119505

General Accident plc

Annual Report and Accounts 1999

Directors' report

Principal activities
The Company is a holding company within the CGU group of companies, which transacts insurance business of all classes, other than industrial life business, and provides a number of financial services complementary to its insurance operations.

Going concern
After making enquiries, the directors have a reasonable expectation that the Company has 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 results for the year are shown in the profit and loss account on page 3.

Dividend
The directors have declared and paid an interim dividend of £5m and recommend the payment of a final dividend of £750m.

Together with preference dividends of £21m *(1998 £21m)*, the total appropriation from retained earnings in the year in respect of dividends was £776m *(1998 £428m)*.

Directors
The present members of the Board are:
Peter Foster
Paul Found
Bob Scott
Philip Twyman
Peter Ward
Richard Whitaker
Tony Wyand

The directors retiring by rotation at the forthcoming annual general meeting are Bob Scott and Philip Twyman. Both directors, being eligible, offer themselves for re-appointment.

There were no contracts of significance in existence during or at the end of the year in which a director of the Company was materially interested.

Directors' interests
The directors who held office at 31 December 1999 had the following interests in the ordinary shares of 25p each in CGU plc:

	At 1 January 1999				At 31 December 1999	
	Shares Number	Share options Number	*Options granted during the year*	*Options exercised during the year*	Shares Number	Share options Number
Paul Found	8,619	59,260	18,480	–	10,816	77,740
Richard Whitaker	34,365	66,864	20,484	3,125	40,443	84,223

Bob Scott, Peter Foster, Philip Twyman, Peter Ward and Tony Wyand are directors of the Company's holding company, CGU plc, and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) are not required to disclose their share interests in CGU plc in the Company's accounts. Their interests can be found in the Report and Accounts of CGU plc. None of the directors who held office at 31 December 1999 had any interest in the Company's shares.

Paul Found and Richard Whitaker have been granted restricted awards over 16,378 and 18,072 CGU shares respectively under the CGU plc Integration Incentive Plan. The shares under the Plan will be released to participants in January 2001, as the CGU Group has achieved its stated integration cost savings targets.

Directors' report continued

Year 2000 and euro

The CGU Group, of which the Company is a member, benefited from the substantial time and effort incurred in preparing for the impact of year 2000 issues and as a consequence suffered no significant problems. Total costs incurred by the CGU Group in preparing for year 2000 amounted to £135m, of which £41m was included in the 1999 results.

Year 2000 claims from policyholders are expected to have an insignificant impact on the CGU Group's underwriting results. There is no impact on the Company's result.

The CGU Group's businesses in the euro zone are continuing to work actively for the final conversion. Costs incurred by the Group to date for the introduction of the euro amount to £35m, of which £15m has been included in the 1999 results.

Income and Corporation Taxes Act 1988

The Company is not a close company within the terms of the Income and Corporation Taxes Act 1988 (as amended).

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming annual general meeting for the re-appointment of PricewaterhouseCoopers as auditors of the Company.

By order of the Board

Richard Whitaker, Company Secretary
25 February 2000

Registered Office:
Pitheavlis, Perth, Scotland PH2 0NH
Registered in Scotland No. 119505

Profit and loss account

For the year ended 31 December 1999

	1999 £m	1998 £m
Dividends receivable from subsidiary undertakings	**870**	491
Interest payable	**(83)**	(3)
Realised investment gains	**2**	–
Foreign exchange rate movements	**(9)**	–
Merger transaction costs	**–**	(22)
Profit on ordinary activities before taxation	780	466
Tax on profit on ordinary activities (1d)	–	–
Profit for the financial year	780	466
Preference dividends	(21)	(21)
Profit for the financial year attributable to equity shareholders	759	445
Ordinary dividends	(755)	(407)
Retained profit transferred to reserves (7)	4	38

Statement of total recognised gains and losses

For the year ended 31 December 1999

	1999 £m	1998 £m
Profit for the financial year	780	466
Unrealised investment gains (1b and 4a)	301	3,598
Total recognised gains and losses arising in the year	1,081	4,064

Reconciliation of movements in shareholders' funds

For the year ended 31 December 1999

	1999 £m	1998 £m
Balance at 1 January	9,951	3,781
Total recognised gains and losses arising in the year	1,081	4,064
Dividends	(776)	(428)
Increase in capital	–	2,534
Balance at 31 December	10,256	9,951

The notes on pages 5 to 7 are an integral part of these accounts. The auditors' report is on page 8.

