

COMMERCIAL UNION PROPERTIES LIMITED

REPORT AND ACCOUNTS

DIRECTORS' REPORT

The directors present their Report and Accounts of the Company for the year ended 31 December 1996.

PRINCIPAL ACTIVITIES

The principal activity of the Company has not changed during the year and the Company continues to be the holding company for the Commercial Union Properties Group. The directors consider that the Company's activities will remain unchanged in the foreseeable future.

RESULTS AND DIVIDEND

The results for the year are shown on page 2 and arise from continuing operations. The directors recommend the payment of a dividend of £6,000,000 for the year (1995 £7,000,000).

DIRECTORS

The directors in office during the year were as follows:

Mr B A Bentley
Mr A H Clifton
Mr G B Forbes
Mr I D Mathieson
Mr M E Perkins
Mr A B Wyand

DIRECTORS' INTERESTS

The directors of the Company who held office at 31 December 1996 had the following interests in the shares of Commercial Union Group companies:

Commercial Union plcOrdinary Shares of 25p each

	1 January 1996		Options exercised during the year	Options granted during the year	31 December 1996	
	Shareholdings	Share Options			Shareholdings	Share Options
B A Bentley	7,674	23,513	1,847	18,947	10,948	40,613
A H Clifton	2,397	135,720	-	12,263	3,957	147,983
G B Forbes	3,001	5,303	1,027	2,164	3,625	6,440
I D Mathieson	16,137	90,198	1,027	10,531	19,403	99,702
M E Perkins	7,243	32,590	3,336	7,739	12,385	36,993

Mr Wyand is a director of the Company's ultimate holding company and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) is not required to disclose his interests in the Company's accounts. His interests can be found in the Report and Accounts of Commercial Union plc.

Approved and signed on behalf of the Board

Authorised Signatory
Commercial Union Company Secretarial Services Ltd
Secretary

19 June 1997

Registered office: St. Helen's, 1 Undershaft, London EC3P 3DQ

COOPERS & LYBRAND
INITIALLED FOR
IDENTIFICATION PURPOSES
ONLY

COL DATE 28/5/97

COMMERCIAL UNION PROPERTIES LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	Note	1996 £	1995 £
Dividends receivable from subsidiary undertakings		5,250,000	7,000,000
Movement in provision against investments in subsidiary undertakings	1b & 4a	<u>927,562</u>	<u>(2,559,830)</u>
Profit on ordinary activities before taxation		6,177,562	4,440,170
Tax on profit on ordinary activities	1d	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		6,177,562	4,440,170
Dividend		<u>(6,000,000)</u>	<u>(7,000,000)</u>
Retained profit / (loss) for the financial year		177,562	(2,559,830)
Retained profits brought forward		<u>2,783,477</u>	<u>5,343,307</u>
Retained profits carried forward		<u>2,961,039</u>	<u>2,783,477</u>

The Company has no recognised gains and losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 4 to 6 are an integral part of these accounts.
The auditors' report is on page 7.

COMMERCIAL UNION PROPERTIES LIMITED

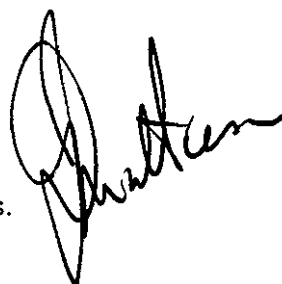
3.

BALANCE SHEET
AT 31 DECEMBER 1996

FIXED ASSETS	Note	1996 £	1995 £
Investments			
Subsidiary undertakings	1b & 4	<u>43,102,829</u>	<u>42,175,267</u>
CURRENT ASSETS			
Amounts owed by subsidiary undertakings		<u>58,596,860</u>	<u>53,346,860</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to group companies	5	(64,721,842)	(57,721,842)
Dividend payable		<u>(6,000,000)</u>	<u>(7,000,000)</u>
		<u>(70,721,842)</u>	<u>(64,721,842)</u>
NET CURRENT LIABILITIES		(12,124,982)	(11,374,982)
NET ASSETS		<u><u>30,977,847</u></u>	<u><u>30,800,285</u></u>
CAPITAL AND RESERVES			
Share capital	6	28,000,000	28,000,000
Share premium account		16,808	16,808
Profit and loss account		2,961,039	2,783,477
EQUITY SHAREHOLDERS' FUNDS	7	<u><u>30,977,847</u></u>	<u><u>30,800,285</u></u>

Approved by the Board
on 19 June 1997

The notes on pages 4 to 6 are an integral part of these accounts.
The auditors' report is on page 7



Director

COMMERCIAL UNION PROPERTIES LIMITED

4.

