance Sheet

as at 31st December 1994

	Note	1994 £m	1994 £m	1993 £m	1993 £m
Investments	*see note* 10		7,092·6		7,680·6
Other Assets					
Operating equipment		113·4		96·9	
Deferred acquisition costs		421·9		394·4	
Reinsurers' share of underwriting provisions	2	562·1		508·1	
Agency and company balances	14	843·8		808·5	
Debtors and accrued interest		488·5		488·0	
Advance corporation tax recoverable		28·0		31·8	
Value attributed to long term business	12	340·0		340·0	
Deposits with long term funds		71·0		78·1	
Cash at bank		34·5		31·0	
			2,903·2		2,776·8
			9,995·8		10,457·4
Less Current Liabilities and Provisions					
Outstanding claims	13	4,729·4		4,700·2	
Unearned premiums		2,072·9		2,002·6	
Creditors	16	668·6		611·5	
Short term loans and overdrafts	15	80·1		82·1	
Proposed dividends		85·6		80·3	
			7,636·6		7,476·7
			2,359·2		2,980·7
Long Term Business *(page 29)*					
Net Assets			5,749·6		5,755·9
			8,108·8		8,736·6
Funds and reserves			5,749·6		5,755·9
			2,359·2		2,980·7
Minority Interests in the equity of subsidiary undertakings		27·4		28·4	
Borrowings	15	149·5		242·1	
			176·9		270·5
Net Assets			2,182·3		2,710·2
Shareholders' Funds					
Share capital	11		363·3		362·8
Share premium account	11		87·7		76·5
Long term business reserve	12		340·0		340·0
Revaluation reserve			1,069·3		1,785·8
Retained earnings			322·0		145·1
			2,182·3		2,710·2
Made up of					
Equity interests			1,932·6		2,460·5
Non-equity interests	11		249·7		249·7
			2,182·3		2,710·2

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Balance Sheet (Parent Company)

as at 31st December 1994

		1994 £m		1993 £m	
Fixed Assets					
Shares in subsidiary undertakings	*see note* 19		2,167·6		2,705·3
Current Assets					
Amounts due from subsidiary undertakings		134·2		144·5	
Advance corporation tax recoverable		28·0		-	
		162·2		144·5	
Creditors: Amount ..ng due within one year					
Creditors	8	7·8		7·1	
Interim and preference dividends		54·1		52·2	
Proposed final divic nd		85·6		80·3	
		147·5		139·6	
Net Current Assets			14·7		4·9
Net Assets			2,182·3		2,710·2
Shareholders' Capital and Reserves					
Share capital	11		363·3		362·8
Share premium account	11		87·7		76·5
Revaluation reserve	19		1,657·0		2,194·7
Profit and loss account			74·3		76·2
			2,182·3		2,710·2
Made up of					
Equity interests			1,932·6		2,460·5
Non-equity interests	11		249·7		249·7
			2,182·3		2,710·2

The financial statements on pages 22 to 43 were approved by the Board of Directors on 22nd March 1995.

Airlie
Chairman

B Holder
Director

W N Robertson
Director

Consolidated Long Term Business Revenue Account

for the year ended 31st December 1994

	1994 £m	1994 £m	1993 £m	1993 £m
Premiums – life and annuity		1,045·9		849·8
– accident and health		26·8		25·4
		1,072·7		875·2
Reassurance premiums		185·4		9·1
Net premiums		887·3		866·1
Investment income		304·8		295·2
		1,192·1		1,161·3
Claims	226·2		240·7	
Surrenders	207·2		130·9	
Annuities	46·8		43·7	
	480·2		415·3	
Reassurance recoveries	14·2		10·5	
	466·0		404·8	
Commission	92·4		84·1	
Expenses	124·5		127·6	
Taxation	14·0		19·2	
	696·9		635·7	
Shareholders' share of profit after taxation *see note 3*	41·3		38·3	
		738·2		674·0
		453·9		487·3
(Decrease) Increase in investment values (including exchange)		(460·2)		852·0
(Decrease) Increase in funds and reserves during the year		(6·3)		1,339·3
Funds and reserves at beginning of year		5,755·9		4,416·6
Funds and reserves at end of year		5,749·6		5,755·9

Territorial Analysis of Net Premiums

	1994 £m	1993 £m
UK	710·2	638·5
New Zealand	62·7	65·9
France	42·6	53·2
Puerto Rico	43·8	41·2
Other overseas	28·0	67·3
	887·3	866·1

Consolidated Long Term Business Balance Sheet

as at 31st December 1994

		1994 £m		1993 £m	
Investments	see note 10		5,806·7		5,809·0
Current Assets					
Agency and company balances		16·3		9·1	
Debtors and accrued interest		84·0		103·9	
Cash at bank		30·7		39·1	
			131·0		152·1
			5,937·7		5,961·1
Less Current Liabilities					
Claims outstanding		32·4		28·7	
Creditors		84·7		98·4	
Deposits from general business		71·0		78·1	
			188·1		205·2
Net Assets			5,749·6		5,755·9
Comprising Funds and Reserves of the following					
General Accident Life Assurance			4,142·2		4,195·8
General Accident Linked Life Assurance			884·9		907·4
NZI Corporation			391·4		363·2
General Accident Vie			175·1		139·3
Others			156·0		150·2
			5,749·6		5,755·9

Statement of Total Recognised Gains and Losses

for the year ended 31st December 1994

	1994 £m	1993 £m
Profit for the year attributable to shareholders	329·4	244·6
Other recognised gains (losses) for the period not included in profit		
Realised gains on sale of investments	69·6	276·9
Taxation thereon	(16·3)	(92·[illegible])
Unrealised (losses) gains on investment	(681·4)	321·[illegible]
Exchange (losses) gains and other movements	(88·4)	16·[illegible]
Increase in long term business reserve	–	340·0
Total recognised (losses) gains relating to the year	(387·1)	1,106·6

