# Guardian Royal Exchange plc

# 1999 Report and Accounts



**Registered Office: 107 Cheapside, London, EC2V 6DU**
**Registered Number: 1821312**

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# Directors' Report

**Directors**
G M Wood - *Chairman*
A K Haste
A C Homer
J V F Roberts

**Secretary**
I D Richardson

**Auditors**
PricewaterhouseCoopers

The directors of Guardian Royal Exchange plc (the Company) present their report together with the audited accounts of the Company for the year ended 31 December 1999.

**Review of activities**
The principal activity of the Company during the year was as a holding company for the former Guardian Royal Exchange Group (the Group) which carried on insurance, healthcare, financial services and investment business in the United Kingdom.

On 1 February 1999, the directors of the Company recommended to its shareholders that they accept an Offer for their shares from Sun Life and Provincial Holdings plc ("SLPH"), a subsidiary of the AXA Group. The Offer was declared unconditional in all respects on 10 May 1999 and, pursuant to the compulsory acquisition procedures under section 429 of the Companies Act 1985, the Company became a wholly owned subsidiary of SLPH on 12 July 1999. The Company's ultimate parent company at the date of this report is AXA, a company incorporated in France.

As part of the above acquisition, the company disposed of the US assets of Guardian Royal Exchange to Liberty Mutual Insurance Company and the other overseas assets (outside the United Kingdom and Ireland) to AXA. The life business of Guardian Royal Exchange in the UK and Ireland were subsequently sold to Aegon and Royal Liver Assurance respectively.

**Directors**
The names of the directors of the Company at the date of this Report appear above.

Mark Wood, Andy Homer and Julian Roberts were appointed directors on 12 May 1999 and on that date Mark Wood was also elected Chairman. Andy Haste was appointed a director on 22 December 1999. Unless otherwise stated, the following resigned as directors of the Company on 12 May 1999; Lord Hambro, Julian Sheffield, Edward Adeane, Volker Bremkamp, Caroline Burton, Sir Colin Chandler, Sir Brian Hayes(retired 5 May 1999), James Morley, Sir Paul Newall, Ray Pierce, Sir Peter Reynolds, John Robins, John Sinclair (retired 30 April 1999), Sir Anthony Tennant and Victor Yerrill. Peter Owen resigned as a director on 5 November 1999 and Les Owen was appointed a director on 12 May 1999 and resigned from the Board of Directors on 22 December 1999.

Andy Haste was appointed to the Board on 22 December 1999 and will seek re-election at the Annual General Meeting.

Mark Wood will retire by rotation and seek re-election at the Annual General Meeting.

**Directors' Interests**
As permitted by Statutory Instrument the register does not include the interests of any of the directors, all of whom are reported by Sun Life and Provincial Holdings plc.

**Share Capital**
Details of the share capital of the Company are set out in note 18 on page 28.

**Dividends**
The directors do not recommend the payment of a final dividend for the year ended 31 December 1999 (1998: Nil). An interim dividend of 31.2p net per share (1998: 4.3p) was declared on 25 February 2000.

The transfer to reserves is shown on page 9.

**Going concern**
The financial statements are prepared on a going concern basis as the directors are satisfied that, at the time of approving the financial statements, both the Company and the Group each have the resources to continue in business for the foreseeable future.

**Year 2000**
The Company implemented a structured program to minimise the impact of the Millennium date change on its operations. The programme covered internal business systems, properties and the external supplier chain.

No significant issues have arisen as a result of the Year 2000 date change. However, given the nature and scale of the problem, it is not yet possible for any organisation to be certain that it will not be affected by failures due to the Year 2000 date change, even when its own systems are fully compliant.

The total cost of compliance across the UK Group is disclosed in the Accounts of Sun Life and Provincial Holdings plc

**The Euro**
All computer systems immediately affected by the introduction of the Euro on 1 January 2000 were Euro compliant before its introduction. No further material costs have been incurred during the year.

