

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

REPORT AND ACCOUNTS 1997

Directors

R A Scott, AAI
R Evans
R A Whitaker, LLB, DMS, FCII

Secretary

R A Whitaker, LLB, DMS, FCII

Registered Office : One Lloyds Avenue, London, EC3N 3DH

Registered in England and Wales: No: 6252



GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

General Accident Executor and Trustee Company Limited has decided to retire from Unit Trust Trustee activities and has commenced this process for completion during 1998. The General Accident Group has also decided to outsource the back office and custody operations relating to its own Funds as part of the post Provident Mutual integration strategy and the company is due to complete this exercise during 1998. This will result in the closure of the company's Ibex House, London office. The above is in accord with the General Accident Group's strategy of concentrating on activities which are core to its insurance operations.

The company's domestic trust unit will continue to operate from Pitheavlis, Perth office.

A profit has been achieved during 1997.

DIVIDEND AND RESERVES

Profit after tax amounted to £291,000 as compared with £863,000 for 1996. After adding the balance of £3,111,000 brought forward from 1996 the amount available for appropriation is £3,402,000. An interim dividend of £300,000 (1996: £300,000) and a preference dividend of £840 (1996: £840) were paid on 30th December 1997.

The balance of profits retained thus amounts to £3,101,000 as compared with £3,111,000 at the end of 1996.

DIRECTORS AND THEIR INTERESTS

The names of the present Directors are shown above on page 1.

The interests of Mr R A Scott in the share capital of other companies in the General Accident group are stated in the Directors' Report of General Accident plc.

The interests of the remaining directors in General Accident plc, the ultimate parent company, are set out overleaf :-

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

ORDINARY SHARES

	1st January 1997 (or date of appointment if later)	31st December 1997
R A Whitaker	8,151	30,916
R Evans	3,917	5,040

OPTIONS

	1st January 1997 (or date of appointment if later)	Options Granted during the year	Options exercised or lapsed during the year	31st December 1997
R A Whitaker	81,060	7,335	49,017	39,378
R Evans	81,457	nil	nil	81,457

REGISTERED OFFICE

On 21st January 1998 the Company's Registered Office was changed from Becket House, 87 Cheapside, London EC2V 6AY to one Lloyds Avenue, London EC3N 3DH.

By order of the Board



R A Whitaker, LLB, DMS, FCII
Secretary

26th February 1998

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement set out on page 5, 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 of its profit or loss for the year and which comply with the provisions of the Companies Act 1985.

The directors consider that in preparing the financial statements on pages 6 to 13, the company 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 6 to 13, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to form an audit opinion.

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

Report of the Auditors to the Members of General Accident Executor and Trustee Company Limited

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of Directors and Auditors

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

Basis of Opinion

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

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

Opinion

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



KPMG Audit Plc
Chartered Accountants, Registered Auditor

24 Blythswood Square
Glasgow G2 4QS

26 February 1998

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

Profit and Loss Account

for the year ended 31st December 1997

	Note	1997 £000	1996 £000
Turnover		2,707	2,663
Administrative Expenses		<u>2,381</u>	<u>1,838</u>
Operating Profit	2	326	825
Income from other fixed asset investments		86	59
Other interest receivable		16	8
Net realised gain/(loss) on sale of investments	3	<u>(2)</u>	<u>415</u>
Profit on ordinary activities before Taxation		426	1,307
Taxation on profit on ordinary activities	4	<u>135</u>	<u>444</u>
Profit on ordinary activities after Taxation and for the financial year		291	863
Retained profit brought forward		<u>3,111</u>	<u>2,549</u>
		3,402	3,412
Dividends for the year	5		
Equity		300	300
Preference		<u>1</u>	<u>1</u>
Retained profit carried forward		<u>3,101</u>	<u>3,111</u>

There are no discontinued operations or acquisitions which require disclosure under the terms of FRS3.

There is no material difference between the results of 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.