Balance sheet

At 31 December 1999

	£m	1999 £m	£m	1998 £m
Fixed assets				
Shares in subsidiary undertakings (1b and 4a)		**11,115**		10,813
Current assets				
Amounts due from subsidiary undertakings	**1,135**		423	
Other debtors	**33**		36	
	1,168		459	
Creditors: Amounts falling due within one year				
Amounts due to parent company	**(1,253)**		(1,202)	
Amounts due to subsidiary undertakings	**(11)**		(11)	
Interim ordinary and preference dividends	**(13)**		(8)	
Proposed final ordinary dividend	**(750)**		(100)	
Net current liabilities (11)		**(859)**		(862)
Net assets		**10,256**		9,951
Represented by:				
Capital and reserves				
Ordinary share capital (5)		**200**		200
Preference share capital (6)		**250**		250
Called up share capital		**450**		450
Share premium account (7)		**2,718**		2,718
Revaluation reserve (7)		**6,949**		6,648
Profit and loss account (7)		**139**		135
Shareholders' funds		**10,256**		9,951
Analysed between:				
Equity		**10,006**		9,701
Non-equity		**250**		250
		10,256		9,951

Approved by the Board on 25 February 2000 **Peter Foster** Director

The notes on pages 5 to 7 are an integral part of these accounts. The auditors' report is on page 8.

Notes to the accounts

1 Accounting policies

(a) Basis of accounts These accounts have been prepared under the historical cost convention, except for investments in subsidiary undertakings which are shown at net asset value. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice.

(b) Subsidiary undertakings Investments in subsidiary undertakings are stated at net asset value, including the valuation of their in-force life business. The resulting gain over book value has been taken to unrealised gains on investments.

(c) Consolidated accounts The Company has taken advantage of the exemption under section 228 of the Companies Act not to prepare consolidated accounts, as it is a wholly-owned subsidiary of CGU plc.

(d) Taxation The taxation charge in the profit and loss account and the provision for corporation tax in the balance sheet are based on the taxable profits for the year. A provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future.

(e) Exchange rates Assets and liabilities in non-sterling currencies are translated at the relevant rates of exchange ruling at 31 December, apart from the cost of fixed asset investments which is translated at the rate ruling at the time of acquisition. Any resulting exchange gains or losses are taken to the profit and loss account. Revenue transactions in non-sterling currencies are translated into sterling at the rate of exchange ruling on the date of the transaction and any exchange gains or losses arising are taken to the profit or loss account.

2 Auditors' remuneration

The auditors' remuneration in respect of the Company was £3,000 *(1998 £3,000)*.

3 Directors' remuneration

The directors of the Company are remunerated by a fellow subsidiary undertaking for their services to the CGU Group as a whole *(1998 aggregate emoluments of £275,000 were paid by the Company)*.

4 Shares in subsidiary undertakings

(a) The Company's investments in its subsidiary undertakings comprise:	1999 £m	1998 £m
Cost at 1 January	**4,165**	681
Additions	**1**	3,484
Cost at 31 December	**4,166**	4,165
Unrealised gains on investments at 1 January	**6,648**	3,050
Movement in year	**301**	3,598
Unrealised gains on investments at 31 December	**6,949**	6,648
Net asset value	**11,115**	10,813

(b) The principal subsidiary undertakings of the Company at 31 December 1999 are listed on the inside back cover. A full list of Group companies will be included in the Company's annual return.