**Policy relating to trade suppliers**
As a holding company and for commercial convenience, the Company's purchasing is carried out through a subsidiary. Its policy is to settle balances within agreed credit terms, which vary according to trading relationships. Balances outstanding at 31 December 1999 represented a credit period of 24 days (1998: 25 days).

**Employees**
The Group, through each of its employing subsidiary companies, is committed to a policy of equal opportunity in recruitment, training, career development and promotion of staff, irrespective of sex, marital status, race or ethnic origin. Full and fair consideration is also given to disabled persons including the rehabilitation and retention of staff who become disabled, having regard to their particular aptitudes and abilities.

The practise of regular meetings, consulting and negotiating with the Union and staff representatives on behalf on employees has continued throughout the year. Staff affected by restructuring exercises have been counselled by joint Management/Union teams in accordance with the procedures agreed with the Union. Staff are regularly provided with information regarding group performance and development and the financial and economic factors which affect such matters.

## Directors' Report continued

Group policy is to encourage staff to associate themselves with Group performance and many employees have had the opportunity to participate in share option and profit sharing schemes. Training is provided to enable all employees to fulfil their potential.

**Donations**
Donations made by the Group during 1999 to charitable organisations within the United Kingdom amounted to £417,268 (1998: £625,716). No political donations were made during the year (1998: £Nil).

**Auditors**
A resolution to re-appoint the auditors, PricewaterhouseCoopers, and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.

By order of the Board.

Ian Richardson

**I D Richardson**
**Company Secretary**
28 July 2000

## Directors' Responsibilities for the Financial Statements

The directors are responsible for ensuring that reasonable steps are taken to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

The directors are required to maintain proper accounting records and to prepare financial statements in respect of each accounting period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

In preparing these financial statements the directors have ensured that applicable accounting standards have been followed and that suitable accounting policies have been used on a consistent basis. The directors have also ensured that where necessary the accounts are supported by reasonable and prudent judgements and estimates.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the financial statements.

# Auditors' Report

**Auditors' report to the members of Guardian Royal Exchange plc**
We have audited the financial statements on pages 7 to 36 which have been prepared in accordance with the accounting policies set out on pages 15 to 18.

**Respective responsibilities of directors and auditors**
The directors are responsible for preparing the Annual Report. As described on page 5, 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 value 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 or the Listing Rules 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 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 misstatements, 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.

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amount set aside at 31 December 1999, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax, are disclosed in the accounting policies and pages 7 and 11 of the Financial Statements.

**Opinion**
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 1999 and of the profit and cash flows of the Group 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

***28 July 2000***

## Consolidated Profit and Loss Account

for the year ended 31 December 1999

| General business technical account | 1999 £m | 1999 £m | 1998 £m | 1998 £m |
|---|---|---|---|---|
| Gross written premiums | | | | |
| Continuing operations | | **1,908** | | 2,003 |
| Discontinued operations | | **661** | | 1,517 |
| | | **2,569** | | 3,520 |
| Outward reinsurance premiums | | **(239)** | | (292) |
| Net written premiums | | **2,330** | | 3,228 |
| | | | | |
| Change in provision for unearned premiums | | | | |
| - gross account | **(48)** | | 1 | |
| - reinsurers' share | **25** | | (14) | |
| | | **(23)** | | (13) |
| Earned premiums, net of reinsurance | | **2,307** | | 3,215 |
| Allocated investment return transferred from non-technical account | | **203** | | 283 |
| Other technical income | | **59** | | 84 |
| Total technical income | | **2,569** | | 3,582 |
| | | | | |
| Claims paid | | | | |
| - gross | **(2,190)** | | (2,740) | |
| - reinsurers' share | **51** | | 175 | |
| | **(2,139)** | | (2,565) | |
| Change in outstanding claims provision | | | | |
| - gross *(including strengthening of £341m, Note: 27)* | **(197)** | | (42) | |
| - reinsurers' share | **48** | | 42 | |
| | **(149)** | | - | |
| Claims incurred, net of reinsurance | | **(2,288)** | | (2,565) |
| Change in other technical provisions net of reinsurance | | **(17)** | | (20) |
| Net operating expenses *(note: 1e)* | | **(748)** | | (1,050) |
| Amortisation of goodwill in acquired claims provisions | | **(5)** | | (5) |
| Operating result before movement in equalisation reserves | | **(489)** | | (58) |
| Change in equalisation reserves | | **46** | | (16) |
| | | | | |
| **Balance on the general business technical account** | | **(443)** | | (74) |

