

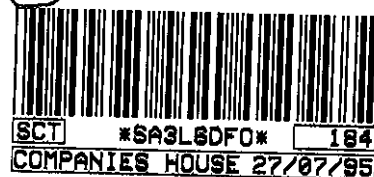
GA BONUS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1994

REGISTERED NUMBER 8140

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GA BONUS PLC

Directory

Board of Directors

N.G. Lister, FCII
R.Newton
R.A.Scott
T.R.Smith

Secretary

R.A.Whitaker LLB DMS FCII

Officers

T.R. Lewis	Manager GA Bonus plc
C.G.Coates, ACII	Marketing Manager
A.R. Jones	Products and Pricing Manager

Auditors

KPMG
24 Blythswood Square
Glasgow G2 4QS

Bankers

National Westminster Bank PLC
PO Box No. 27
132 High Street
Southend-on-Sea

Registered Office

Pitheavlis, Perth, Scotland PH2 0NH
Registered in Scotland: No. 8140

GA BONUS PLC,
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GA BONUS PLC

Directors' Report

Principal Activity

The principal activity of the Company is the transaction of Insurance business.

Business Review

The Company remains and has strengthened its position as the acknowledged market leader in the provision of on-line facilities for the placing of Commercial Lines business. New customer acquisitions have continued where they are considered operationally/economically viable and/or strategically important to the Group, and increased marketing effort has strengthened our position with existing major customers.

Gross written premiums rose by 33% over 1993, although softening market conditions began to have a negative effect on pricing during Quarter 3 1994 and increasingly during Quarter 4.

The Glasgow floods and the Company's largest single Fire/BI loss in 2 years, both occurring in Quarter 4 were mitigated by the mild weather during most of the year. Combined with underwriting and claims strategies employed this served to produce a profitable underwriting result significantly better than plan.

The adherence to strict credit control policy has continued to improve cashflow and increase funds available for investment, with a resulting positive impact on earnings.

Implementaion of the "BONUS 2000" Project to provide a replacement to the GA BONUS Polisy computer system, began during Quarter 2 and fully operational pilot sites in customers offices were on-line and producing business prior to the year end. The project ran to plan and within budget during the first phase.

Whilst significant productivity gains are planned from "BONUS 2000" in subsequent years, improvements continued to be achieved during 1994 and all other Key Performance Indicators performed better than plan.

The Company's contribution to the earnings and in particular, the revenue, of our parent were of strategic importance and we continue to provide a lead with regard to the Corporation's developing Relationship Management effort with the key international brokers.

GA BONUS PLC

Directors and Their Interests

The names of present directors are listed on page 2.

None of the directors had any interest in the share capital of the Company, which is a wholly owned subsidiary of General Accident plc. The interests of Mr R A Scott in the share capital of other companies in the same group are contained in the report of the directors of the ultimate parent company.

The interests of the remaining directors were as follows:-

	Ordinary Shares 1st January 1994	31st December 1994
N.G.Lister	7,122	9,254
R Newton	2,782	3,764
T.R.Smith	Nil	722

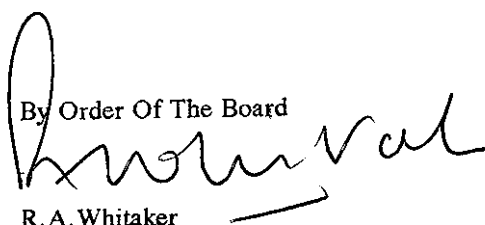
Options	1st January 1994 (Or on appointment if later)	Options Granted During the Year	Options Exercised Or Lapsed During the Year	31st December 1994
N.G.Lister	64,350	10,050	1,022	73,378
R Newton	34,086	20,295	Nil	54,381
T.R.Smith	4,824	10,410	Nil	15,234

Auditors

On 6th February 1995 the Group's auditors changed the name under which they practice to KPMG and, accordingly, have signed their report in their new name.

In accordance with section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order Of The Board


R.A. Whitaker
Secretary

22nd March 1995

Statement of Directors' Responsibilities

The following statement, which should be read in conjunction with the auditors' statement set out below 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 comply with the provisions of the Companies Act 1985 applicable to insurance companies.

The directors consider that in preparing the financial statements on pages 6 to 12 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments 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 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 12, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion below.

Report of the Auditors to the Members of GA Bonus plc

We have audited the financial statements on pages 6 to 12

Respective responsibilities of Directors and Auditors

As described above 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.

Opinion

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.