Notes to the accounts continued

5 Ordinary share capital

(a) The ordinary share capital of the Company at 31 December 1999 was:	1999 £m	1998 £m
Authorised 799,559,181 *(1998 : 799,559,181)* ordinary shares of 25p each	**200**	200
Allotted, called up and fully paid 799,559,181 *(1998 : 799,559,181)* ordinary shares of 25p each	**200**	200

6 Preference share capital

(a) The preference share capital of the Company at 31 December 1999 was:	1999 £m	1998 £m
Authorised		
300,000,000 preference shares of £1 each	**300**	300
Issued and paid up		
140,000,000 8⅞% cumulative irredeemable preference shares of £1 each	**140**	140
110,000,000 7⅞% cumulative irredeemable preference shares of £1 each	**110**	*110*
	250	250

(b) The preference shares are irredeemable, but, subject to the provisions of the Companies Act 1985, the Company may at any time purchase any preference shares upon such terms as the Board shall determine.

The preference shares are non-voting except where their dividends are in arrears, on a winding up or where their rights are being altered. On a winding up, the preference shares carry a preferential right to return of capital ahead of the ordinary shares.

(c) The Company's preference shares are listed on the London Stock Exchange. Their fair value at 31 December 1999, including an £8m accrual for dividends, was £330m *(1998 £375m)*, based on their quoted market price.

7 Reserves

Movements in the Company's reserves comprise:	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 1999	2,718	6,648	135	9,501
Increase in value of subsidiary undertakings	–	301	–	301
Retained profit for the year	–	–	4	4
At 31 December 1999	2,718	6,949	139	9,806

8 Holding company details

The immediate and ultimate holding company is CGU plc. Its group accounts are available on application to the Group Company Secretary, CGU plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

9 Related party transactions

As consolidated accounts for CGU plc are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with related parties who are 90% or more owned within the same group.

10 Cash flow statement

As the Company is a wholly-owned subsidiary within the CGU Group, the cash flows of the Company are included in the consolidated group cash flow statement of CGU plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

11 Financial instruments

The table below shows the extent to which the Company has net monetary liabilities in currencies other than sterling. Foreign exchange differences on retranslation of these liabilities are taken to the profit and loss account.

	Net foreign currency monetary liabilities 1999 £m	1998 £m
Sterling	**402**	518
Euros	**38**	43
US dollars	**376**	261
Canadian dollars	**21**	20
Australian dollars	**22**	20
	859	862

Financial instruments have not had a significant impact in creating or changing the risks that the Company faces in its activities. As the Company's financial instruments comprise only short term debtors and creditors, disclosures of interest rate risk, maturity and fair values are not required. The Company does not trade in financial instruments.

Directors' responsibility for the accounts

The directors are required to ensure that accounts are prepared for each accounting period which comply with the relevant provisions of the Companies Act 1985, and which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies have to be used and applied consistently in preparing accounts, using reasonable and prudent judgements and estimates on the going concern basis unless it is inappropriate to presume that the Company will continue in business. Applicable accounting and financial reporting standards also have to be followed, with any material departures being disclosed and explained.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and for ensuring that controls are in place for the prevention and detection of fraud and other irregularities.

Auditors' report

To the members of General Accident plc.

We have audited the accounts on pages 3 to 7 which have been prepared in accordance with the accounting policies set out on page 5.

Respective responsibilities of directors and auditors
The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

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

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion
In our opinion, the accounts give a true and fair view of the state of affairs of the Company at 31 December 1999 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

25 February 2000

Subsidiaries

The principal subsidiaries of the Company are listed below by country of incorporation. All are wholly owned, directly or indirectly, and transact insurance or reinsurance business, or services in connection therewith, including asset management, unless otherwise stated.

