

COMMERCIAL UNION HOLDINGS (FRANCE) LIMITED
(formerly Commercial Union (No18) Limited)

REPORT AND ACCOUNTS

DIRECTORS' REPORT

The directors present their Report and Accounts of the Company for the year ended 31 December 1994.

CHANGE OF NAME

The Company changed its name from Commercial Union (No.18) Limited to Commercial Union Holdings (France) Limited on 3 October 1994.

PRINCIPAL ACTIVITIES

The principal activity of the Company has changed and during the year the Company became the holding company for the Group's operations in France, acquiring 99.9% of the issued share capital of Commercial Union France SA.

SHARE CAPITAL

During the year the Company increased its authorised and issued share capital to £350m and then to £590m.

DIRECTORS

The directors in office during the year were as follows:

Mr P J Foster	(appointed 14 November 1994)
Mr K N Grant	
Mr K Polsom-Jenkins	(resigned 14 November 1994)
Mr P G Ward	(appointed 14 November 1994)
Mr A C Woods	(resigned 30 June 1994)

DIRECTORS' INTERESTS

The directors of the Company who held office at 31 December 1994 had the following interests in the shares of Commercial Union Group companies:

Commercial Union plc

Ordinary Shares of 25p each

	31 December 1994		Options granted during the year	1 January 1994	
	Shareholdings	Share Options		Shareholdings	Share Options
K N Grant	773	51,718	21,531	1,063	34,100

During the year 3,913 of Mr Grant's options lapsed.



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DIRECTORS' INTERESTS (continued)

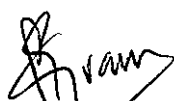
In accordance with the relevant Scheme rules, the exercise prices and numbers of shares under option have been adjusted for the bonus element of the rights issue made by Commercial Union plc in 1994.

Mr Foster and Mr Ward are directors of the Company's ultimate holding company and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) are not required to disclose their interests in the Company's accounts. Their interests can be found in the Report and Accounts of Commercial Union plc.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the financial year, the Commercial Union Group effected insurance cover for the officers of the Company as permitted by Section 310 of the Companies Act 1985.

Approved and signed on behalf of the Board



Authorised Signatory
Commercial Union Company Secretarial Services Limited
Secretary

30 October 1995

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

COMMERCIAL UNION HOLDINGS (FRANCE) LIMITED
(formerly Commercial Union (No.18) Limited)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1994

	1994 £	1993 £
Unrealised investment losses (note 4(a))	(426,032,784)	-
Total recognised gains and losses	<u>(426,032,784)</u>	<u>-</u>

The notes on pages 5 and 6 are an integral part of these accounts.
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COMMERCIAL UNION HOLDINGS (FRANCE) LIMITED
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4.

BALANCE SHEET
AT 31 DECEMBER 1994

	1994 £	1993 £
FIXED ASSETS		
Investments		
Subsidiary undertaking (notes 1(c) & 4)	434,049,429	-
CURRENT ASSETS		
Debtors		
Amounts owed by holding company	5,036,849	20
NET ASSETS	<u>439,086,278</u>	<u>20</u>
 Represented by:		
CAPITAL AND RESERVES		
Share capital (note 5)	590,000,000	20
Share premium account (note 6)	275,119,062	-
Unrealised loss on investments (notes 1(c) & 4(a))	(426,032,784)	-
EQUITY SHAREHOLDERS' FUNDS (note 7)	<u>439,086,278</u>	<u>20</u>

Approved by the Board
on 30 October 1995



Director

The notes on pages 5 and 6 are an integral part of these accounts.
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NOTES ON THE ACCOUNTS - 31 DECEMBER 1994

1. Accounting policies

- (a) 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) As the Company has made neither realised profits nor losses, no profit and loss account has been prepared.
- (c) Investments in subsidiary undertakings are stated at net asset value, including the valuation of their in-force life business. The resulting loss over book value has been taken to unrealised losses on investments.
- (d) The Company has taken advantage of the exemption under section 228 of the Companies Act 1985 not to prepare consolidated accounts.
- (e) Assets and liabilities in non-sterling currencies are translated into sterling at the relevant rate of exchange ruling at 31 December with any resulting exchange gains or losses taken to the retained profits and reserves of Commercial Union Assurance Company plc. 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 and loss account.