Reconciliation of the Movement in Shareholders' Funds

for the year ended 31st December 1994

	1994 £m	1993 £m
Total recognised (losses) gains relating to the year	(387·1)	1,106·5
Dividends–preference shares	(21·1)	(19·[illegible])
–ordinary shares	(131·4)	(124·[illegible])
Ordinary share capital issued	11·7	8·3
Movement in ordinary shareholders' funds	(527·9)	971·3
Preference share capital issued	–	109·7
Movement in shareholders' funds	(527·9)	1,081·0
Balance as at 1st January	2,710·2	1,629·2
Balance as at 31st December	2,182·3	2,710·2
Made up of		
Equity interests	1,932·6	2,460·5
Non-equity interests	249·7	249·7
	2,182·3	2,710·2

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Cash Flow Statement

for the year ended 31st December 1994—excluding Long Term Business

		1994 £m		1993 £m	
Operating Activities					
Net cash inflow from operating activities	*see note* 17(*a*)		608·2		467·6
Servicing of Finance					
Interest paid		(12·5)		(15·9)	
Dividends paid—including £0·7 million (1993: £0·8 million) to minorities		(145·9)		(136·0)	
Net cash outflow from servicing of finance			(158·4)		(151·9)
Taxation					
Corporate taxes paid			(87·6)		(115·1)
Investing Activities					
(Purchases) less sales of investments excluding cash on deposit					
Freehold and leasehold property		127·6		82·6	
Mortgages and loans		122·6		37·4	
Fixed interest securities		(248·5)		(42·5)	
Ordinary stocks and shares		(265·7)		27·7	
	17(*b*)	(264·0)		105·2	
Operating equipment—purchases		(60·8)		(46·4)	
—sales		7·6		7·3	
Net cash (outflow) inflow from investing activities			(317·2)		66·1
Net cash inflow before financing			45·0		266·7
Financing					
Issue of share capital		11·7		118·0	
Net repayment of borrowings		(87·0)		(256·6)	
Net cash (outflow) from financing	17(*c*)		(75·3)		(138·6)
(Decrease) increase in cash and cash equivalents	17(*d*)		(30·3)		128·1

Notes

1 Segmental Analysis

(a) Class of Business

	1994 £m	1993 £m
Turnover		
General business premiums		
Property	2,142·6	1,928·3
Accident and liability	784·3	789·0
Motor	1,749·7	1,827·2
	4,676·6	4,544·5
Reinsurance premiums	423·4	362·7
	4,253·2	4,181·8
Long term business premiums	1,072·7	875·2
Reassurance premiums	185·4	9·1
	887·3	866·1
Property services	62·2	59·6
	5,202·7	5,107·5

Profit/(Loss) before Taxation, Interest Payable and Employee Profit Sharing

	1994 £m	1993 £m
General business (incl. investment income)	410·4	280·1
Long term business	53·3	49·1
Property services	(10·0)	(9·5)
	453·7	319·7

Segmental Net Assets

	1994 £m	1993 £m
General business	2,072·2	2,695·9
Long term business	471·3	467·0
Property services	35·6	32·4
	2,579·1	3,195·3

(b) Geographical Segmentation

	1994 £m	1993 £m
Turnover		
UK (incl. London market and Internal reinsurance)	2,784·2	2,417·0
USA	1,327·8	1,428·9
Canada	603·3	659·3
Asia-Pacific	555·4	506·4
Europe other than UK	302·6	290·4
Other overseas	238·2	177·3
	5,811·5	5,479·3
Reinsurance premiums	608·8	371·8
	5,202·7	5,107·5

Profit/(Loss) before Taxation, Interest Payable and Employee Profit Sharing

	1994 £m	1993 £m
UK (incl. London market and internal reinsurance)	358·1	203·4
USA	54·4	47·8
Canada	(20·8)	16·2
Asia-Pacific	37·3	47·4
Europe other than UK	14·5	(5·8)
Other overseas	10·2	10·7
	453·7	319·7

	1994	1993
Segmental Net Assets	£m	£m
UK (incl. London Market and internal reinsurance)*	621·6	577·6
USA	954·7	1,329·0
Canada	280·1	459·5
Asia-Pacific	507·5	540·3
Europe other than UK	83·1	159·5
Other overseas	132·1	129·4
	2,579·1	3,195·3

* The UK companies own, directly or indirectly, the overseas Segmental Net Assets.

Segmental Net Assets are stated before the deduction of the following items:		
Minority interests	27·4	28·4
Group borrowings	229·6	324·2
Dividends payable and proposed	139·8	132·5
	396·8	485·1
Group net assets	2,182·3	2,710·2

There is no material difference between turnover analysed by source and destination. There are no discontinued operations or acquisitions which require disclosure under the terms of FRS3.

2 Reinsurance

	1994	1993
	£m	£m
Claims incurred	3,154·1	3,267·5
Recoverable from reinsurers	242·9	247·3
	2,911·2	3,020·2

Amounts recoverable from or prepaid to reinsurers in respect of underwriting provisions:

Unearned Premiums	58·0	56·4
Outstanding Claims	504·1	451·7
	562·1	508·1

Amounts recoverable from reinsurers in respect of outstanding claims include £69·8 million (1993: £69·5 million) for structured settlements. An equivalent amount is carried in gross outstanding claims.

Amounts recoverable from or prepaid to reinsurers in respect of underwriting provisions which were previously deducted from the relevant provisions are now shown as an asset on the balance sheet. Comparative figures have been adjusted accordingly.