United Kingdom
CGU Bonus Limited
CGU Insurance plc
CGU International Insurance plc
CGU Life Assurance Limited
CGU Linked Life Assurance Limited
CGU Trust Managers Limited
CGU Underwriting Limited (75.0%)
Commercial Union Life Assurance Company Limited
GA Investment Management Services Limited
General Accident Managed Pension Funds Limited
Guarantee Society Limited, The
Morley Properties Limited
Northern Assurance Company Limited, The
Sabre Insurance Company Limited
Scottish Boiler & General Insurance Company Limited
Scottish General Insurance Company Limited
Travellers' Insurance Association, Limited
your-move.co.uk Limited

Belgium
CGU SA NV (99.9%)

Bermuda
Curepool Limited

Brazil
CGU Companhia de Seguros (86.0%)

Canada
CGU Holdings Canada Limited and its principal operating subsidiary
- CGU Insurance Company of Canada Limited

Commercial Union Life Holdings Canada Limited and its principal operating subsidiary
- Commercial Union Life Assurance Company of Canada

Pilot Insurance Company

Czech Republic
Commercial Union zivotni pojist'ovna AS

France
CGU Participations SA (99.9%) and its subsidiary
- CGU France SA (99.8%) and its principal subsidiaries
  - Abeille assurances SA (99.8%)
  - Abeille vie SA (99.8%)
  - CGU Courtage SA (99.8%)
  - Eurofil SA (99.8%)
  - General Accident Vie SA (99.8%)
  - Société d'Epargne Viagère SA (74.9%)
  - Union Financière de France Banque (76.2%)

Germany
Berlinische Lebensversicherung Aktiengesellschaft (99.5%)
General Accident Lebensversicherung-Aktiengesellschaft
General Accident Versicherungs-Aktiengesellschaft

Italy
Commercial Union Italia SpA and its principal subsidiaries
- Commercial Union Assicurazioni SpA
- Commercial Union Life SpA
- Commercial Union Previdenza SpA (66.7%)
- Commercial Union Vita SpA (55.0%)
- Geas Compagnia di Assicurazioni e Riassicurazioni SpA (66.7%)

Luxembourg
Commercial Union International Life SA

Malaysia
Commercial Union Assurance (Malaysia) Berhad (60.0%)
GA Insurance Berhad (49.0%)

Netherlands
Commercial Union Finance BV
Delta Lloyd Nuts Ohra NV and its principal subsidiaries
- Delta Lloyd Bank NV *(Banking)*
- Delta Lloyd Levensverzekering NV
- Delta Lloyd Schadeverzekering NV
- NUTS OHRA Beheer BV

New Zealand
Belves Investments Limited and its principal operating subsidiaries
- General Accident Insurance Asia Limited
- New Zealand Insurance Limited

Pakistan
Commercial Union Life Assurance Company (Pakistan) Limited (51.0%)

Poland
Commercial Union Polska Towarzystwo Ubezpieczen Ogolnych SA (90.0%)
Commercial Union Polska Towarzystwo Ubezpieczen na Zycie SA (90.0%)
Commercial Union Powszechne Towarzystwo Emerytalne BPH CU WBK SA (75.0%)

South Africa
Commercial Union of South Africa Limited (51.0%)

Spain
Commercial Union España, Seguros y Reaseguros Generales SA and its principal subsidiary
- Commercial Union Vida Seguros y Reaseguros SA

Thailand
Commercial Union Assurance Company (Thailand) Limited (49.0%)
General Accident Insurance (Thailand) Co Limited (49.0%)

Turkey
Commercial Union Hayat Sigorta AS (90.0%)
Commercial Union Sigorta AS (54.9%)

United States
CGU Corporation and its principal subsidiaries
- American Employers' Insurance Company
- Commercial Union Insurance Company
- Commercial Union Life Insurance Company of America
- Commercial Union York Insurance Company
- Employers' Fire Insurance Company, The
- Farmers Union Insurance Acquisition Corporation
- General Accident Insurance Company of America
- Hawkeye-Security Insurance Company
- Houston General Insurance Company
- North Pacific Insurance Company
- Northern Assurance Company of America, The

Zimbabwe
Commercial Union Insurance Company of Zimbabwe Limited
General Accident Insurance Company (Zimbabwe) Limited (56.3%)