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COMMERCIAL UNION HOLDINGS (FRANCE) LIMITED

REPORT AND ACCOUNTS

DIRECTORS' REPORT

The directors present their Report and Accounts of the Company for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

The principal activity of the Company has not changed during the year and it continues to be the holding company for the Group's operations in France. The directors consider that the Company's activities will continue unchanged in the foreseeable future.

SHARE CAPITAL

On 21 December 1995, the Company increased its authorised and issued share capital by £65,290,395 from £590m to £655,290,395.

DIRECTORS

The directors in office during the year were as follows:

Mr P J Foster
Mr K N Grant
Mr P G Ward

DIRECTORS' INTERESTS

The directors of the Company who held office at 31 December 1995 had the following interests in the shares of Commercial Union Group companies:

Commercial Union plc

Ordinary Shares of 25p each

	1 January 1995		Options exercised during the year	31 December 1995	
	Shareholdings	Share Options		Shareholdings	Share Options
K N Grant	773	51,718	30,187	1,859	23,105

During the year Mr Grant was granted 1,574 options.



P.a.Y.

COMMERCIAL UNION HOLDINGS (FRANCE) LIMITED

DIRECTORS' INTERESTS (continued)

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 directors and 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 1996

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

BALANCE SHEET
AT 31 DECEMBER 1995

	Notes	1995 £	1994 Restated £
FIXED ASSETS			
Investments			
Subsidiary undertaking	1(c) & 5	922,409,351	857,118,956
CURRENT ASSETS			
Debtors			
Amounts due from parent company		8,000,106	8,000,106
NET ASSETS		<u>930,409,457</u>	<u>865,119,062</u>
Represented by:			
CAPITAL AND RESERVES			
Called up share capital	6	655,290,395	590,000,000
Share premium account	7	<u>275,119,062</u>	<u>275,119,062</u>
EQUITY SHAREHOLDERS' FUNDS	8	<u>930,409,457</u>	<u>865,119,062</u>

Approved by the Board
on 30 October 1996



Director

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

NOTES ON THE ACCOUNTS - 31 DECEMBER 1995

1. Accounting policies

- (a) These accounts have been prepared under the historical cost convention. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice.
- (b) As the Company has made neither recognised gains or losses, no profit and loss account or statement of total recognised gains and losses have been prepared.
- (c) Investments in subsidiary undertakings are stated at cost. This is a change to previous accounting policy, which valued the investments in subsidiary undertakings at net asset value.
- (d) The Company has taken advantage of the exemption under section 228 of the Companies Act 1995 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, apart from fixed asset investments which are translated at the rates 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 and loss account.

2. Changes to accounting policies

Two changes to accounting policy have been made:-

- (a) As explained in note 1(c) above, investments in subsidiary undertakings are now stated at historic cost. Previously, they had been valued at net asset value.
- (b) As explained in note 1(e) above, fixed asset investments in non-sterling currencies are translated at the rates ruling at the time of acquisition. The previous policy was to re-translate the relevant currency amounts at 31 December each year and to take any resulting exchange gains or losses to the retained profits and reserves of Commercial Union Assurance Company plc.

Comparative figures have been changed to reflect these changes and the effects on the shareholders' funds can be seen in note 8.

3. Auditors' remuneration

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

4. Directors' emoluments

None of the directors received any emoluments in respect of their services as directors of the Company (1994 £Nil).

NOTES ON THE ACCOUNTS - 31 DECEMBER 1995 (continued)

5. Investment in subsidiary undertaking

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

	1995 £	1994 £
Cost at 1 January	857,118,956	-
Transfer from parent company	-	125,119,042
Additions	65,290,395	731,999,914
Cost at 31 December	<u>922,409,351</u>	<u>857,118,956</u>

(b) At 31 December 1995, the Company held shares in the undermentioned subsidiary, which is incorporated in France:-

Name	Class of share	Percentage owned	Nature of business
Commercial Union Participations S.A. (formerly Commercial Union France S.A.)	FFr 100 Ordinary shares fully paid	99.999%	Insurance holding company

(c) On 21 December 1995, the Company paid up a call of FFr6 per share on 83,137,124 partly paid shares in CU Participations S.A.

6. Called up share capital

The share capital of the Company is:

	1995 £	1994 £
Authorised: 655,290,395 (1994:590,000,000) ordinary shares of £1 each	<u>655,290,395</u>	<u>590,000,000</u>
Allotted, called up and fully paid: 655,290,395 (1994:590,000,000) ordinary shares of £1 each	<u>655,290,395</u>	<u>590,000,000</u>

On 21 December 1995, the authorised and issued share capital was increased from £590m to £655,290,395 with the allotment and issue of 65,290,395 ordinary shares of £1 each at their par value in order to enable the Company to pay a call on partly paid shares in Commercial Union Participations S.A. (see note 5(c)).

NOTES ON THE ACCOUNTS - 31 DECEMBER 1995 (continued)

7. Share premium account

The balance on the share premium account comprises:

	1995 £	1994 £
Premium arising on share issues	-	275,119,062
Balance at 1 January	275,119,062	-
Balance at 31 December	<u>275,119,062</u>	<u>275,119,062</u>

8. Reconciliation of movements in equity shareholders' funds

	1995 £	1994 Restated £
Increase in capital	65,290,395	865,119,042
Balance at 1 January	865,119,062	20
Balance at 31 December	<u>930,409,457</u>	<u>865,119,062</u>

9. 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.

10. 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.

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 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 1995 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
COOPERS & LYBRAND

Chartered Accountants and Registered Auditors
London

31 October 1996

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ONLY

MJB po CAL DATE 25/10/96