3 Long Term Business

The amount credited to consolidated profit and loss account in respect of shareholders profits is as follows:

	1994	1993
	£m	£m
Shareholders' share of profit before taxation	53·3	49·1
Taxation	12·0	10·8
	41·3	38·3
Comprising:		
General Accident Life Assurance	23·0	23·3
General Accident Linked Life Assurance	12·5	9·0
NZI Corporation	–	1·9
General Accident Life (Puerto Rico)	5·2	3·8
Other funds	0·6	0·3
	41·3	38·3

4 Directors and Employees

(a) Emoluments of Directors

The total emoluments of directors of the Company including amounts paid to them as directors of subsidiary companies were:

	1994	1993
	£	£
Non-executive directors		
Fees	253,993	223,519
Pension contributions	1,000	258,669
Executive directors		
Salaries and other emoluments including pension contributions	1,550,447	1,739,595
Bonuses	424,427	42,363
Pension and other payments by subsidiaries to retired executive directors	6,060	5,952
	2,235,927	2,270,098

With effect from 31st December 1993 the non-executive directors' pension scheme was closed to new entrants and no further entitlements will accrue to members in respect of service after that date. Those directors who were appointed before that date will on retirement receive a pension based on service to 31st December 1993 and their pensionable fees at the date of their retirement. The change has resulted in no further regular contributions being required by the scheme other than a nominal annual amount. The need for future special contributions to maintain the fully funded position will be assessed by the scheme's actuary from time to time.

The fees paid to the Chairman and non-executive directors were reviewed and increased in 1994. The review took into account the fact that fees had not been increased since 1991 and also the termination of the pension scheme for new entrants and future service as reported above.

The Chairman received emoluments of £79,972 in 1994 (1993: £68,234) excluding a pension contribution of £nil (1993: £19,400).

The salary and bonuses paid to executive directors are determined by the compensation committee of the board whose members are shown on page 14 of this report. The bonuses refer to payments under performance related incentive bonus plans made during the year which relate to performance in the preceding financial year. The incentive plans take into account performance against predetermined group, business unit and personal objectives as appropriate for each participant. The structure of the incentive plans is regularly reviewed by the compensation committee which also approves the payment of any awards. Maximum payments under the incentive plans to UK based directors are limited to 30% of salary.

The emoluments of the highest paid UK director, amounted to £442,075 (1993: £348,481), including a payment under the relevant incentive bonus plan of £68,750 (1993: £18,300), and pension contributions of £62,194 (1993: £55,600).

UK directors received:

	Number of Directors	
£	1994	1993
10,001- 15,000	–	2
15,001- 20,000	8	7
20,001- 25,000	–	1
30,001- 35,000	1	–
65,001- 70,000	–	1
75,001- 80,000	1	–
125,001-130,000	–	1
155,001-160,000	–	1
180,001-185,000	1	–
205,001-210,000	1	–
290,001-295,000	–	1
375,001-380,000	1	–

In addition to the above, UK executive directors are granted options under the executive share option scheme which was approved by shareholders in 1990.

The rules of the scheme limit the number of options which an individual can receive to a multiple of salary. The options are normally exercisable over a period of 3 to 10 years from the date of grant and thus link individual reward with the corporate goal of creating long term value for shareholders.

UK executive directors participate in the Company's profit sharing and SAYE share option schemes and the UK pension scheme on the same terms as other eligible employees. Details of directors' interests in share options are given on page 43.

Mr Holder and Mr Scott have service contracts with a subsidiary of the Company which are terminable by that company on giving not less than two years' notice and by the director on giving not less than one year's notice. Mr Robertson's service contract will terminate on 31st December 1995 upon his reaching normal retirement age.

(b) Loans to Directors

The following loans were granted by a subsidiary company to executive directors of the Company under the staff house purchase scheme on the same terms and conditions as were applicable to all eligible members of staff at an annual rate of 5·0%. These loans are secured by mortgages on private residences and policies of assurance maturing at various dates or on the earlier death of the borrower.

	at 1st January 1994, maximum loan during the year and at 31st December 1994 £
B Holder	30,000
R A Scott	30,000

(c) Loans to Other Officers

As at 31st December 1994, 10 officers of the Company other than directors, had secured loans outstanding amounting in the aggregate to £502,603 (1993: 10 officers £474,388).

(d) Directors' Other Interests

No director of the Company had a material interest in any contract of significance to the business of the Company or its subsidiaries at any time during the year.

5 Pension Benefits

The principal pension schemes operate in the UK and North America. These schemes are of the defined benefit type and their assets are held in separate trustee administered funds. Each of the schemes has been subject to actuarial valuation or review in the last twelve months using the 'Projected Unit Credit' method. The actuarial valuation of the UK defined benefit scheme was carried out by a qualified actuary who is an employee of the Group.

The principal assumptions underlying these valuations were:

	UK	*North America*
Salary increases	6·9%	5·0%-6·5%
Pension increases	5·0%	–
Investment return	9·0%	4·0%-9·0%

At the date of the last actuarial valuations the market value of the investments of the UK and North American schemes was £978·0 million (1993: £890·5 million). The value of the schemes' assets expressed as a percentage of the liability for benefits accruing to date calculated on an actuarial basis was 108% (1993: 108%) for the UK scheme and from 110% to 173% (1993: 100% to 154%) in respect of North American schemes.

The total pension cost to the Group was £26·5 million (1993: £27·7 million).

At 31st December 1994 a net provision of £3·4 million (1993: £16·9 million) was carried in the Group balance sheet. This provision represents the difference between the amounts recognised as cost and the amounts funded or paid directly to the schemes.

6 Other Post Retirement Benefits

Other post retirement benefits provided by the Group relate to the provision of health care in respect of retired employees and their eligible dependents, primarily in North America. Approximately 8,000 employees are eligible to receive these benefits. With effect from 1st January 1993 these costs have been accounted for in accordance with Financial Accounting Standard 106 published by the Financial Accounting Standards Board in the USA. The significant schemes, which are of the defined benefit type, have been subject to actuarial valuation in the last twelve months using the 'Projected Unit Cost' method.

