

Company Number: 2180206

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

Accounts for the year
ended 31 December 1998



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COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

REPORT AND ACCOUNTS

DIRECTORS' REPORT

The directors present their report and accounts for the Company for the year ended 31 December 1998.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year continued to be that of a holding company. The directors consider that the Company's activities will continue unchanged in the foreseeable future.

SHARE CAPITAL

During the year, the Company increased its authorised share capital from £150,541,208 to £293,464,134 by the creation of 142,922,926 shares of £1 each.

RESULTS AND DIVIDEND

The results for the year are shown on page 4 and arise from continuing operations.

The directors, having declared an interim dividend of £76,796,956 (1997 £72m), do not recommend the payment of any further dividend for the year.

CORPORATE RESTRUCTURING

On 22 October 1998, as part of the restructuring exercise which followed the merger between General Accident plc and Commercial Union plc to form CGU plc (the ultimate parent of the Company), the Company sold its entire shareholding in Commercial Union Holdings Australia Limited to another group company.

On 22 December 1998, the Company sold its entire shareholding in Delta Lloyd Verzekeringsgroep NV to CGU Group BV in consideration for the allotment by CGU Group BV of ordinary shares to the Company. Through that company, the Company is now the UK holding company for the majority of the CGU Group's overseas businesses.

DIRECTORS

The directors in office during the year were:

Sir John Carter	(resigned 30 June 1998)
Mr P J Foster	
Mr K N Grant	(resigned 30 June 1998)
Mr R A Whitaker	(appointed 1 July 1998)
Mr A B Wyand	

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

The directors of the Company who held office at 31 December 1998 had the following interests in the shares of CGU plc:

Ordinary Shares of 25p each						
	On appointment				At 31 December 1998	
	Shares	Share options	Options granted during the year	Options exercised during the year	Shares	Share options
R A Whitaker*	34,286	47,619	19,245	-	34,365	66,864

* Mr Whitaker held shares in General Accident plc which were converted on 2 June 1998 in accordance with the terms of the merger offer at the rate of 1.233 CGU shares for every 1 General Accident share held. In order to show actual movement in shareholdings during the year, General Accident shares held at 1 January 1998 have been converted to CGU shares on this basis. In addition, Mr Whitaker was granted a restricted award over 18,072 CGU shares under the CGU plc Integration Incentive Plan. Under the Plan, awards become capable of vesting in the year 2000 depending upon the achievement of specified performance criteria.

Mr Foster and Mr Wyand are directors of the Company's ultimate holding company, CGU plc, and details of their interests are shown in that company's accounts.

Save as disclosed above, none of the directors who held office at 31 December 1998 had any beneficial interests in the Company's shares or the shares of any other company within the CGU Group.

FRS8 DISCLOSURES

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

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

YEAR 2000

The year 2000 issue revolves around the potential failure or disruption of computer systems from their inability to function correctly when the date reaches 1 January 2000.

The CGU Group has implemented a plan which is intended to address the year 2000 issue and minimise any potential impact on the Company's operations and potential to continue as a going concern.

Whilst management have taken steps to identify and assess all significant areas, there will always be the risk that an area of potential exposure has not been highlighted despite the best efforts of the management to minimise such loss.

It is estimated that the total cost to the Group will be £118 million, of which £48 million has been included in this year's results, giving a total cost incurred to date of £82 million.

EUROPEAN MONETARY UNION

The CGU Group has significant operations within the European Union and considers that the overall success of EMU presents a substantial opportunity for the Group. The introduction of the euro by the Group is a key priority for management.

The Group will introduce the euro in the most advantageous and economical way for its customers and suppliers and adopt best practice on the introduction of the euro as this evolves.

The CGU Group's Business Units have made statements of the service to be supplied to both customers and suppliers on the introduction of the euro appropriate to the markets in which those Units operate. The Group will follow the policy developed by the relevant national trade bodies, national legislation and regulatory bodies for the treatment of contracts set up prior to 1 January 1999.

Approved and signed on behalf of the Board on. 28 OCTOBER 1999.



Authorised Signatory
CGU Company Secretarial Services Limited

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

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Dividends receivable from subsidiary undertakings		6,991	73,573
Realised investment gains		113,729	-
Profit on ordinary activities before taxation		120,720	73,573
Tax on profit on ordinary activities	1e & 4	(7,431)	(1,367)
Profit for the financial year		113,289	72,206
Dividends		(76,797)	(72,000)
Retained profit transferred to reserves	9	36,492	206

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Profit for the financial year		113,289	72,206
Unrealised investment gains after taxation	5a	1,242,273	99,154
Total recognised gains arising in the year	10	1,355,562	171,360

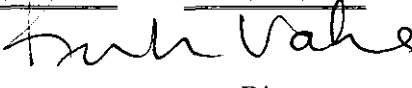
The notes on pages 6 to 9 are an integral part of these accounts. The auditors' report is on page 10.

