

Company Number: 2387660

GENERAL ACCIDENT DEVELOPMENTS LIMITED

**Accounts for the year
ended 31 December 1998**



GENERAL ACCIDENT DEVELOPMENTS LIMITED**Directors' Report**

The directors present their report and audited financial statements for the year ended 31 December 1998.

Principal Activity

The principal activity of the company has not changed during the year and continues to be the acquisition and development of property. During the financial year the company did not undertake any new projects. The directors consider that the company's activities will continue unchanged in the foreseeable future.

Results and Dividends

The results for the year are shown on page 7 and arise from continuing operations. The directors do not recommend the payment of any dividend for the year (1997: £ nil).

Directors

The directors in office during the year were:

Mr B W J Inglis (resigned 28 February 1998)
 Mr D S Hay (resigned 30 September 1998)
 Mr D F M Robb (appointed 28 February 1998)
 Mr I D Mathieson (appointed 30 September 1998)

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				
	1 January 1998 (or on appointment if later)	31 December 1998		
D F M Robb	2,677	4,034		
I D Mathieson	33,469	37,903		
<u>OPTIONS</u>	1 January 1998 (or on appointment if later)	Options granted during the year	Options exercised or lapsed during the year	31 December 1998
D F M Robb	2,799	244	930	2,113
I D Mathieson	79,096	-	4,434	74,662

Mr D F M Robb 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 (or on appointment if later) have been converted to CGU shares on the basis mentioned above.

On 2 September 1998, Mr I D Mathieson was granted a restrictive award over 18,072 CGU shares under the CGU plc Integration Incentive Plan. Awards under the plan become capable of vesting in the year 2000, subject to the achievement of specified performance criteria.

GENERAL ACCIDENT DEVELOPMENTS LIMITED

Directors' Report (continued)

Directors' Interests (continued)

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.

Financial Reporting Standard 8 Disclosures

There have been no significant transactions between the directors and the Company during the year, other than those already disclosed.

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 Group has implemented a plan which is intended to address the Year 2000 issues 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 Year 2000 systems cost will be £118m. The results for the year include costs of £48m and the total cost incurred to date is £82m.

European Monetary Union

The CGU plc Group has significant operations within the European Union and considers that the overall success of EMU presents a substantial opportunity for the Group and 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 22 October 1999.



Authorised Signatory

CGU Company Secretarial Services Limited

Secretary

Registered office: One Lloyds Avenue, London, EC3N 3DH

GENERAL ACCIDENT DEVELOPMENTS LIMITED

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' report set out on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the year and which comply with the provisions of the Companies Act 1985.

The directors consider that in preparing the financial statements on pages 6 to 13, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed. The directors are required to use a going concern basis in preparing the financial statements unless this is inappropriate.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors, having prepared the financial statements on pages 6 to 13, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to form an audit opinion.

Report of the auditors to the members of General Accident Developments Limited

We have audited the financial statements of pages 6 to 13.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Mc

KPMG Audit plc
Chartered Accountants,
Registered Auditor

24 Blythswood Square
Glasgow, G2 4QS

27 October 1999

GENERAL ACCIDENT DEVELOPMENTS LIMITED

Accounting Policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention modified for the revaluation of certain fixed asset investments and in accordance with the Companies Act 1985 and applicable accounting standards.

(b) Tangible fixed assets - depreciation

Tenants' specifications are depreciated at a rate which matches the leasing agreement. No depreciation is charged on buildings under construction.

In accordance with Statement of Standard Accounting Practice 19, no provision is made for depreciation or amortisation of freehold properties and leasehold properties with over 20 years to run, as these properties are held for investment and not consumption. The Companies Act requires properties to be depreciated over their expected useful economic lives but the directors consider that to do so would not give a true and fair view.

It is company practice to ensure all properties, including those occupied by the group are maintained in a sound state of repair and, accordingly, the directors consider that the lives of these assets are so long and residual values, based on the latest valuation, are so high that the depreciation is insignificant and none is provided.

Any permanent diminution in the value of properties is charged to the appropriate profit and loss account.

(c) Investments

Properties are revalued annually at open market value in accordance with the guidance notes on the valuation of assets issued by the Royal Institution of Chartered Surveyors as determined by the group's professionally qualified internal valuers.

Profits and losses on the realisation of investments, after adjusting for tax are dealt with in the Profit and loss account.

(d) Deferred taxation

Deferred taxation is provided at the rates expected to apply when the liabilities crystallise on all timing differences, other than those considered likely to continue in the foreseeable future.

(e) Leases and rents receivable

Rents received and receivable from properties and other operating leases are recognised when they fall due for payment. Provision is made for any rents due but not considered to be recoverable.

GENERAL ACCIDENT DEVELOPMENTS LIMITED**Profit and loss account**

for the year ended 31 December 1998

	Note	1998	1997
		£000	£000
Turnover	1	1,315	1,315
Other operating charges		(584)	(590)
Amounts written off investments		(625)	-
Interest paid to other group undertakings		(8)	(8)
Profit on ordinary activities before taxation	2	98	717
Tax charge / (credit) on profit on ordinary activities	3	214	(940)
Profit on ordinary activities after taxation		(116)	1,657

There are no discontinued operations or acquisitions which require disclosure under the terms of FRS 3.

The accounting policies on page 6 and the notes on pages 10 to 13 form part of these financial statements.

GENERAL ACCIDENT DEVELOPMENTS LIMITED**Statement of total recognised gains and losses**

	1998	1997
	£000	£000
(Loss)/profit for the year attributable to shareholders - equity	(116)	1,657
(Deficit)/surplus on revaluation of investment properties	(340)	340
Total recognised (losses)/gains for the year	<u>(456)</u>	<u>1,997</u>

There is no material difference between the results as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly a note of the historical cost profits and losses is not given.

