

GENERAL ACCIDENT DEVELOPMENTS LIMITED

Company Number: 2387660

REPORT AND ACCOUNTS

For the year ended 31 December 1999



Contents

	Pages
Directors' report	2-3
Statement of Directors' responsibility for the accounts	4
Auditors' report	5
Financial statements	6-7
Accounting policies	8
Notes to the accounts	9-12

General Accident Developments Limited

DIRECTORS' REPORT

The Directors present their report and accounts of the Company for the year ended 31 December 1999.

Principal activities

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 6 and arise from continuing operations. The directors do not recommend the payment of any dividend for the year (1998:£nil).

Directors

The directors in office during the year were:

Mr I D Mathieson

Mr D F M Robb

The beneficial interests of the directors in shares of the ultimate parent company. CGU plc are as follows:

Ordinary Shares	1 January 1999	31 December 1999
I D Mathieson	37,903	38,883
D F M Robb	4,034	4,106

Options

	1 January 1999	Options granted during the year	Options exercised or lapsed during the year	31 December 1999
I D Mathieson	74,662	-	-	74,662
D F M Robb	2,113	-	-	2,113

General Accident Developments Limited

Directors' report (continued)

In addition, in 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.

None of the directors exercised share options in relation to shares in CGU plc during the year.

Save as disclosed above, none of the directors who held office at 31 December 1999 had any beneficial interests in the Company's shares or the shares of any other company within the CGU Group.

FRS 8 disclosures

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

Year 2000 and euro

The CGU Group, of which the Company is a member, benefited from the substantial time and effort incurred in preparing for the impact of year 2000 issues and as a consequence suffered no significant problems in our own organisation. Total costs incurred by the CGU Group in preparing for year 2000 amounted to £135m of which £41m was included in the 1999 results.

Year 2000 claims from policyholders are expected to have an insignificant impact on the CGU Group's underwriting results. There is no impact on the Company's result.

The CGU Group's businesses in the euro zone are continuing to work actively for the final conversion. Costs incurred by the Group to date for the introduction of the euro amount to £35m, of which £15m has been included in the 1999 results.

Change of Auditor

During the year KPMG Audit plc ceased to be auditors of the Company and PricewaterhouseCoopers were appointed in their stead.

Approved and signed on behalf of the Board on

4 July 2000.



Authorised Signatory
CGU Company Secretarial Services Limited
Secretary

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

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.

General Accident Developments Limited

AUDITORS' REPORT

To the members of General Accident Developments Limited

We have audited the financial statements on pages 6 to 12 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. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. 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 financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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 financial statements.

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 financial statements. 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 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 information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1999 and of its profit 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

5 July 2000

General Accident Developments Limited

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 £000	1998 £000
Turnover	1	1,315	1,315
Other operating charges		(584)	(584)
Gross profit		<u>731</u>	<u>731</u>
Administrative expenses		(16)	-
Amounts written off investments		-	(625)
Interest paid to other group undertakings		<u>-</u>	<u>(8)</u>
Profit on ordinary activities before taxation		715	98
 Tax charge on profit on ordinary activities	 4	 (276)	 (214)
Profit/(loss) on ordinary activities after taxation		<u>439</u>	<u>(116)</u>

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

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.

The accounting policies on page 8 and the notes on pages 9 to 12 form part of these financial statements.

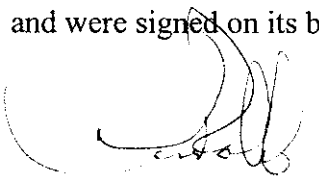
General Accident Developments Limited

BALANCE SHEET

AS AT 31 DECEMBER 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Tangible fixed assets	5	<u>8,464</u>	<u>8,848</u>
CURRENT ASSETS			
Debtors	6	-	172
Cash at bank and in hand		<u>3</u>	<u>4</u>
		<u>3</u>	<u>176</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	7	<u>(6,719)</u>	<u>(7,915)</u>
NET CURRENT LIABILITIES		<u>(6,719)</u>	<u>(7,915)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,748</u>	<u>1,109</u>
Represented by:			
Capital and reserves			
Called up share capital	8	2,000	2,000
Revaluation reserve	9	200	-
Profit and loss account	9	<u>(452)</u>	<u>(891)</u>
EQUITY SHAREHOLDERS' FUNDS	10	<u>1,748</u>	<u>1,109</u>

These financial statements were approved by the Board of Directors on 4 July 2000 and were signed on its behalf by:



D F M Robb
Director

The accounting policies on page 8 and the notes on pages 9 to 12 form part of these financial statements.