The principal assumptions underlying the review of the main scheme, which is operated in the USA and is funded, are:

	%	
Return on assets	5·0	
Compensation increases	5·0	
Healthcare cost increases	Under 65	Over 65
Current	13·0%	9·9%
Ultimate (in 8 years)	6·0%	6·0%

At the date of the last actuarial valuation the market value of the investments was £1·9 million (1993: £2·0 million). The value of the scheme's assets expressed as a percentage of the liability for benefits accruing to date calculated on an accrued basis was 9·8% (1993: 8·2%).

The total cost to the Group of providing post retirement benefits other than pensions was £4·2 million (1993: £3·8 million). At 31st December 1994 a provision of £11·0 million (1993: £7·2 million) was carried in the Group balance sheet. This provision represents the difference between the amounts recognised as cost and the amounts funded or paid directly.

After taking account of deferred tax relief of £8·6 million (1993: £10·3 million) the estimated liability in respect of post retirement benefit obligations not provided at 31st December 1994 was £15·0 million (1993: £18·2 million). In accordance with Financial Accounting Standard 106, provision is being made for the initial unprovided liability through the revenue account over a 20 year period.

7 Auditors Remuneration

The total remuneration payable by the Group in respect of the audit of these financial statements is shown below together with fees paid to the auditors of the parent company and their associated firms in respect of other work.

	1994 £m	1993 £m
Auditing financial statements	1·9	1·8
Other work – UK	0·2	0·2
– Non UK	0·8	0·8
	2·9	2·8

8 Taxation

The charge in the consolidated profit and loss account in respect of UK corporation and income taxes and overseas taxes, computed in accordance with current legislation applicable to insurance companies and based on the results of the year, is made up as follows:

	1994 £m	1993 £m
UK corporation tax at 33%	102·3	49·4
Double tax relief	4·0	0·7
	98·3	48·7
Tax attributable to UK dividends received	6·5	5·8
Overseas taxation	1·0	10·3
Deferred taxation	(1·2)	(5·8)
Advance corporation tax (ACT)	(20·0)	(20·2)
	84·6	38·8
Taxation attributable to long term business profit	12·0	10·8
	96·6	49·6

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The ACT shown is the write back of previously irrecoverable ACT.
In the parent company balance sheet, corporation tax payable of £7·5 million (1993: £6·9 million) is included in sundry creditors. The ACT balance of £28·0 million is recoverable in 1996.
The close company provisions of the Income and Corporation Taxes Act 1988 do not apply.

9 Earnings per Ordinary Share

Earnings per ordinary share, which is also the headline earnings per share, are based on a profit, after preference dividends, of £308·3 million (1993: £225·1 million) and the weighted average of 452,414,184 (1993: 450,564,524) ordinary shares in issue.

10 Investments

An analysis of investments by principal category appears on page 43.

11 Share Capital and Share Premium

	1994 £m	1993 £m
Authorised		
544,000,000 ordinary shares of 25p	136·0	136·0
300,000,000 preference shares of £1	300·0	300·0
	436·0	436·0
Issued and fully paid		
Ordinary shares of 25p	113·3	112·8
Preference shares of £1	250·0	250·0
	363·3	362·8
Ordinary Shares		
As at 1st January 451,147,687 shares of 25p (1993: 449,493,731)	112·8	112·4
Issued in year in respect of		
Employee share schemes 1994 1,660,829 (1993: 1,015,822)	0·4	0·3
Scrip dividends 1994 249,060 (1993: 573,559)	0·1	0·1
Acquisitions 1994 nil (1993: 64,575)	-	-
As at 31st December 453,057,576 shares of 25p (1993: 451,147,687)	113·3	112·8

Employee Share Schemes
During the year 1,660,829 (1993: 1,015,822) ordinary shares were issued in respect of the various share schemes operated by the Company. The board has appropriated to the trustees of the profit sharing schemes an amount of £11·4 million in respect of 1994 profits (1993: £8·9 million). The trustees will subscribe for ordinary shares to be allocated to eligible employees in the UK and Ireland.
In 1994 options over ordinary shares were granted as follows:

Scheme	*Date of Grant*	*No of Shares*	*Exercise Price*
SAYE Scheme	31.03.94	931,198	520p
Executive Scheme	15.08.94	731,236	571p

At 31st December 1994 options over ordinary shares existed as follows:

	Year Options Granted	*No of Shares*	*Normal period before exercise*	*Exercise Price*
SAYE Schemes	1987	5,308	7 years	430p
	1988	90,872	7 years	410p
	1989	58,436	5 or 7 years	435p
	1990	654,970	5 or 7 years	412·5p
	1991	398,226	5 or 7 years	440p
	1992	1,511,935	5 or 7 years	355p
	1993	839,794	5 or 7 years	480p
	1994	879,641	5 or 7 years	520p
	Year Options Granted	*No of Shares*	*Normal period before exercise*	*Exercise Price*
Executive Schemes	1987	25,252	3 to 10 years	499p
	1989	31,204	3 to 10 years	485·5p
		77,534	3 to 10 years	505p
	1990	246,730	3 to 10 years	495p
	1991	171,492	3 to 10 years	554p
	1992	220,884	3 to 10 years	420p
	1993	136,280	3 to 10 years	694p
	1994	731,236	3 to 10 years	571p

Scrip Dividends

During 1994 ordinary shares were allotted in accordance with elections by shareholders to receive shares in lieu of cash dividends as follows:

	No of elections and mandates	*No of shares allotted*
1993 Interim dividend	7,329	89,764
1993 Final dividend	7,750	159,296
and subsequent to the year end 1994 Interim dividend	9,584	138,452

Preference Shares

	1994 £m	1993 £m
140,000,000 (1993: 140,000,000) 8¾% cumulative irredeemable preference shares of £1	140·0	140·0
110,000,000 (1993: 110,000,000) 7¾% cumulative irredeemable preference shares of £1	110·0	110·0
	250·0	250·0
Share premium thereon, net of expenses of issue	(0·3)	(0·3)
Non-equity interests	249·7	249·7

The holders of the cumulative irredeemable preference shares have prior rights to ordinary shareholders in respect of both payment of a dividend and repayment of capital on winding up. There are no voting rights attaching to these shares unless the dividend is in arrears or a resolution affects the rights and priorities of the preference shareholders.