The general business operating result before movement in equalisation reserves represents:

| | 1999 £m | 1998 £m |
|---|---|---|
| Operating result | | |
| - continuing operations | **(446)** | (4) |
| - discontinued operations | **(43)** | (15) |
| Reorganisation provision - continuing operations | **-** | (39) |
| | **(489)** | (58) |

## Consolidated Profit and Loss Account continued

for the year ended 31 December 1999

| Long term business technical account | 1999 £m | 1999 £m | 1998 £m | 1998 £m |
|---|---|---|---|---|
| Gross written premiums | | | | |
| Continuing operations | | **116** | | 124 |
| Discontinued operations | | **444** | | 749 |
| | | **560** | | 873 |
| Outward reinsurance premiums | | **(49)** | | (40) |
| Earned premiums, net of reinsurance | | **511** | | 833 |
| Investment income *(note: 2c)* | | **1,020** | | 1,165 |
| Unrealised investment gains | | **(11)** | | 451 |
| Other technical income, net of reinsurance | | **5** | | 5 |
| Claims paid | | | | |
| - gross | **(648)** | | (944) | |
| - reinsurers' share | **17** | | 24 | |
| | **(631)** | | (920) | |
| Change in the provision for claims | | | | |
| - gross | **(2)** | | - | |
| - reinsurers' share | **(1)** | | 1 | |
| | **(3)** | | 1 | |
| Claims incurred, net of reinsurance | | **(634)** | | (919) |
| Change in other technical provisions | | | | |
| *Long term business provision:* | | | | |
| - gross | **(54)** | | (935) | |
| - reinsurers' share | **64** | | 15 | |
| | **10** | | (920) | |
| Other technical provisions, net of reinsurance | **(347)** | | (449) | |
| | | **(337)** | | (1,369) |
| Net operating expenses *(note: 2d)* | | **(92)** | | (149) |
| Investment expenses and charges *(note: 2e)* | | **(9)** | | (18) |
| Other technical charges, net of reinsurance - | | | | |
| Amortisation of present value of acquired in force business | | **(17)** | | - |
| Tax attributable to the long term business | | **(41)** | | (65) |
| Transfers (to)/from fund for future appropriations | | **(364)** | | 80 |
| **Balance on the long term business technical account** | | **31** | | 14 |

## Consolidated Profit and Loss Account continued

for the year ended 31 December 1999

| | 1999 | | 1998 | |
|---|---|---|---|---|
| **Non-technical account** | **£m** | **£m** | £m | £m |
| **Balance on the general business technical account** | | **(443)** | | (74) |
| **Balance on the long term business technical account** | **31** | | 14 | |
| Tax credit attributable to the balance on the long term business technical account | **9** | | 10 | |
| | | **40** | | 24 |
| Income from interests in joint venture and associated undertakings *(notes: 3a & 3b)* | | **15** | | 21 |
| Other investment income *(note: 4a)* | **648** | | 926 | |
| Investment expenses and charges *(note: 4b)* | **(30)** | | (52) | |
| Unrealised investment losses | **(180)** | | (265) | |
| Investment return allocated to the general business technical account | **(203)** | | (283) | |
| Amortisation of goodwill | **(16)** | | (12) | |
| Other charges *(note: 4d)* | **(32)** | | (24) | |
| **Corporate investment profit/(loss)** | | **187** | | 290 |
| **Operating profit comprising:** | | | | |
| Continuing operations | | | | |
| Other continuing business | | **(280)** | | 199 |
| Discontinued business | | **33** | | 78 |
| Movement in claims equalisation reserves | | **46** | | (16) |
| | | **(201)** | | 261 |
| Profit on disposal of operations | | **338** | | 131 |
| Restructuring costs | | **(75)** | | - |
| **Profit on ordinary activities before tax** | | **62** | | 392 |
| Tax on profit on ordinary activities *(note: 6)* | | **77** | | (73) |
| Profit on ordinary activities after tax | | **139** | | 319 |
| Equity minority interests | | **2** | | (5) |
| Non-equity minority interests | | **(18)** | | (2) |
| **Profit for the financial year** | | **123** | | 312 |
| Dividends | | **(280)** | | (38) |
| **Retained profit for the financial year** | | **(157)** | | 274 |
| **Earnings per ordinary share** | | **13.8p** | | 35.5p |
| **Fully diluted earnings per ordinary share** | | **13.7p** | | 34.9p |