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEET
AT 31 DECEMBER 1998

	<u>Notes</u>	<u>1998</u> <u>£'000</u>	<u>1997</u> <u>£'000</u>
Fixed assets			
Investment in subsidiary undertakings	1b & 5	<u>5,098,854</u>	<u>2,059,679</u>
Current assets			
Debtors			
Amounts due from subsidiary undertakings		<u>-</u>	<u>58,280</u>
Creditors : Amounts falling due within one year			
Amounts due to parent company		-	(175,076)
Other creditors including taxation	6	(6,205)	(107,714)
		<u>(6,205)</u>	<u>(282,790)</u>
Net current liabilities		<u>(6,205)</u>	<u>(224,510)</u>
Total assets less current liabilities		5,092,649	1,835,169
Provisions for liabilities and charges			
Deferred taxation	7	-	(4,662)
Net assets		<u>5,092,649</u>	<u>1,830,507</u>
Represented by:			
Capital and reserves			
Called up share capital	8a	293,464	150,541
Share premium	9	1,840,454	-
Profit and loss account	9	36,699	207
Unrealised gains on investments	1b & 5a	2,922,032	1,679,759
Equity shareholders' funds	10	<u>5,092,649</u>	<u>1,830,507</u>

Approved by the Board *on 28 OCTOBER 1999*


Director

The notes on pages 6 to 9 are an integral part of these accounts. The auditors' report is on page 10.

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

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) Investments in subsidiary undertakings are stated at net asset value, including the valuation of their in-force life business. The resulting gain over book value has been taken to unrealised gains on investments.
- (c) The Company has taken advantage of the exemption under section 228 of the Companies Act 1985 not to prepare consolidated accounts.
- (d) Assets and liabilities in non-sterling currencies are translated into sterling at the relevant rates of exchange ruling at 31 December, apart from the cost of fixed asset investments which is translated at the rate 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.
- (e) The taxation charge in the profit and loss account and the provision for corporation tax in the balance sheet are based on the taxable profits for the year, after adjustment to prior years. A provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future.

2. Auditors' remuneration

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

3. Directors' emoluments

None of the directors received any emoluments in respect of his services as a director of the Company (1997 £nil).

4. Taxation

The taxation charge in the profit and loss account comprises :

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31.0% (1997 31.5%) based on taxable profits for the year	26,658	29,059
Deferred taxation (note 7)	1,226	(4,347)
Double tax relief	(20,453)	(23,345)
	<u>7,431</u>	<u>1,367</u>

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

5. Investments in subsidiary undertakings

(a) The Company's investments in its subsidiary undertakings comprise:

	1998 £'000	1997 £'000
Cost		
At 1 January	379,920	379,920
Additions	215,738	-
Transfers from fellow Group companies	3,837,637	-
Transfers to fellow Group companies	(2,256,473)	-
At 31 December	<u>2,176,822</u>	<u>379,920</u>
Unrealised gains on investments		
At 1 January	1,679,759	1,580,605
Movement in year	1,242,273	99,154
At 31 December	<u>2,922,032</u>	<u>1,679,759</u>
Net asset value at 31 December	<u>5,098,854</u>	<u>2,059,679</u>

The additions represent the acquisition of shares in Berlinische Lebensversicherung AG, which were later transferred to the Delta Lloyd Group.

The transfers of overseas subsidiaries to and from fellow group companies arose as part of the Group corporate reconstructing exercise. The final transactions, on 22 December 1998, were for all the Company's investments in all its subsidiary undertakings to be transferred to CGU Group BV in return for shares in that company.

(b) Details of the wholly-owned subsidiary undertaking at 31 December 1998 are as follows:

<u>Name</u>	<u>Fully paid ordinary shares</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
CGU Group BV	Glds 1.0	Netherlands	Holding company

6. Other creditors including taxation

Other creditors including taxation comprise:

	1998 £'000	1997 £'000
Dividend provision	-	72,000
Corporation tax	6,205	35,714
	<u>6,205</u>	<u>107,714</u>

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

7. Deferred taxation

(a) Arising from short term timing differences:

	1998 £'000	1997 £'000
Balance at 1 January	4,662	9,009
Charge/(credit) to profit and loss account (note 4)	1,226	(4,347)
Transfer to group company as part of group reconstruction	(5,888)	-
Balance at 31 December	-	4,662

(b) In the opinion of the directors, it is not practicable to estimate the potential unprovided deferred tax which would arise on any disposal of the Company's investment in its subsidiary undertaking.

8. Called up share capital

(a) The share capital of the Company is:

	1998 £'000	1997 £'000
Authorised 293,464,134 (1997 150,541,208) ordinary shares of £1 each	293,464	150,541
Allotted, called up and fully paid 293,464,134 (1997 150,541,208) ordinary shares of £1 each	293,464	150,541

(b) During 1998, a total of 142,922,926 shares of £1 each, having an aggregate nominal value of £142,922,926, were allotted for a consideration of £1,983,377,366.

9. Reserves

Movements in the Company's reserves comprise:

	Share premium account £'000	Profit & loss account £'000	Total £'000
At 1 January 1998	-	207	207
Transfer from profit and loss account	-	36,492	36,492
Share issues	1,840,454	-	1,840,454
At 31 December 1998	1,840,454	36,699	1,877,153

10. Reconciliation of movements in equity shareholders' funds

	1998 £'000	1997 £'000
Balance at 1 January	1,830,507	1,731,147
Increase in share capital	1,983,377	-
Total recognised gains	1,355,562	171,360
Dividends	(76,797)	(72,000)
Balance at 31 December	5,092,649	1,830,507

COMMERCIAL UNION INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

11. Holding companies' details

The immediate holding company is Scottish Insurance Corporation Limited.

The smallest group of undertakings, of which the Company is a member, that prepares group accounts is headed by General Accident Fire and Life Assurance Corporation p.l.c. 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 CGU plc. Its group accounts are available on application to the Group Company Secretary, CGU plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.

12. Cash flow statement

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

13. Related party transactions

As consolidated accounts 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.

COMMERCIAL UNION INTERNATIONAL HOLDINGS 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 Commercial Union International Holdings Limited.

We have audited the accounts on pages 4 to 9.

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 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. 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

29 OCT 1999