Share premium

	1994 £m	1993 £m
As at 1st January	76·5	68·9
Arising on issue of ordinary shares	11·2	7·9
Arising on issue of preference shares	–	0·7
Expenses of issue	–	(1·0)
As at 31st December	87·7	76·5

Parent Company

Before deducting dividends paid and proposed of £152·5 million (1993: £143·6 million), the profit attributable to shareholders dealt with in the accounts of the parent company for the year ended 31st December 1994 amounted to £150·6 million (1993: £130·4 million).

12 Long Term Business Reserve

This represents the surplus arising from the revaluation in 1993 of the principal UK companies' long term business. This revaluation was made having regard to an actuarial review of policies in force as at 31st December 1992.

13 Outstanding Claims

Provisions for outstanding claims in respect of certain workers' compensation business overseas have been discounted at a rate of 4·75%. The mean term of the liabilities is 30 years. Investment income attributable to the above provisions has been credited to claims incurred but the effect of discounting on the profit and loss account is not significant. Outstanding claims have been reduced by £14·2 million (1993: £13·2 million).

14 Agency and Company Balances

Advantage has been taken of the transitional provision available to insurers as detailed in the amendment to FRS5. This states that insurers need not apply paragraph 29 of FRS5 in respect of balances arising from insurance broking transactions until accounting periods ending after 21st September 1996. Accordingly, certain amounts due to and from the Group arising from insurance broking transactions have continued to be reported on a net basis.

15 Interest and Borrowings

The total amount of interest payable on loans and overdrafts was £14·0 million (1993: £15·9 million) of which £13·0 million (1993: £15·2 million) relates to loans wholly repayable before 31st December 1999.

Group borrowings are made up as follows:

	1994 £m	1993 £m
7¾% mortgage loan 1996 (secured on an overseas property)	0·7	1·1
7¾% unsecured loan stock 1992/7	–	7·0
Variable interest US secured loans 2003/16	23·1	24·3
8½% unsecured loan notes 1997	95·7	103·8
Variable interest unsecured loans	30·0	105·9
	149·5	242·1
Short term loans and overdrafts	80·1	82·1
	229·6	324·2
Bank loans and overdrafts repayable in:		
one year or less, or on demand	15·9	13·4
between two and five years	0·7	1·1
	16·6	14·5
Other borrowings repayable in:		
one year or less, or on demand	64·2	68·7
between one and two years	30·1	58·0
between two and five years	95·7	158·7
five years or more	23·0	24·3
	213·0	309·7
	229·6	324·2

As a result of the implementation of FRS5 in 1994, reportable borrowings have been increased by £24·6 million (1993: £20·5 million). This amount represents the liability arising from currency hedging in respect of certain borrowings for which the Group has the right to a matching asset. Excluding this adjustment, net group borrowings amount to £205·0 million (1994: £303·7 million).
All borrowings relate to subsidiary companies.

16 Deferred Taxation

Deferred taxation balances of £39·0 million (1993: £42·6 million) are included in creditors in the consolidated balance sheet:

	1994 £m	1993 £m
SSAP 24–Pension provisions	(5·8)	(7·5)
Accumulated bond discount	21·2	24·0
Other short term timing differences	23·6	26·1
	39·0	42·6

Comparative figures for deferred taxation have been amended to reflect a re-allocation of taxation balances payable.

Advance corporation tax recoverable has not been dealt with by deduction from deferred tax but is disclosed separately in the balance sheets.

No provision has been made for taxation which would arise if the investments were sold at the middle market value stated in Note 10, nor has provision been made for taxation which might arise in the event of the distribution of profits retained by overseas subsidiaries, as these events are considered to be remote.

17 Cash Flow

(a) Reconciliation of operating profit to net cash inflow from operating activities

	1994 £m	1993 £m
Operating profit before taxation	428·3	294·9
Interest on borrowings	14·0	15·9
Depreciation charges	43·4	38·5
Gain on sale of operating equipment	(1·9)	(0·3)
Increase in net insurance funds and outstanding claims	167·4	141·7
Decrease (increase) in sums due from life business	5·4	(21·3)
Movement in other debtors and creditors	(48·4)	(1·8)
Net cash inflow from operating activities	608·2	467·6

(b) Investing Activities

Changes in investments, excluding cash on deposit, during the year were:

	1994 £m	1993 £m
Investments as at 1st January	7,072·0	6,529·4
Adjustments for foreign exchange	(202·4)	49·5
Purchases	5,752·2	3,014·6
Sales	(5,488·2)	(3,119·8)
Changes in market value	(611·8)	598·3
As at 31st December	6,521·8	7,072·0

(c) Financing

Changes in financing during the year were:

	1994 £m	1993 £m
Share capital and share premium as at 1st January	439·3	321·3
Issue of ordinary shares	11·7	8·3
Issue of preference shares	–	110·7
Expenses of issue	–	(1·0)
As at 31st December	451·0	439·3
Borrowings		
As at 1st January	311·7	553·1
FRS5 restatement (see note 15)	–	20·5
Adjustments for foreign exchange	(9·3)	(5·3)
New borrowings raised	1·0	2·2
Borrowings repaid	(88·0)	(258·8)
As at 31st December	215·4	311·7

(d) Cash and cash equivalents

	1994 £m	1993 £m
As at 1st January		
Cash on deposit	608·6	513·8
Cash at bank and on hand	31·0	18·4
Short term overdrafts	(12·5)	(4·3)
	627·1	527·9
Exchange	(5·7)	(28·9)
(Decrease) Increase in cash and cash equivalents during year	(30·3)	128·1
As at 31st December	591·1	627·1
represented by		
Cash on deposit	570·8	608·6
Cash at bank and on hand	34·5	31·0
Short term overdrafts	(14·2)	(12·5)
	591·1	627·1

18 Exchange Rates

The principal exchange rates used were USA $1·56 (1993: $1·48), Canada $2·19 (1993: $1·96) and New Zealand $2·44 (1993: $2·65).