The pre-tax profit for 1999 is stated after charging restructuring costs of £75m. These costs relate to the fundamental reorganisation of the business which is being completed as the GRE businesses are integrated with those of Sun Life and Provincial Holdings plc. The tax relief included in the non technical account on restructuring costs amount to £20m.

The operating profit for 1998 is after charging exceptional costs of £39m following the acquisitions during the year.

The calculation of earnings per ordinary share is based on profit of £123m (1998: £312m) and on a weighted average of 893,550,469 (1998: 879,683,218) ordinary shares after adjusting for partly paid shares.

Details of the calculation of fully diluted earnings per share are set out in note 25.

# Consolidated Balance Sheet

for the year ended 31 December 1999

| | 1999 | | 1998 | |
|---|---|---|---|---|
| **Assets** | **£m** | **£m** | £m | £m |
| **Intangible assets *(note: 16)*** | | | | |
| Goodwill | **151** | | 513 | |
| Negative Goodwill *(note:22a)* | **(7)** | | - | |
| Net Goodwill | | **144** | | 513 |
| Present value of acquired in-force business | | **8** | | 8 |
| | | **152** | | 521 |
| **Investments** | | | | |
| Land and Buildings *(note: 7)* | **82** | | 918 | |
| Investments in group undertakings and participating interests *(notes:7 & 9)* | | | | |
| Interest in fellow subsidiary undertaking | **1,682** | | - | |
| Interest in joint ventures | | | | |
| Share of gross assets | **101** | | 98 | |
| Share of gross liabilities | **(28)** | | (33) | |
| Interest in associated undertakings | **16** | | 112 | |
| Other financial investments *(notes: 7 & 9)* | **4,203** | | 14,669 | |
| Deposits with ceding companies | **21** | | 14 | |
| | | **6,077** | | 15,778 |
| **Assets held to cover linked liabilities** | | **161** | | 3,596 |
| **Reinsurers' share of technical provisions** | | | | |
| Provision for unearned premiums | **77** | | 71 | |
| Life business provision | **41** | | 114 | |
| Linked liabilities | **9** | | - | |
| Claims outstanding | **304** | | 414 | |
| | | **431** | | 599 |
| **Debtors** | | | | |
| Debtors arising out of direct insurance operations *(note: 10a)* | **697** | | 897 | |
| Debtors arising out of reinsurance operations | **51** | | 68 | |
| Other debtors | **696** | | 473 | |
| | | **1,444** | | 1,438 |
| **Other assets** | | | | |
| Tangible fixed assets (*note: 8*) | **29** | | 73 | |
| Stocks | **1** | | 1 | |
| Cash at bank and in hand | **457** | | 304 | |
| | | **487** | | 378 |
| **Prepayments and accrued income** | | | | |
| Accrued interest and rent | **40** | | 185 | |
| Deferred acquisition costs | **233** | | 380 | |
| Other prepayments and accrued income | **76** | | 23 | |
| | | **349** | | 588 |
| **Total Assets** | | **9,101** | | 22,898 |