2. Auditors' remuneration

Auditors' remuneration has been borne by Commercial Union Assurance Company plc.

3. Directors' emoluments

None of the directors received emoluments in respect of their services as directors of the Company (1993 £Nil).

4. Investment in subsidiary undertaking

- (a) The Company's investment in its subsidiary undertaking comprises:-

	1994 £	1993 £
Cost at 1 January	-	-
Transfer from holding company	125,119,042	-
Additions	731,999,914	-
Exchange gain on translation	2,963,257	-
Cost at 31 December	860,082,213	-
Unrealised loss on investment in subsidiary undertaking	(426,032,784)	-
Net asset value of subsidiary undertaking	434,049,429	-

On 5 October 1994, Commercial Union Assurance Company plc transferred its investment in Commercial Union France S.A. ("CU France") to the Company at its book value of £125.1m in a share for share exchange (see note 5). On the same day, the Company subscribed for FF8.3bn (£989.7m) of additional equity in CU France. FF4,157m (£494.9m) of this was paid up in cash, with the remaining FF4,157m (£494.9m) to be paid or satisfied in due course in accordance with French law. The new shares were issued as part of the acquisition by CU France of Compagnie Financiere du Groupe Victoire.

On 22 December 1994, the Company agreed to subscribe for additional equity in CU France of FF1,980m (£237.1m) for the purpose of further strengthening that company's capital base.

- (b) At 31 December 1994, the Company held shares in the undermentioned subsidiary, which is incorporated in France:-

Name	Class of share	Percentage owned	Nature of business
Commercial Union France SA	FFr 100.0 Ordinary shares fully paid	99.997%	Insurance holding company

Since the year end, this company has changed its name to Commercial Union Participations S.A..

NOTES ON THE ACCOUNTS - 31 DECEMBER 1994 (continued)

5. Called up share capital

The share capital of the Company is:

	1994 £	1993 £
Authorised: 590,000,000 (1993: 100) ordinary shares of £1 each	<u>590,000,000</u>	<u>100</u>
Allotted, called up and fully paid: 590,000,000 (1993: 20) ordinary shares of £1 each	<u>590,000,000</u>	<u>20</u>

On 4 October 1994, the authorised share capital was increased from £100 to £350m. The issued share capital was also increased to £350m by the allotment of 99,999,980 ordinary shares of £1 each at a price of 125.12p per share, in consideration of the transfer to the Company of shares in Commercial Union France S.A. ("CU France"), and 250m ordinary shares of £1 each at a price of £2 per share to facilitate the acquisition by CU France of Compagnie Financiere du Groupe Victoire. On 22 December 1994, the authorised and issued share capital was increased from £350m to £590m with the allotment of 240m ordinary shares of £1 each at their par value in order to acquire additional share capital in CU France (see note 4).

6. Share premium

Share premium comprises:

	1994 £	1993 £
Premium arising on share issues	275,119,062	-
Balance at 1 January	-	-
Balance at 31 December	<u>275,119,062</u>	<u>-</u>

7. Reconciliation of movements in shareholders' funds

Increase in capital	865,119,042	20
Unrealised losses on investments	(426,032,784)	-
Movement during the year	439,086,258	20
Balance at 1 January	20	-
Balance at 31 December	<u>439,086,278</u>	<u>20</u>

8. Ultimate holding company

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

The smallest group of undertakings, of which the Company is a member, that prepares group accounts is headed by Commercial Union Assurance Company plc, which is registered in England and Wales. 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.

9. Cash flow statement

As the Company is wholly owned within the Commercial Union Group, 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.

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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, in respect 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 Holdings (France) Limited.

We have audited the accounts on pages 3 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 1994 and of its total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
London

30 October 1995