KPMG

Chartered Accountants

Registered Auditors

24 Blythswood Square, Glasgow G2 4QS

28th June 1995

GA BONUS PLC

Revenue Account

For the year ended 31st December 1994

	Notes	£000's	1994 £000's	1993 £000's
Premiums Written - Gross			151,460	113,303
Reinsurance Premiums Ceded			(11,544)	(11,430)
Premiums Written - Net			139,916	101,873
Increase in Unearned Premiums	1c		16,611	22,280
Premiums Earned - Net			123,305	79,593
Claims Incurred		78,300		52,793
Reinsurance Recoverable		(155)		194
Net Claims Incurred	1d		78,145	52,987
Commission		31,801		24,096
Expenses of Management	1e, 1f	14,657		11,267
Transfer to Deferred Acquisition Costs	1c	(3,207)		(4,374)
			43,251	30,989
Underwriting Result			1,909	(4,383)

Underwriting Provisions & Reserves

as per Balance Sheet

		1994 £000's	1993 £000's
Provision for Unearned Premiums before deduction of Deferred Acquisition Costs.			
At beginning of Year		55,541	33,261
Increase during the year		16,611	22,280
At End of Year	1c	72,152	55,541
Outstanding Claims			
Gross		85,166	57,145
Reinsurance		3,599	4,790
Net	1d	81,567	52,355

GA BONUS PLC

Profit & Loss Account

For the year ended 31st December 1994

	Notes	1994 £000's	1993 £000's
Investment Income	1g, 9	9,896	6,453
Realised Gains/(Losses)		(28)	776
Underwriting Result		<u>1,909</u>	<u>(4,383)</u>
Profit/(Loss) Before Taxation	1a	11,777	2,846
United Kingdom Taxation	6	<u>3,406</u>	<u>159</u>
Profit For The Year		8,371	2,687
Balance Brought Forward		(9,375)	(12,062)
Ordinary Dividends Paid		<u>(200)</u>	<u>0</u>
Balance Carried Forward		<u><u>(1,204)</u></u>	<u><u>(9,375)</u></u>

Statement of Total Recognised Gains and Losses

For the year ended 31st December 1994

	1994 £000's	1993 £000's
Profit (Loss) attributable to shareholders	8,371	2,687
Other recognised gains (losses) for the period not included in profit Movement in revaluation reserve	<u>(12,257)</u>	<u>7,059</u>
Total recognised gains and losses relating to the year	<u><u>(3,886)</u></u>	<u><u>9,746</u></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 for the year is not given.

Reconciliation of the Movement in Shareholders' Funds

For the year ended 31st December 1994

	1994 £000's	1993 £000's
Total recognised gains and losses relating to the year	(3,886)	9,746
Dividends - Ordinary Shares	(200)	0
Ordinary Share Capital Issued	0	0
Balance as at 1st January	<u>33,620</u>	<u>23,874</u>
Balance as at 31st December	<u><u>29,534</u></u>	<u><u>33,620</u></u>


GA BONUS PLC

Balance Sheet

As At 31st December 1994

	Notes	1994 £000's	1993 £000's	1993 £000's	£000's
<u>Investments</u>	1g				
Government Securities		52,136		31,534	
Debentures		20,384		12,639	
Ordinary Shares		61,038		33,982	
Short-Term Deposits		2,750		14,350	
			136,308		92,505
<u>Other Assets</u>					
Property, Plant and Equipment	1e	14		2	
Other Fixed Assets	1e, 1f	2,442		1,442	
Due By Group Companies		0		1,958	
Debtors		46,728		39,119	
Bank Balances		846		2,007	
			50,030		44,528
			186,338		137,033
<u>Liabilities</u>					
Creditors		8,948		6,541	
Due To Group Companies		8,368		0	
			17,316		6,541
			169,022		130,492
<u>Insurance Provisions</u>					
Claims Outstanding - Gross	1d	85,166		57,146	
Reinsurance		3,599		4,791	
Net			81,567		52,355
Unearned Premium Reserve	1c	72,152		55,541	
less Deferred Acquisition Costs		14,231		11,024	
			57,921		44,517
			29,534		33,620
<u>Shareholders' Funds</u>					
Share Capital	3		34,000		34,000
Revaluation Reserve	1g		(3,262)		8,995
Retained Earnings	1a		(1,204)		(9,375)
			29,534		33,620

These financial statements were approved by the board of Directors on 22nd March 1995 and were signed on its behalf by:


Director

Notes to the Accounts

1 Accounting Policies

(a) Preparation of Accounts

The accounts have been prepared in compliance with Section 258 of the Companies Act 1985, and Schedule 9A to the Act. The Company avails itself of certain of the exemptions applicable to Insurance Companies, in respect of the disclosure requirements of Schedule 9A.

(b) Determination of Underwriting Results

The underwriting result is determined after making provisions for unearned premiums, unexpired risks and outstanding claims on the bases set out below.

(c) Unearned Premiums

Unearned premiums are calculated on the 24ths basis and are stated net of proportionate acquisition costs. Where appropriate, provision is also made for unexpired risks.

(d) Outstanding Claims

Provision is made, on the basis of available information, for the full estimated costs of claims notified but not settled, and claims incurred but not reported at the year end.

(e) Fixed Assets

Properties, computers, office equipment, and motor cars are capitalised and depreciated over a period not exceeding their useful lives.