## Consolidated Balance Sheet

for the year ended 31 December 1999

| Liabilities and reserves | 1999 £m | 1999 £m | 1998 £m | 1998 £m |
|---|---|---|---|---|
| **Capital and reserves** | | | | |
| Called up share capital *(note: 18a)* | | **47** | | 46 |
| Share premium account *(note: 18b)* | | **83** | | 54 |
| Other reserves *(note: 19)* | **743** | | 864 | |
| Profit and loss account *(note: 19)* | **1,750** | | 1,823 | |
| | | **2,493** | | 2,687 |
| **Equity shareholders' funds** | | **2,623** | | 2,787 |
| **Minority interests** | | | | |
| Equity minority interests | **481** | | 134 | |
| Non-equity minority interests | **-** | | 17 | |
| | | **481** | | 151 |
| **Fund for future appropriations** | | **88** | | 1,268 |
| **Technical provisions** | | | | |
| Provision for unearned premiums | **1,214** | | 1,431 | |
| Long term business provision | **305** | | 7,801 | |
| Claims outstanding | **2,985** | | 3,734 | |
| Equalisation provision | **18** | | 137 | |
| Other technical provisions | **39** | | 20 | |
| | | **4,561** | | 13,123 |
| **Technical provisions for linked liabilities** | | **170** | | 3,596 |
| **Provisions for other risks and charges *(note: 11)*** | | **351** | | 466 |
| ***Deposits received from reinsurers*** | | **3** | | 64 |
| **Creditors** | | | | |
| Creditors arising out of direct insurance operations | **67** | | 100 | |
| Creditors arising out of reinsurance operations | **28** | | 59 | |
| Amounts owed to credit institutions *(note: 13)* | **7** | | 240 | |
| Non-convertible debenture loans *(note: 13)* | **147** | | 148 | |
| Other creditors including taxation and social security *(note: 12)* | **494** | | 788 | |
| | | **743** | | 1,335 |
| **Accruals and deferred income** | | **81** | | 108 |
| **Total liabilities and reserves** | | **9,101** | | 22,898 |

# Parent Company Balance Sheet

for the year ended 31 December 1999

| | 1999 £m | £m | 1998 £m | £m |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| **Investments** | | | | |
| *Shares in subsidiary undertakings (note: 26b)* | **1,103** | | 567 | |
| Cash and deposits | **1** | | 14 | |
| | | **1,104** | | 581 |
| **Current assets** | | | | |
| **Debtors** | | | | |
| Amount due from immediate parent company | **363** | | - | |
| Amounts due from fellow subsidiary undertakings | **8** | | 231 | |
| Loans to subsidiary undertakings | **-** | | 371 | |
| Taxation | **3** | | 5 | |
| Sundry debtors | **-** | | 2 | |
| | **374** | | 609 | |
| **Creditors: amounts falling due within one year** | | | | |
| Interim ordinary dividend | **-** | | 38 | |
| Proposed final dividend | **280** | | - | |
| Amounts due to subsidiary undertakings | **442** | | 393 | |
| Other creditors including tax and social security | **6** | | 7 | |
| | **728** | | 438 | |
| **Net current assets/(liabilities)** | | **(354)** | | 171 |
| **Total assets less current liabilities** | | **750** | | 752 |
| **Creditors: amounts falling due after more than one year** | | | | |
| Debenture loan | | **147** | | 147 |
| ***Provision for other risks and charges*** | | | | |
| Deferred taxation | | **-** | | 4 |
| **Net assets** | | **603** | | 601 |
| | | | | |
| **Representing:** | | | | |
| Share capital *(note: 18a)* | | **47** | | 46 |
| Share premium *(note: 18b)* | | **83** | | 54 |
| Capital redemption reserve *(note: 19b)* | | **189** | | 189 |
| Profit and loss account *(note: 19b)* | | **284** | | 312 |
| **Equity shareholders' funds** | | **603** | | 601 |

The accounts on pages 7 to 35 were approved by the directors and signed on 28 July 2000.