19 Principal Subsidiary Associated and Other Undertakings

Shares in subsidiary companies, other than the principal UK company long term businesses, which are stated at directors' valuation, are stated in the Company's balance sheet at net asset value. After provisions of £29·0 million, (1993: £29·0 million) the uplift over written down value is £1,657·0 million (1993: £2,194·7 million). The resulting movement in the year of £537·7 million has been dealt with in revaluation reserve.

The Company has guaranteed borrowing facilities of up to £73·2 million (1993: £184·6 million) in respect of a subsidiary company.

Details of the principal shareholdings of the Group at 31st December 1994 are listed on pages 42 and 43.

Subsidiary companies are engaged in insurance and financial servic[illegible] er insurance related business. In addition to those listed there are a number of other subsidiary companies which neither contributed significantly to the Group result nor whose assets were material.

Cumulative goodwill written off to reserves in respect of acquisitions in prior years amounted to £339·6 million (1993: £339·6 million).

In addition to the principal associated undertaking shown on page 43 the Company has holdings exceeding 10%, and in certain cases 20%, of the issued share capital of a number of other companies, but these holdings do not materially affect the results or assets of the Group.

Principal Group Companies

Country of incorporation and principal operation	Name	Percentage of Ordinary Share Capital held	
United Kingdom	General Accident Fire and Life Assurance Corporation p.l.c.	100	(i)
	General Accident Life Assurance Ltd.*	100	
	General Accident Linked Life Assurance Ltd.*	100	
	The Guarantee Society Ltd.*	100	
	Scottish Boiler & General Insurance Co. Ltd.	100	
	Scottish General Insurance Co. Ltd.	100	
	GA Bonus plc	100	
	Scottish Insurance Corporation Ltd.	100	
	The Yorkshire Insurance Co. Ltd.*	100	
	Timberlaine Properties plc*	100	
	GA Property Services Ltd.*	100	
	General Accident Credit Services Ltd.*	100	
	GA Investment Management Services Ltd.*	100	(i)
	General Accident Executor and Trustee Co. Ltd*	100	
	The Lancashire & Yorkshire Reversionary Interest Co. Ltd.*	100	
	* *registered in England*		
United States of America	General Accident Insurance Company of America	99·9	
	The Camden Fire Insurance Association	100	
	Hawkeye-Security Insurance Company	99·9	
	Pennsylvania General Insurance Company	99·9	
	The Potomac Insurance Company of Illinois	100	
	Oregon Automobile Insurance Company	100	
	Silvey Corporation	99·9	
Australia	NZI Insurance Australia Ltd.	100	
Belgium	La Brabanconne S.A. Belge d'Assurances	97·5	
Brazil	General Accident Companhia de Seguros	86·4	
Canada	The General Accident Assurance Company of Canada	100	
	Pilot Insurance Company	100	
Kenya	General Accident Insurance Company Kenya Ltd.	51	
Malaysia	Straits & Island General Insurance Sdn Bhd.	59·7	
New Zealand	NZI Corporation Ltd.	100	
	General Accident Asia-Pacific Ltd.	100	
	NZI Insurance New Zealand Ltd.	100	
	The New Zealand Insurance Co. Ltd.	100	
	The New Zealand Insurance Life Ltd.	100	
	The South British Insurance Co. Ltd.	100	
Norway	Aktiv Forsikring AS	100	
Puerto Rico	General Accident Insurance Company Puerto Rico Ltd.	88	
	General Accident Life Assurance Company of Puerto Rico Inc.	86·5	
South Africa	General Accident Insurance Company South Africa Ltd.	99·9	
Zimbabwe	General Accident Insurance Company (Zimbabwe) Ltd.	74·7	

(i) Held directly by General Accident plc. All other interests are held by subsidiary companies.

Principal Interests in other Companies

Group interests exceeding 10% of the issued share capital

Name	Issued Capital £m	Total Reserves £m	Class of Shares	Percentage of Shares held	Principal Country of Operation
McKay Securities PLC	5·6	59·5	Ordinary	23	UK

McKay Securities PLC is registered in England and is engaged in property investment and development, primarily in the UK. As at 31st December 1994 amounts totalling £2·5 million (1993 £2·5 million) were due to the Group.

Investments by Category

	General Funds 1994 £m	General Funds 1993 £m	Long Term Funds 1994 £m	Long Term Funds 1993 £m
Freehold and leasehold properties	449·3	549·3	617·7	575·9
Mortgages and loans	166·2	191·9	141·0	147·5
Fixed interest securities	3,757·7	4,295·3	1,503·7	1,569·5
Ordinary stocks and shares	2,148·6	2,035·5	3,387·2	3,370·9
Cash on deposit	570·8	608·6	157·1	145·2
	7,092·6	7,680·6	5,806·7	5,809·0

Directors' Interests in Share Options

The following executive directors hold options to subscribe for ordinary shares of the Company under the Executive Share Option and SAYE Schemes.