Reconciliation of the movement in shareholders' funds

	1998	1997
	£000	£000
Profit for the financial year	(116)	1,657
(Deficit)/surplus on revaluation of investment properties	(340)	340
Movement in shareholders' funds	<u>(456)</u>	<u>1,997</u>
Balance as at 1 January 1998	1,565	(432)
Balance as at 31 December 1998	<u>1,109</u>	<u>1,565</u>

The accounting policies on page 6 and the notes on pages 10 to 13 form part of these financial statements.

Company Number: 2387660

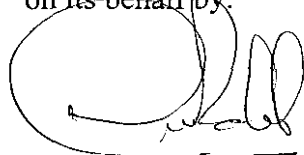
GENERAL ACCIDENT DEVELOPMENTS LIMITED

Balance Sheet

as at 31 December 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible fixed assets	4	<u>8,848</u>	<u>10,397</u>
Current assets			
Debtors	5	172	171
Cash at bank and in hand		<u>4</u>	<u>7</u>
		176	178
Creditors: amounts falling due within one year	6	<u>(7,915)</u>	<u>(9,010)</u>
Net current liabilities		<u>(7,739)</u>	<u>(8,832)</u>
Total assets less current liabilities		<u>1,109</u>	<u>1,565</u>
Representing:			
Capital and reserves			
Called up share capital	7	2,000	2,000
Revaluation reserve	8	-	340
Profit and loss account	8	<u>(891)</u>	<u>(775)</u>
Total shareholders' funds - equity		<u>1,109</u>	<u>1,565</u>

These financial statements were approved by the Board of Directors on 22 October 1999 and signed on its behalf by:



D F M Robb
Director

The accounting policies on page 6 and the notes on pages 10 to 13 form part of these financial statements.

GENERAL ACCIDENT DEVELOPMENTS LIMITED**Notes to the accounts****1. Turnover**

1998	1997
£000	£000

Turnover is analysed as follows:

Income received from properties

731 731

Leasing of tenants specifications

584 584

1,315	1,315
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In the year to 31 December 1998, income from operating leases including rents receivable from properties amounted to £1,315,000 (1997 - £1,315,000). All income is derived from operations within the United Kingdom.

2. Operating Profit

This is stated after charging:

1998	1997
£000	£000

Audit fee

1 1

Depreciation

584 584

Directors remuneration

Nil Nil

3. Taxation

1998	1997
£000	£000

Based on the profit for the year:

Corporation tax at 31% (1997 - 31.49%)

245 207

Adjustment to prior years

(31) (96)

Deferred tax

- (1,051)

214	(940)
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GENERAL ACCIDENT DEVELOPMENTS LIMITED**Notes to the accounts** (continued)**4. Fixed Assets - Tangible Assets**

	<u>Freehold land & buildings</u>	<u>Tenants' specifications</u>	<u>Total</u>
	£000	£000	£000
Cost or valuation			
At 1 January 1998	5,200	8,323	13,523
Revaluation	(965)	-	(965)
At 31 December 1998	<u>4,235</u>	<u>8,323</u>	<u>12,558</u>
Depreciation			
At 1 January 1998	-	3,126	3,126
Charge for year	-	584	584
At 31 December 1998	<u>-</u>	<u>3,710</u>	<u>3,710</u>
Net book value			
At 31 December 1998	<u>4,235</u>	<u>4,613</u>	<u>8,848</u>
At 31 December 1997	<u>5,200</u>	<u>5,197</u>	<u>10,397</u>
Historical cost			
At 31 December 1998	7,466	8,323	15,789
Accumulated historic depreciation	-	3,710	3,710
Net historical cost at 31 December 1998	<u>7,466</u>	<u>4,613</u>	<u>12,079</u>

The net historical cost included a sum for capitalised interest of £464,000 (1997 - £464,000).

5. Debtors

	1998	1997
	£000	£000
Trade debtors	<u>172</u>	<u>171</u>

GENERAL ACCIDENT DEVELOPMENTS LIMITED**Notes to the accounts** (continued)**6. Creditors: amounts falling due within one year**

	1998	1997
	£000	£000
Amounts due to affiliated undertakings	7,611	8,745
Corporation tax	245	207
Other creditors	59	58
	<u>7,915</u>	<u>9,010</u>

7. Share Capital

	1998	1997
	£000	£000
Authorised, issued and fully paid		
2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

8. Reserves

	<u>Profit and loss</u> <u>account</u>	<u>Revaluation</u> <u>reserve</u>	<u>Total</u> <u>reserves</u>
	£000	£000	£000
At 1 January 1998	(775)	340	(435)
Retained loss for year	(116)	-	(116)
Revaluation in year	-	(340)	(340)
At 31 December 1998	<u>(891)</u>	<u>-</u>	<u>(891)</u>

GENERAL ACCIDENT DEVELOPMENTS LIMITED

Notes to the accounts (continued)

9. Cash Flow Statement

Under Financial Reporting Standard 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and a parent undertaking includes the company in its own published consolidated financial statements.

10. Related Parties

Under Financial Reporting Standard 8, the Company is exempt from disclosure of transactions with group companies as voting rights are controlled wholly within the group and the Company is included in the consolidated financial statements which are publicly available.

11. Ultimate Holding Company

The largest group in which the results of the company are consolidated is that headed by CGU plc, the ultimate holding company incorporated in Great Britain and registered in England. The smallest group in which they are consolidated is that headed by CGU Insurance PLC, incorporated in Scotland, which changed its name from General Accident Fire and Life Assurance Corporation plc on 1st October 1999.

The consolidated accounts of these groups are available to the public and may be obtained from the Group Company Secretary, St Helens', 1 Undershaft, London, EC3P 3DQ