Julian Roberts
Finance Director

# Cash Flow Statement - General Insurance and Corporate

for the year ended 31 December 1999

| | 1999 | | 1998 | |
|---|---|---|---|---|
| | **£m** | **£m** | £m | £m |
| ***Operating activities*** | | | | |
| Net cash inflow from operating activities *(note: 24a)* | | **(593)** | | 8 |
| Dividends from joint ventures and associated undertakings | | **-** | | 16 |
| Integration and restructuring costs paid | | **(23)** | | - |
| **Returns on investments and servicing of finance** | | | | |
| Interest paid | **(25)** | | (37) | |
| Dividends paid by subsidiaries to minorities | **(18)** | | (5) | |
| | | **(43)** | | (42) |
| **Taxation paid** | | **(91)** | | (96) |
| **Capital expenditure** | | | | |
| Purchases less sales of fixed assets | | **(4)** | | (27) |
| **Acquisitions and disposals** | | | | |
| Acquisition of subsidiary undertakings *(note: 24e)* | **(280)** | | (1,112) | |
| Deferred purchase consideration relating to subsidiary acquired in 1996 | **-** | | (1) | |
| Disposal of subsidiary undertakings *(note: 24f)* | **2,304** | | 281 | |
| Investment in participating interest | **(1,682)** | | - | |
| | | **342** | | (832) |
| **Equity dividends paid** | | **(38)** | | (106) |
| **Financing** | | | | |
| Issue of ordinary share capital | **28** | | 16 | |
| Return of capital to shareholders | **-** | | (189) | |
| Shares issued by subsidiary undertakings | **-** | | 9 | |
| Increase/(decrease) in borrowings | **(64)** | | 24 | |
| | | **(36)** | | (140) |
| **Cash available for investment** | | **(486)** | | (1,219) |
| Invested as follows: | | | | |
| **Increase in cash balances** | | **160** | | 148 |
| **Portfolio investments *(note: 24b)*** | | | | |
| Ordinary and preference shares | **(452)** | | (1,319) | |
| Fixed income securities | **49** | | 340 | |
| Property | **(27)** | | (30) | |
| Deposits with credit institutions | **(216)** | | (358) | |
| | | **(646)** | | (1,367) |
| **Net cash invested** | | **(486)** | | (1,219) |

The cash flow statement does not include amounts relating to life business except cash transactions between life business and shareholders.

## *Statement of Total Recognised Gains and Losses*

for the year ended 31 December 1999

| | 1999<br>£m | 1998<br>£m |
|---|---|---|
| *Profit for the financial year* | **123** | 312 |
| Exchange (losses)/gains on translation of overseas net assets not in profit and loss account | **(35)** | 17 |
| Total gains and losses relating to the year | **88** | 329 |

## Reconciliation of Movements in Group Shareholders' Funds

for the year ended 31 December 1999

| | 1999<br>£m | 1998<br>£m |
|---|---|---|
| Profit for the financial year | **123** | 312 |
| Dividends | **(280)** | (38) |
| Profit and loss account transfer to reserves | **(157)** | 274 |
| Exchange (losses)/gains on translation of overseas net assets | **(35)** | 17 |
| Issue of ordinary share capital | **28** | 16 |
| Return of capital to shareholders | **-** | (189) |
| | **(164)** | 118 |
| Shareholders' funds at beginning of year | **2,787** | 2,669 |
| Shareholders' funds at end of year | **2,623** | 2,787 |

# Accounting Policies

**I Basis of accounting and consolidation**

a) The accounting policies adopted are in accordance with applicable United Kingdom accounting standards to the extent that they are appropriate to insurance companies and are in accordance with the Statement of Recommended Practice on accounting for insurance business (SORP) issued by the Association of British Insurers.

b) The consolidated accounts are prepared in accordance with the requirements of the Companies Act 1985 as applicable to insurance companies.

c) The balance sheet of the Company is prepared in accordance with provisions applying to companies generally. As permitted by section 230 of the Companies Act 1985, a separate profit and loss account for the Company is not presented.

d) Investments in principal associated companies and joint ventures are accounted for in accordance with the equity basis of accounting and the gross equity basis, respectively.