			W N Robertson			B Holder			R A Scott		
Date from which exercisable	*Expiry Date*	*Options Price (p)*	*Balance of Options at 01.01.94*	*Options Granted in Year*	*Balance of Options at 31.12.94*	*Balance of Options at 01.01.94*	*Options Granted in Year*	*Balance of Options at 31.12.94*	*Balance of Options at 01.01.94*	*Options Granted in Year*	*Balance of Options at 31.12.94*
Executive Share Options											
22.08.92	21.08.99	505	–	–	–	20,010	–	20,010	–	–	–
14.08.93	13.08.00	495	64,647	–	64,647	35,352	–	35,352	14,575	–	14,575
19.08.94	18.08.01	554	13,237	–	13,237	13,236	–	13,236	21,092	–	21,092
17.08.95	16.08.02	420	13,761	–	13,761	8,921	–	8,921	27,900	–	27,900
16.08.96	15.08.03	694	22,360	–	22,360	7,185	–	7,185	22,790	–	22,790
15.08.97	14.08.04	571	–	56,592	56,592	–	29,185	29,185	–	19,741	19,741
SAYE Share Options											
01.05.95	31.10.95	412·5	2,180	–	2,180	1,744	–	1,744	–	–	–
01.05.98	31.10.98	440	–	–	–	–	–	–	3,068	–	3,068
01.05.97	31.10.97	355	–	–	–	2,112	–	2,112	2,112	–	2,112
01.05.99	31.10.99	355	2,535	–	2,535	–	–	–	–	–	–
01.05.98	31.10.98	480	377	–	377	755	–	755	–	–	–

None of the directors exercised options during the year and no options lapsed during the year.
The middle market price of a share at 31st December 1994 was 504·5p and the range during the year was from 491p to 757p.

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Ten Year Financial Summary

Premium Income	see note	1994 £m	1993 £m	[illegible]
General business		4,253·2	4,181·8	[illegible]
Long term business		887·3	866·1	[illegible]
		5,140·5	5,047·9	[illegible]
Profit and Loss				
Investment income		481·0	509·1	[illegible]
General business underwriting result		(70·6)	(229·0)	[illegible]
Long term business profits	(i)	53·3	49·1	[illegible]
Property services result		(10·0)	(9·5)	[illegible]
Banking business result		–	–	
		453·7	310·7	[illegible]
Interest on loans		14·0	15·9	[illegible]
Employee profit sharing scheme		11·4	8·9	
Profit (Loss) before taxation		428·3	294·9	[illegible]
Taxation	(i)	96·6	49·6	[illegible]
Profit (Loss) after taxation		331·7	245·3	[illegible]
Long term business profits–GA Life 1988 Valuation		–	–	
		331·7	245·3	[illegible]
Minority interests and preference dividends		23·4	20·2	[illegible]
Profit (Loss) attributable to ordinary shareholders		308·3	225·1	[illegible]
Ordinary dividends		131·4	124 1	[illegible]
Movement in retained earnings		176·9	101·0	[illegible]
Earnings (Loss) per ordinary share	(ii)	68·1p	50·0p	[illegible]
Dividend per ordinary share	(ii)	29·0p	27·5p	[illegible]
Shareholders' Funds				
Share capital		363·3	362·8	[illegible]
Share premium and capital reserve		87·7	76·5	[illegible]
Long term business reserve		340·0	340·0	
Revaluation reserve		1,069·3	1,785·8	[illegible]
Retained earnings		322·0	145·1	[illegible]
Total capital and surplus		2,182·3	2,710·2	[illegible]
Net asset value per ordinary share	(ii)	427p	545p	[illegible]

(i) The transfer of shareholders' profits from the long term business fund is shown net of taxation in 1987 and prior years.

(ii) Amounts shown for 1989 and prior years are in respect of General Accident Fire and Life Assurance Corporation p.l.c. and, where appropriate, have been restated to reflect the effects of the Scheme of Arrangement.

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1991 £m	1990 £m	1989 £m	1988 £m	1987 £m	1986 £m	1985 £m
3,219·0	3,045·8	3,100·2	2,554·1	2,169·5	2,184·8	1,691·3
551·9	413·5	381·3	292·5	213·6	203·1	205·0
3,770·9	3,459·3	3,481·5	2,846·6	2,383·1	2,387·9	1,896·3
448·8	429·9	462·7	352·7	293·4	296·2	256·7
(569·1)	(461·7)	(203·8)	(32·8)	(98·3)	(180·9)	(237·0)
27·0	25·2	26·9	17·8	11·5	10·4	8·8
(17·8)	(23·3)	(20·5)	1·2	5·7	1·6	–
(0·8)	(6·3)	(47·6)	(16·9)	–	–	–
(111·9)	(36·2)	217·7	322·0	212·3	127·3	28·5
59·7	85·1	64·5	20·3	3·8	2·2	2·0
–	–	6·2	7·6	4·1	1·9	–
(171·6)	(121·3)	147·0	294·1	204·4	123·2	26·5
(33·6)	(25·7)	32·1	80·3	40·8	10·1	(10·0)
(138·0)	(95·6)	114·9	213·8	163·6	113·1	36·5
–	–	9·5	–	–	–	–
(138·0)	(95·6)	124·4	213·8	163·6	113·1	36·5
1·4	(2·4)	(13·7)	(0·7)	2·4	2·3	2·0
(139·4)	(93·2)	138·1	214·5	161·2	110·8	34·5
116·4	115·8	106·5	92·4	66·5	51·6	37·0
(255·8)	(209·0)	31·6	122·1	94·7	59·2	(2·5)
(32·1p)	(21·7p)	32·6p	53·8p	43·1p	30·3p	10·2p
26·75p	26·75p	25·0p	22·0p	17·5p	14·0p	11·0p
108·7	108·2	53·6	52·8	47·9	46·4	42·3
3·5	0·2	86·1	76·5	72·2	69·7	69·7
–	–	–	–	–	–	–
1,065·5	870·6	1,752·7	1,164·8	1,082·6	1,483·5	1,151·6
195·1	450·9	659·9	628·3	506·2	411·5	316·2
1,372·8	1,429·9	2,552·3	1,922·4	1,708·9	2,011·1	1,579·8
316p	330p	599p	458p	448p	545p	470p

Shareholder Information

Shareholders Profile

Categories of ordinary shareholders and ranges of size of shareholder as at 1st March 1995 are set out below.