NOTES TO THE ACCOUNTS - 31 DECEMBER 1996

1. Accounting policies

- (a) These accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.
- (b) Subsidiary undertakings are shown at cost less any provision considered necessary by the directors.
- (c) The accounts of the Company and of its subsidiaries are included in the consolidated accounts of its parent, Commercial Union Assurance Company plc. Consequently the Company is exempt from the obligation to prepare consolidated accounts.
- (d) The taxation charge in the profit and loss account is based on the taxable profits for the year. Provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future. The Company's main source of income is dividends paid by its subsidiaries under a group income election and, as a result, there is no tax charge.

2. Directors' emoluments

All directors were remunerated by Commercial Union Employment Services Limited in respect of their services to the Commercial Union Group as a whole. Commercial Union Employment Services Limited has not made any charge to the Company for their services as directors of the Company.

Commercial Union Employment Services Limited has made a charge to the Company's subsidiary undertakings in respect of the executive remuneration of four directors of the Company as part of a management charge. It is not practical to calculate the exact amount of the remuneration charged to each of these subsidiaries. The emoluments of these directors in respect of their services to the Commercial Union Group as a whole are included in the information shown below.

(a)	Total emoluments were:	1996	1995
		£	£
	In respect of services as directors	Nil	Nil
	Executive remuneration (including performance related payments and pension contributions)	602,239	590,138
		<u>602,239</u>	<u>590,138</u>

- (b) The emoluments of the individual directors (including the Chairman and highest paid director), excluding pension contributions, fell within the following ranges:

£	1996 Number	1995 Number
0 - 5,000	2	2
100,001 - 105,000	1	1
115,001 - 120,000	-	1
120,001 - 125,000	1	-
140,001 - 145,000	1	1
170,001 - 175,000	-	1
180,001 - 185,000	1	-

COMMERCIAL UNION PROPERTIES LIMITED

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NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)**2. Directors' emoluments (continued)**

	1996 £	1995 £
(c) Excluding pension contributions		
Chairman's emoluments	Nil	Nil
Highest paid director	183,058	173,306

3. Auditors' remuneration

Auditors' remuneration is charged in the accounts of Commercial Union Assurance Company plc

4. Subsidiary undertakings

(a) The Company's investments comprise:

	1996 £	1995 £
Cost at 1 January and 31 December	<u>55,185,454</u>	<u>55,185,454</u>
Provision		
At 1 January	13,010,187	10,450,357
(Decrease)/increase in provision	<u>(927,562)</u>	<u>2,559,830</u>
At 31 December	<u>12,082,625</u>	<u>13,010,187</u>
Net book value at 31 December	<u>43,102,829</u>	<u>42,175,267</u>

In the opinion of the directors, the value of the Company's investments in its subsidiaries is, in aggregate, not less than the amount at which it is stated in the balance sheet.

(b) The Company had the following wholly-owned property subsidiaries at 31 December 1996, all of which are registered in England and Wales:

Name	Fully paid shares	Nominal value	Nature of business
Commercial Union Properties (Estate Services) Limited	£20	£1	Property management and estate services
Commercial Union Properties (Investments) Limited	£200	£1	Property fund management
Commercial Union Properties (UK) Limited	£500,000	10 pence	Property development
Holloways' Properties Limited	£1,350,669	25 pence	Property investment

5. Amounts owed to group companies

These amounts include £219 (1995 £219) owed to the Company's subsidiaries.

COMMERCIAL UNION PROPERTIES LIMITED

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NOTES TO THE ACCOUNTS - 31 DECEMBER 1996 (continued)**6. Share capital**

The ordinary share capital of the Company at 31 December was:

	1996 £	1995 £
Authorised: 112,000,000 ordinary shares of 25p each	<u>28,000,000</u>	<u>28,000,000</u>
Allotted, called up and fully paid: 112,000,000 ordinary shares of 25p each	<u>28,000,000</u>	<u>28,000,000</u>

7. Reconciliation of movements in equity shareholders' funds

	1996 £	1995 £
Balance at 1 January	30,800,285	33,360,115
Profit after taxation	6,177,562	4,440,170
Dividend	<u>(6,000,000)</u>	<u>(7,000,000)</u>
Balance at 31 December	<u>30,977,847</u>	<u>30,800,285</u>

8. Holding companies' details

The immediate holding company is Commercial Union Assurance Company plc.

The smallest group of undertakings, of which the Company is a member, that prepares group accounts is headed by Commercial Union Assurance Company plc. Its group accounts are available to the public, on payment of the appropriate fee from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

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

9. Cash flow statement

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

10. Intra-Group transactions

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

COMMERCIAL UNION PROPERTIES LIMITED

7.

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 standards also have to be followed, with any material departures being disclosed and explained.

The directors are also 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 controls are in place for the prevention and detection of fraud and other irregularities.

Auditors' Report

To the members of Commercial Union Properties Limited

We have audited the accounts on pages 2 to 6.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 the Company's affairs at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND
Chartered Accountants and Registered Auditors
London

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27 June 1997

CLDATE.....28/5/97