**II General Business**

**a) Premiums**

Premiums are accounted for in the period in which the risk commences. Unearned premiums relating to risks in future periods of account are calculated on a daily pro-rata basis.

**b) Claims**

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related costs of settlement.

Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

**c) Equalisation reserves**

Equalisation reserves for United Kingdom subsidiary undertakings are calculated in accordance with the Insurance Companies (Reserves) Act 1995. Equalisation reserves for other subsidiaries are calculated by reference to local legislation where required by that legislation. These reserves are required by law to be treated as liabilities, notwithstanding the fact that they are in addition to the provisions required to meet the ultimate cost of settling claims outstanding at balance sheet date.

**d) Deferred acquisition expenses**

Commission and other acquisition costs relating to unearned premiums are deferred and charged in the accounting periods in which those premiums are earned.

**e) Unexpired risks**

Provision is made for unexpired risks when, after taking account of investment income on insurance funds, it is anticipated that unearned premiums will be insufficient to meet the future claims and expenses of business in force at the end of the year. Business which the directors consider is managed together is aggregated for this purpose.

## Accounting Policies continued

**f) Underwriting results**

Underwriting results are recognised principally on an annual accounting basis. For that part of the business where the directors consider that information of sufficient accuracy is not available to permit a result to be determined annually, the recognition of an underwriting result is deferred for a period of one year for proportional reinsurance and for a period of two years for non-proportional reinsurance, marine and aviation business. Anticipated underwriting deficits are provided for as soon as they are foreseen.

**g) Investment return**

An investment return is included in the general business technical account on a basis which reflects the long term rate of return on those investments which support the general insurance business.

**III Long term business**

**a) Premiums**

Renewal premiums are accounted for in the period in which the premiums are due. Initial premiums under renewable contracts, single premiums and considerations for annuities are accounted for in the same accounting period as the related policy liabilities are included in the actuary's valuation.

**b) Claims and surrenders**

Claims and surrenders are accounted for in the accounting period in which: (i) for death claims, the notification of death is received, (ii) for maturity claims, the maturity date of the endowment policy occurs, and (iii) for surrenders, the surrender value of the policy is paid. Annuities are charged in the revenue account to the accounting period in which the annuity becomes due for payment.

**c) Deferred acquisition expenses**

The costs of acquiring new business and the renewal of existing business which relates to subsequent accounting periods are deferred, to the extent that they are considered to be recoverable out of the future profits of the business concerned.

**d) Long term profit recognition**

Long term business profits are calculated by the use of the "Modified Statutory" method set out in ABI guidance notes. For most business, this produces a result which is very similar to that derived from the shareholders' transfer determined by actuarial valuation and which is known as the "Statutory" method. Profits in excess of the statutory result are not distributable to shareholders.

In determining the modified statutory results, the fund for future appropriations is used to account for reserves derived from long term business where the allocation of such reserves between policyholders and shareholders has not been determined.

**e) Investment return**

The total investment return, which includes both realised and unrealised gains, is taken to the life business technical account. An allocation is made from the life technical account to the non-technical account of the difference between the longer term rate of return and the actual return on those investments within the life funds which are directly attributable to shareholders.

**f) Bonuses**

Bonuses attributable to the accounting period, other than those included in claims incurred, are included within changes in the life business provision.

## Accounting Policies continued

**IV Investments**

***a) Investment income***

Investment income represents interest, rents and dividends receivable for the year including, where appropriate, related imputed tax credits. Investment income derived from assets supporting life business is credited to the life technical account. All other investment income is credited to the non-technical account.

**b) Realised and unrealised investment gains and losses**

Realised investment gains and losses are calculated by reference to the net sales proceeds and the original purchase cost. For presentation purposes, as required by legislation, net realised gains are included in investment income and net realised losses in investment expenses and charges.

**c) Valuation**

Investments are stated at market values for listed securities; open market valuations as appraised by the Group's professionally qualified staff for properties; bid price for unit trusts; redemption values less provisions for mortgages and loans; and directors' valuations for other investments. Investment properties are not depreciated, as the directors consider that they are held for investment purposes and to depreciate them would not give a true and fair view.