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

Statement of Total Recognised Gains and Losses for the year ended 31 December 1997	Note	1997 £000	1996 £000
Profit for the year attributable to shareholders		291	863
Increase/(decrease) in Revaluation Reserve	11	<u>27</u>	<u>(369)</u>
Total gains and losses relating to the year		<u>318</u>	<u>494</u>

Reconciliation of the Movement in Shareholders' Funds for the year ended 31 December 1997		1997 £000	1996 £000
Profit for the financial year		291	863
Dividends - ordinary shares		300	300
- preference shares		<u>1</u>	<u>1</u>
		(10)	562
Increase/(decrease) in revaluation reserve	11	<u>27</u>	<u>(369)</u>
Movement in shareholder's funds		17	193
Opening shareholders' funds		<u>4,073</u>	<u>3,880</u>
Closing shareholders' funds		<u>4,090</u>	<u>4,073</u>

Represented by:

Attributable to equity interests	4,070	4,053
Attributable to non-equity interests	<u>20</u>	<u>20</u>
	<u>4,090</u>	<u>4,073</u>

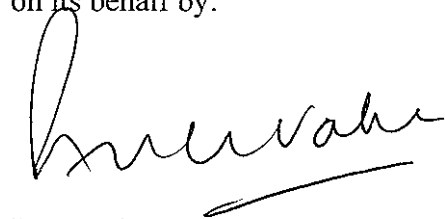
GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

Balance Sheet

at 31st December 1997

	Note	1997 £000	1996 £000
Fixed Assets			
Tangible assets	6	41	122
Investments	7	<u>872</u>	<u>890</u>
		<u>913</u>	<u>1,012</u>
Current Assets			
Debtors	8	6,011	6,849
Cash at bank and in hand		<u>492</u>	<u>364</u>
		6,503	7,213
Creditors			
Amounts falling due within one year	9	<u>3,326</u>	<u>4,152</u>
Net Current Assets		<u>3,177</u>	<u>3,061</u>
Total Assets less current liabilities		<u>4,090</u>	<u>4,073</u>
Representing:			
Capital and reserves			
Called up share capital	10	827	827
Revaluation Reserve	11	18	(9)
Other Reserves	11	144	144
Profit and Loss Account	11	<u>3,101</u>	<u>3,111</u>
Shareholders' funds (including non-equity)		<u>4,090</u>	<u>4,073</u>

These financial statements were approved by the Board of Directors on 26th February 1998 and were signed on its behalf by:



R A Whitaker

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1997

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared under the historical cost convention and comply with the requirements of applicable accounting standards.

Investment income

Investment income is recognised on an accruals basis and is shown after grossing up for related tax credits. Realised gains and losses on the disposal of investments represent sale proceeds less cost.

Trusteeship Business Fees

Fee income, predominantly based on a percentage of fund valuation, is recognised on an accrual basis.

Investments

(a) Valuation

All investments are stated at their current value.

Listed securities are included in the balance sheet at their middle market value.

(b) Recognition of unrealised gains and losses on investments.

Unrealised gains and losses arising on revaluation of land and buildings and other financial investments are dealt with in revaluation reserve. The change in unrealised gains and losses on investments recognised in the year includes adjustments in respect of unrealised gains and losses recorded in prior years that were realised in the current year, and are reported as realised gains.

Deferred Taxation

Deferred taxation has been provided at current rates on all timing differences other than those considered likely to continue in the foreseeable future.

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1997

Depreciation

Depreciation is provided on Computer Equipment and Office Refurbishments at rates calculated to write off the costs, on a straight line basis, over five years and three years respectively.

Cash Flow Statement

Under Financial Reporting Standard 1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and a parent undertaking includes the Company in its own published consolidated financial statements.