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 Financial Reporting Standard 15, no provision is made for depreciation or amortisation of freehold properties, as 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 immaterial 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 external 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) 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.

(f) 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

Notes to the accounts

	1999	1998
1. Turnover	£000	£000

Turnover is analysed as follows:

Income received from properties	731	731
Leasing of tenants specifications	584	584
	<u>1,315</u>	<u>1,315</u>

In the year to 31 December 1999, income from operating leases including rents receivable from properties amounted to £1,315,000 (1998 - £1,315,000). All income is derived from operations within the United Kingdom.

2. Directors' emoluments

All directors are remunerated by CGU Employment Services Limited in respect of their services to the CGU Group as a whole. Their emoluments are recharged to the Company as part of a management charge, which also includes a charge for administration costs, and it is not possible to identify separately the amounts of their emoluments.

3. Auditors' remuneration

Auditors' remuneration is charged in the accounts of CGU plc.(1998 remuneration paid by the Company £1,000).

4 Taxation	1999 £000	1998 £000
Based on the profit for the year:		
Corporation tax at 30.25% (1998 - 31%)	276	245
Adjustment to prior years	-	(31)
	<u>276</u>	<u>214</u>

General Accident Developments Limited

Notes to the accounts (continued)

5. Fixed assets - tangible assets

	<u>Freehold land & buildings</u> £000	<u>Tenants'</u> <u>specifications</u> £000	<u>Total</u> £000
Cost or valuation			
At 1 January 1999	4,235	8,323	12,558
Revaluation	200	-	200
At 31 December 1999	<u>4,435</u>	<u>8,323</u>	<u>12,758</u>
Depreciation			
At 1 January 1999	-	3,710	3,710
Charge for year	-	584	584
At 31 December 1999	<u>-</u>	<u>4,294</u>	<u>4,294</u>
Net book value			
At 31 December 1999	<u>4,435</u>	<u>4,029</u>	<u>8,464</u>
At 31 December 1998	<u>4,235</u>	<u>4,613</u>	<u>8,848</u>
Historical cost			
At 31 December 1999	7,466	8,323	15,789
Accumulated historic depreciation	-	(4,294)	(4,294)
Net historical cost at 31 December 1999	<u>7,466</u>	<u>4,029</u>	<u>11,495</u>

The net historical cost included a sum for capitalised interest of £464,000 (1998-£464,000).

6 Debtors	1999 £000	1998 £000
Trade debtors	<u>-</u>	<u>172</u>

General Accident Developments Limited

Notes to the accounts (continued)

7. Creditors: Amounts falling due within one year

	1999 £000	1998 £000
Amounts due to affiliated undertakings	6,123	7,611
UK Corporation tax payable	522	245
Other creditors	74	59
	<u>6,719</u>	<u>7,915</u>

8. Share Capital

	1999 £000	1998 £000
Authorised, issued and fully paid		
2,000,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

9. Reserves

	Profit and loss account £000	Revaluation reserve £000	Total Reserves £000
At 1 January 1999	(891)	-	(891)
Retained profit for year	439	-	439
Revaluation in year	-	200	200
At 31 December 1999	<u>(452)</u>	<u>200</u>	<u>(252)</u>

10 Reconciliation of the movement in equity shareholders' funds

	1999 £000	1998 £000
Total recognised profit/(loss) for the financial year	439	(116)
Surplus/(Deficit) on revaluation of investment properties	200	(340)
Movement in shareholders' funds	<u>639</u>	<u>(456)</u>
Balance as at 1 January 1999	<u>1,109</u>	<u>1,565</u>
Balance as at 31 December 1999	<u>1,748</u>	<u>1,109</u>

General Accident Developments Limited

Notes to the accounts (continued)

11. Holding companies' details

The immediate holding company is CGU Insurance plc.

The smallest group of undertakings, of which the Company is a member, that prepares group accounts is 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 ultimate holding company is CGU plc, incorporated in Great Britain and registered in England. Its group accounts for the year ended 31 December 1999 are available on application to the Group Company Secretary, CGU plc, St. Helen's, 1 Undershaft, London, EC3P 3DQ.

12. 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.

13. Post balance sheet event

On 21 February 2000, the Board of CGU Plc announced the terms of a merger with Norwich Union Plc to create CGNU Plc, subject to shareholder and regulatory approvals.