

CGNU Holdings (Australia) Limited
(formerly CGU Holdings (Australia) Limited)

Report and accounts for the year ended 31 December 2000



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CGNU Holdings (Australia) Limited
(formerly CGU Holdings (Australia) Limited)

Report and accounts for the year ended 31 December 2000

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CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

Directors and officers

Directors

Mike Biggs	(appointed 4 September 2001)
CGNU Company Secretarial Services Limited	(resigned 4 September 2001)
CGNU Director Services Limited	(resigned 4 September 2001)
Cees Schrauwers	(appointed 4 September 2001)
Philip Twyman	(appointed 4 September 2001)

Secretary

CGNU Company Secretarial Services Limited

Auditors

PricewaterhouseCoopers

Registered office

St. Helen's
1 Undershaft
London EC3P 3DQ

Registered in England No. 2180202

CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

Directors' Report

The directors present their Report and accounts for the Company for the year ended 31 December 2000.

Principal activity

The Company is an investment holding company, for the CGNU Group's general insurance operations in Australia. The directors consider that the Company's activities will continue unchanged in the foreseeable future.

Change of name

On 7 September 2001, the Company changed its name from CGU Holdings (Australia) Limited to CGNU Holdings (Australia) Limited.

Corporate restructuring

As part of the CGNU corporate restructuring, a new Australian holding company, CGNU Australia Holdings Limited ("CGNUA") was formed to hold both the ex-CGU and ex-Norwich Union Australian businesses. As a consequence, on 20 December 2000, the Company sold its entire shareholding in CGU Insurance Australia Limited ("CGUIA") to CGNUA for A\$950 million, satisfied by the issue to the Company of 950,000 ordinary shares in CGNUA.

On the same date, CGNU subscribed for 326,743,070 ordinary shares in the Company for £327 million (A\$700 million cash and A\$185.7 million promissory notes). The Company then subscribed for 700,000 ordinary shares in CGNUA for A\$700 million and, on 21 December 2000, it subscribed for a further 185,702 ordinary shares for A\$185.7 million, satisfied by the issue of two promissory notes. These transactions were to enable CGNUA to acquire Norwich Union Australia Limited from a fellow Group subsidiary.

Share capital

On 20 December 2000, the Company increased its authorised ordinary share capital from £250,000,000 to £540,555,813 by the creation of 290,555,813 ordinary shares of £1 each, to satisfy the corporate restructuring requirements detailed above.

Ultimate holding company

On 30 May 2000, the ultimate holding company, CGU plc, merged with Norwich Union plc and was renamed CGNU plc.

Results and dividend

The results for the year are shown on page 6. The Directors do not recommend the payment of any dividend for the year (1999: £nil).

CGNU Holdings (Australia) Limited **(formerly CGU Holdings (Australia) Limited)**

Directors' Report (continued)

Directors' interests

None of the directors of the Company who held office at 31 December 2000 had any beneficial interests in the shares of CGNU plc, the Company or any other company within the CGNU Group.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution is to be proposed at the forthcoming Extraordinary General Meeting for the appointment of Ernst & Young LLP as auditor of the Company. PricewaterhouseCoopers are not seeking reappointment as auditors of the Company.

Financial Reporting Standard 8 'Related Party Disclosures' (FRS8)

There have been no significant transactions between the directors and the Company during the year.

Approved and signed on behalf of the Board on 19 OCTOBER 2001.



Authorised Signatory
CGNU Company Secretarial Services Limited
Secretary

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

CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

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

Auditors' report to the members of CGNU Holdings (Australia) Limited **(formerly CGU Holdings (Australia) Limited)**

We have audited the accounts on pages 6 to 10, which have been prepared in accordance with the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described above, the accounts. 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 1985. 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 with the Company 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 audit 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 2000 and of the loss 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

19 OCT 2001

CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Loan interest payable to parent company	6	(4,151)	(1,781)
Loss on ordinary activities before taxation		(4,151)	(1,781)
Tax on loss on ordinary activities	1(d) & 4	1,784	-
Loss for the financial year		(2,367)	(1,781)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £'000	1999 £'000
Loss for the financial year	(2,367)	(1,781)
Movement in the revaluation reserve	(136,054)	(36,633)
Total recognised gains and losses arising in the year	(138,421)	(38,414)

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2000

	2000 £'000	1999 £'000
Balance at 1 January	175,399	213,813
Total recognised gains and losses arising in the year	(138,421)	(38,414)
Increase in capital	326,743	-
Balance at 31 December	363,721	175,399

The notes on pages 8 to 10 form an integral part of these accounts. The auditors' report is on page 5.

CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

BALANCE SHEET

AT 31 DECEMBER 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Investment in subsidiary undertaking	1(b) & 5	435,862	245,173
Current assets			
Corporation tax recoverable	1(d) & 4	1,784	-
Creditors : amounts falling due in more than one year			
Loan due to holding company	6	(73,925)	(69,774)
Net assets		<u>363,721</u>	<u>175,399</u>
 Represented by:			
Capital and reserves			
Called up share capital	7	540,556	213,813
Profit & loss account	8	(4,148)	(1,781)
Revaluation reserve	8	(172,687)	(36,633)
Equity shareholders' funds		<u>363,721</u>	<u>175,399</u>

Approved by the Board
on 19 OCTOBER 2001

Director



The notes on pages 8 to 10 form an integral part of these accounts. The auditors' report is on page 5.

CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Basis of accounts

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) Investments

Investments in subsidiary undertakings are stated at their net asset value. The resulting loss/gain over book value is taken to the revaluation reserve.

(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 CGNU plc.

(d) Taxation

The taxation charge in the profit and loss account is based on the taxable profits for the year, after any adjustment in respect of prior years. A provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future.

2. Expenses

All expenses, including auditors' remuneration, have been borne by CGU International Insurance plc.

3. Directors' emoluments

None of the directors received any emoluments in respect of his services as a director of the Company (1999: *£nil*).

4. Taxation

The tax credit in the profit and loss account comprises:

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999: 30.25%)	1,245	-
Prior year adjustments	539	-
	<u>1,784</u>	<u>-</u>

CGNU Holdings (Australia) Limited

(formerly CGU Holdings (Australia) Limited)

NOTES TO THE ACCOUNTS (continued)

5. Investment in subsidiary undertaking

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

	2000 £'000	1999 £'000
Cost		
At 1 January	281,806	212,885
Additions (see below)	680,113	68,921
Disposals (see below)	(281,806)	-
Net additions	398,307	68,921
At 31 December	680,113	281,806
Unrealised loss on investments		
At 1 January	(36,633)	-
Disposals (see below)	36,633	-
Movement in year		
- Arising from asset transfer (see below)	(108,197)	-
- Arising from revaluation (note 7)	(136,054)	(36,633)
	(244,251)	(36,633)
At 31 December	(244,251)	(36,633)
Net asset value at 31 December	435,862	245,173

As part of the CGNU Group corporate restructuring, a new Australian holding company, CGNU Australia Holdings Limited ("CGNUA") was formed to hold both the ex-CGU and ex-Norwich Union Australian businesses. As a consequence, on 20 December 2000, the Company sold its entire shareholding in CGU Insurance Australia Limited ("CGUIA") to CGNUA in return for shares in the latter company. On the same date and on 21 December 2000, the Company subscribed for further shares in CGNUA, to enable the ex-Norwich Union business to be acquired. In both cases, the acquisitions were at market value, based on independent valuations.

The profit on the sale at market value of CGUIA and the subsequent reduction in this value back to NAV have not been shown separately in the profit and loss account and revaluation reserve in these accounts as they are considered to be off-setting.

(b) Details of the wholly-owned subsidiary undertaking at 31 December 2000 are as follows:

Name	Class of share	Country of incorporation	Nature of business
CGNU Australia Holdings Limited	Ordinary shares	Australia	Insurance holding company

6. Loan due to holding company

The Company has a £68.9 million loan from CGNU plc, which enabled it to acquire the minority shares in CGU Insurance Australia Limited in 1999. This loan is interest-bearing, with the interest included in the balance sheet figures.

CGNU Holdings (Australia) Limited

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NOTES TO THE ACCOUNTS (continued)

7. Ordinary share capital

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

	2000 £'000	1999 £'000
Authorised		
540,555,813 (1999: 250,000,000) ordinary shares of £1 each	<u>540,556</u>	<u>250,000</u>
Allotted, called up and fully paid		
540,555,813 (1999: 213,812,743) ordinary shares of £1 each	<u>540,556</u>	<u>213,813</u>

(b) During the year, a total of 326,743,070 ordinary shares of £1 each were issued at par in respect of Group restructuring.

8. Reserves

Movements in the Company's reserves comprise:

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2000	(36,633)	(1,781)	(38,414)
Decrease in value of subsidiary undertakings (note 4a)	(136,054)	-	(136,054)
Loss for the year	-	(2,367)	(2,367)
At 31 December 2001	<u>(172,687)</u>	<u>(4,148)</u>	<u>(176,835)</u>

9. Holding company details

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

10. Related party transactions

As consolidated accounts for CGNU 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.

11. Cash flow statement

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

12. Post balance sheet event

On 3 July 2001, CGU Insurance Australia Limited acquired Fortis Australia Limited. To facilitate this, the Company borrowed A\$96 million from CGNU plc which it passed to its subsidiary undertaking in the form of additional share capital.