2. OPERATING PROFIT

	1997	1996
	£000	£000
This is stated after charging:		
Directors' remuneration	Nil	Nil
Auditors' remuneration	1	1
Depreciation	81	82

3. REALISED GAIN/(LOSS)

	1997	1996
	£000	£000
Proceeds	870	421
Cost	<u>872</u>	<u>6</u>
Realised gain/(loss)	<u>(2)</u>	<u>415</u>

4. TAXATION

	1997	1996
	£000	£000
Based on the profit for the year:		
UK Corporation Tax 31.49% (1996 : 33%)	144	443
Tax credits attributable to dividends received	-	3
Deferred taxation	-	(2)
Adjustments in respect of prior years	<u>(9)</u>	<u>-</u>
	<u>135</u>	<u>444</u>

5. DIVIDENDS

	1997	1996
	£000	£000
Preference	1	1
Ordinary - Interim paid	<u>300</u>	<u>300</u>
	<u>301</u>	<u>301</u>

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1997

6. FIXED ASSETS

Plant and Machinery:-

	<u>Cost</u> £000	<u>Aggregate Depreciation</u> £000	<u>Net Book Value</u> £000
Brought forward at 1st January 1997	523	401	122
Depreciation charge	—	<u>81</u>	<u>81</u>
Balance at 31st December 1997	<u>523</u>	<u>482</u>	<u>41</u>

7. INVESTMENTS

	1997 £000	1996 £000
Other investments other than loans:		
At beginning of year	890	799
Additions	822	468
Disposals at cost	(873)	(6)
Movement in market value and realised gain (Note 11)	<u>33</u>	<u>(371)</u>
Market Value at end of year	<u>872</u>	<u>890</u>
Value at Cost	<u>850</u>	<u>901</u>

8. DEBTORS

	1997 £000	1996 £000
Amounts owed by group undertakings		
due by parent company	5,728	6,454
Other debtors	3	1
Prepayments and accrued income:-		
Work in progress	265	376
Accrued interest	<u>15</u>	<u>18</u>
	<u>6,011</u>	<u>6,849</u>

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1997

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	1997	1996
	£000	£000
Amounts owed to group undertakings -		
Parent company interest free subordinated loan	3,200	3,200
Other creditors including taxation and social security:		
Current corporation tax	125	952
Accruals	<u>1</u>	<u>-</u>
	<u>3,326</u>	<u>4,152</u>

10. SHARE CAPITAL	1997	1996
	£000	£000
Authorised:		
350,000 Ordinary shares of £4 each	<u>1,400</u>	<u>1,400</u>
6% (now 4.2% plus tax credit)		
20,000 Preference shares of £5 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:		
194,500 Ordinary shares of £4 each, fully paid	778	778
13,000 Ordinary shares of £4 each, £2.20 per share paid	<u>29</u>	<u>29</u>
	807	807
6% (now 4.2% plus tax credit)		
Preference shares of £5 each, £1 paid	<u>20</u>	<u>20</u>
	<u>827</u>	<u>827</u>

11. RESERVES	Other Reserves £000	Revaluation Reserve £000	Profit & Loss Account £000	Total £000
At beginning of year	144	(9)	3,111	3,246
Revaluations and realisations	-	33	-	33
Tax on Unrealised gains	-	(6)	-	(6)
Transfer from profit and loss account	-	-	(10)	(10)
	<u>144</u>	<u>18</u>	<u>3,101</u>	<u>3,263</u>

12. RELATED PARTIES

Under Financial Reporting Standard 8, the Company is exempt from disclosure of transactions with group companies as voting rights are controlled wholly within the group and the Company is included in the consolidated financial statements which are publicly available.

GENERAL ACCIDENT EXECUTOR AND TRUSTEE COMPANY LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1997

13. ULTIMATE HOLDING COMPANY

The largest group in which the accounts of the company are consolidated is that headed by General Accident plc, the ultimate holding company incorporated in Great Britain and registered in Scotland. The smallest group in which they are consolidated is that headed by General Accident Fire and Life Assurance Corporation plc, incorporated in Great Britain and registered in Scotland.

The consolidated accounts of these groups are available to the public and can be obtained from Pitheavlis, Perth, Scotland, PH2 ONH.