(f) Leases

(i) Finance leases. Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future rentals payable is included under creditors. The interest element of lease payments is charged to profit and loss.

(ii) Operating leases. Rental costs are charged to profit and loss as they arise.

(g) Investments

All securities are valued at the middle market value at 31st December 1994. Unrealised gains or losses are transferred to revaluation reserve. Investment income is shown on a gross basis including UK dividends grossed up by the related tax credits. Investment management expenses have been deducted.

Notes to the Accounts

2 Segmental Analysis

Turnover, Profit/(Loss) before Taxation, Interest Payable and Net Assets are all in respect of UK General Insurance Business.

Class of Business Segmental Analysis	1994 £000's	1993 £000's
Gross Written Premium		
Property	109,439	82,920
Accident and Liability	35,212	24,626
Motor	4,259	3,442
Goods In Transit	2,551	2,314
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	151,461	113,302
	<hr/>	<hr/>

3 Share Capital

The share capital is as follows

	1994 £000's	1993 £000's
Authorised:	43,000	34,000
Ordinary Shares of £1 each	<hr/>	<hr/>
Issued and Fully Paid:	34,000	34,000
Ordinary Shares of £1 each	<hr/>	<hr/>

4 Ultimate Parent Company and Parent Undertaking of Larger Group of which the Company is a Member

The largest group in which the results of the company are consolidated is that headed by General Accident plc, the ultimate holding company incorporated in Great Britain and registered in Scotland. The smallest group in which they are consolidated is that headed by General Accident Fire and Life Assurance Corporation plc, incorporated in Great Britain and registered in Scotland.

The consolidated accounts of these groups are available to the public and may be obtained from Pitheavlis, Perth, Scotland, PH2 ONH.

GA BONUS PLC

Notes to the Accounts

5 Directors and Employees

(a) Directors Emoluments Nil (1993 Nil)

(b) Directors' Other Interests Nil (1993 Nil)

6 Taxation

The taxation charge/credit for the year comprises:	1994 £000's	1993 £000's
UK Corporation Tax	2,643	0
Franked Investment Income	399	159
Deferred Tax	364	0
	<u>3406</u>	<u>159</u>

7 Deferred Tax

A Deferred taxation balance of £363,454 (1993 - £0) is included in the creditors balances, this is due to short term timing differences.

8 Auditor's Remuneration

The Auditors' remuneration am 35,250 (1993 - 35,250)

9 Investment Income

	1994 £000's	1993 £000's
Gross Investment Income	9,960	6,555
Investment Expenses	(64)	(102)
	9,896	6,453

10 Pension Fund

The Company is a member of the General Accident Companies U.K. Pension Scheme, a funded defined benefit scheme. Actuarial details of the scheme are contained in the accounts of the ultimate holding company, General Accident p.l.c.

The pension charge for the period was £923,858 (1993 £988,500) representing the proportionate charge for normal contributions less amortisation of the surplus of the funds over the average remaining service lives of group employees

GA BONUS PLC

Notes to the Accounts

11 Mutual Guarantees

With the approval of the Department of Trade and Industry, General Accident Fire and Life Assurance Corporation p.l.c. and each of its U.K. subsidiary companies transacting general insurance business, of which GA BONUS plc is one, have mutually guaranteed all liabilities attaching to their respective policies in force.

12 Cash Flow

Under Financial Reporting Standard 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

GA BONUS PLC

Five Year Financial Summary

For the year ended 31st December 1994

	1994 £000's	1993 £000's	1992 £000's	1991 £000's	1990 £000's
Net Premiums Written					
Fire and Accident	139,916	101,873	56,347	30,882	26,748
Marine and Aviation	0	0	0	0	0
	139,916	101,873	56,347	30,882	26,748
Profit and Loss					
Underwriting Result	1,909	(4,383)	(8,740)	(9,174)	(11,410)
Investment Return	9,868	7,229	4,301	2,750	2,158
Profit Before Taxation	11,777	2,846	(4,439)	(6,424)	(9,252)
Taxation	3,406	159	(1,219)	(2,577)	(128)
Profit After Taxation	8,371	2,687	(3,220)	(3,847)	(9,124)
Balance Sheet					
Investments	136,308	92,505	45,355	25,922	27,002
Other Assets	50,030	44,528	41,181	29,221	22,200
Liabilities	(17,316)	(6,541)	(2,667)	(2,591)	(2,441)
	169,022	130,492	83,869	52,552	46,761
Insurance Funds	139,488	96,872	59,995	39,436	35,675
	29,534	33,620	23,874	13,116	11,086
Share Capital	34,000	34,000	34,000	22,000	17,000
Revaluation Reserve	(3,262)	8,995	1,936	(42)	(918)
Retained Earnings	(1,204)	(9,375)	(12,062)	(8,842)	(4,996)
Shareholders Funds	29,534	33,620	23,874	13,116	11,086

GA BONUS PLC

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