Range of Shareholdings	*Number of shareholders*	%	*Number of Shares*	%
1-1,000	24,238	62·8	9,622,966	2·1
1,001-5,000	11,315	29·3	23,560,221	5·2
5,001-10,000	1,244	3·2	8,736,978	1·9
10,001-200,000	1,444	3·8	70,353,581	15·6
over 200,000	327	0·9	340,930,877	75·2
	38,568	100·0	453,204,623	100·0

Analysis of Shareholders	*Number of shareholders*	%	*Number of Shares*	%
Individuals	31,945	82·8	42,378,500	9·4
Banks and nominee companies	5,077	13·2	344,224,168	76·0
Insurance companies	72	0·2	37,293,160	8·2
Pension fund managers	25	0·1	3,789,067	0·8
Other corporate bodies	1,449	3·7	25,519,728	5·6
	38,568	100·0	453,204,623	100·0

Capital Gains Tax

The market value for capital gains tax purposes of General Accident's ordinary shares at 31st March 1982, allowing for the effects of the scheme of arrangement on 5th July 1990, was 157·5p per share. The middle market price of General Accident's ordinary shares at 31st December 1994 was 504·5p.

Shareholder Services

Registrar & Transfer Office
Any enquiries relating to shareholdings should be addressed to:
Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DA.
Telephone: (01903) 502541, Facsimile: (01903) 702481.

Personal Equity Plans
The Company operates a General PEP and a Single Company PEP enabling shareholders to hold their General Accident shares in a tax advantageous manner.

Low Cost Dealing Service
The company offers a low cost dealing service for the benefit of shareholders.
For details of the PEP's, or the Low Cost Dealing Service, contact:
Barclays Stockbrokers Limited, The Guildhall, 57 Queen Street, Glasgow G1 3DT.
Telephone Helpdesk: (0345) 581250.

Dividend Mandates
The company offers to pay dividends using BACS (an automated clearing service), which credits shareholders' bank/building society accounts on the payment date. The appropriate tax voucher is sent direct to the registered address. Further information on this facility can be obtained from the Registrar.

Financial Calendar

26th April 1995	Annual general meeting
10th May 1995	Announcement of results to 31st March 1995
3rd July 1995	Payment of final dividend for 1994
15th August 1995	Announcement of results to 30th June 1995 and declaration of interim dividend
14th November 1995	Announcement of results to 30th September 1995
3rd January 1996	Payment of interim dividend for 1995
27th February 1996	Announcement of preliminary results for the year ending 31st December 1995 and recommended final dividend for 1995

The financial results referred to above will appear in the national press on the day following the publication date, which in each case is provisional.

Notice of Meeting

Notice is hereby given that the annual general meeting of General Accident plc will be held on Wednesday, the 26th day of April 1995 at 10.00am within the Group's Head Office, Pitheavlis, Perth for the following purposes:

Ordinary Business

1 To receive and consider the Directors' Report and the Audited Accounts for the year ended 31st December 1994.

2 To declare a final dividend on the ordinary shares.

To re-appoint the following directors who retire by rotation in accordance with the Articles of Association:

3 Mr L Bolton

4 Mrs E L Botting

5 The Rt Hon The Earl of Mansfield

6 Sir Peter Middleton

7 Mr W N Robertson.

To appoint the following director who was appointed since the date of the last annual general meeting:

8 Sir Alick Rankin.

9 To re-appoint KPMG, Chartered Accountants, as Auditors and to authorise the directors to determine their remuneration.

Special Business

To consider and, if thought fit, to pass the following resolutions, in respect of which Resolutions 10 and 12 will be proposed as Ordinary Resolutions and Resolution 11 as a Special Resolution.

10 That the Board be and is hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £72,000,000 being 19·8% of the total share capital in issue of the Company at the date of this Notice provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

11 That subject to the passing of Resolution No. 10 the Board be and is hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by Resolution No. 10 passed at this meeting as if sub-section (1) of section 89 of that Act did not apply to any such allotment provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue or a scrip dividend alternative offered in accordance with Article 122 of the Company's Articles of Association in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate to the respective numbers of ordinary shares held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever); and

(ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above), of equity securities up to an aggregate nominal value of £5,665,000 being 5·0% of the total ordinary share capital of the Company in issue at the date of this Notice;

and shall expire upon the renewal of this power or, if earlier, at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier, on 26th July 1996; save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

12 That the Board pursuant to Articles 121 and 122 of the Articles of Association of the Company be and is hereby authorised:

(i) to exercise the power contained in Article 122 so that, to the extent determined by the Board, the holders of ordinary shares be permitted to elect to receive new ordinary shares of 25p each in the capital of the Company, credited as fully paid, instead of cash in respect of all or part of any dividend paid by the Board before the annual general meeting of the Company to be held in 2000;

(ii) to capitalise the appropriate nominal amount of new ordinary shares, falling to be allotted pursuant to elections made as aforesaid, out of any amounts for the time being standing to the credit of any reserve or fund of the Company (including the profit and loss account, share premium account and any capital reserve) or otherwise available for distribution as the Board may determine, and apply such sums in paying up ordinary shares to be allotted to those holders of ordinary shares in the Company making such elections in accordance with their respective entitlements.

By order of the Board

R A Whitaker, *Secretary*
3rd April 1995

Notes

1 Only members of the Company holding ordinary shares are entitled to attend and vote at this meeting. Any such member may appoint another person (who need not be a member) to attend and, on a poll, to vote as his/her proxy.

2 Certain executive directors have service contracts with a subsidiary of the Company. These are available for inspection at the registered office during usual business hours in the period from the date of this notice until the conclusion of the annual general meeting

03-05-95

General Accident plc
Registered in Scotland No 119505
Registered Office: Pitheavlis, Perth, Scotland PH2 0NH