**d) Group occupied properties**

As required by the Companies Act, properties occupied by the Group are included as investments.

**V *Land for development and work in progress***

Land for development and work in progress is stated at the lower of cost and net realisable value and is shown as stocks in the balance sheet.

**VI Goodwill**

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over a period appropriate to the business acquired but, in any case, no longer than 20 years.

Acquired general business claims provisions are stated on an undiscounted basis. The difference between this and their fair value is included as a separate component of goodwill and amortised over the anticipated run-off period of the acquired provisions.

The present value of in-force contracts (PVIF) arising on the acquisition of life business is recognised as an asset. That part of the PVIF which will be recognised as profit over the remaining lifetime of the policies is amortised and the discount unwound, over that lifetime on a systematic basis. The amortisation pattern is determined actuarially to reflect the expected pattern of emergence of profits from the acquired contracts and is stated net of any unwind in the discount rate used to calculate the asset. The PVIF carrying value is tested annually for impairment.

**VII Foreign Exchange**

Transactions denominated in currencies other than Sterling are recorded at the rates ruling at the date of the transaction. Assets and liabilities denominated in currencies other than Sterling are translated at year-end exchange rates. Exchange gains and losses arising from life business are taken to the life technical account. Other gains and losses are treated as part of the investment return in the profit and loss account, except for exchange gains and losses on hedging loans and overseas subsidiary undertakings which are taken to revaluation reserve.

## Accounting Policies continued

Assets and liabilities of subsidiary companies and branches are translated into Sterling at year-end rates of exchange with profits and losses for the year translated at average rates. The resulting exchange gains and losses are taken to revaluation reserve.

**VIII Taxation**

Provision is made for deferred taxation on unrealised gains and other timing differences where it is considered that a liability will arise in the foreseeable future. No provision is made for taxation which would arise if retained earnings of overseas subsidiaries were to be remitted to the United Kingdom.

**IX Fixed assets and depreciation**

Major items of equipment are capitalised and depreciated over their expected useful lives after taking into account their anticipated residual value. All other items of equipment are written off in the year of purchase.

**X Staff pension costs**

The amount charged to the profit and loss account is the regular cost of providing the benefits accrued in the year adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll.

**XI Derivatives**

Derivatives and financial instruments used in the long term funds are included at market value under the category of investment to which the contract relates. Unrealised gains and losses on such instruments are included in the long term business technical account.

Forward contracts used to hedge the Company's short term debt and currency exposure have been included in the financial statements, with unrealised gains and losses taken to the non technical account. Interest rate swap payments and receipts arising on swaps used to hedge the Group's debt exposure are included within interest payable and spread over the period to which they relate.

## *Notes on the Financial Statements*

1 **General insurance business**

**a) Geographical analysis**

| | | **Net written premiums £m** (1999) | **Underwriting result £m** (1999) | **Pre tax result £m** (1999) | Net written premiums £m (1998) | Underwriting result £m (1998) | Pre tax result £m (1998) |
|---|---|---|---|---|---|---|---|
| United Kingdom | - continuing business | **1,302** | **(519)** | **(402)** | 1,456 | (180) | (49) |
| Republic of Ireland | | **252** | **(65)** | **(41)** | 235 | (12) | 14 |
| Continental Europe | - continuing business | **14** | **(1)** | **(1)** | 30 | (1) | - |
| | - disposed business | **240** | **(20)** | **(4)** | 436 | (37) | 10 |
| The Americas | - disposed business | **269** | **(42)** | **(23)** | 685 | (57) | (16) |
| South Africa | - disposed business | **55** | **(3)** | **(1)** | 190 | (10) | (5) |
| Asia | - continuing business | **4** | **(2)** | **(1)** | 14 | (4) | (3) |
| | - disposed business | **13** | **(1)** | **-** | 32 | (9) | (4) |
| Other, including central reinsurance | | | | | | | |
| | - continuing business | **181** | **(19)** | **(1)** | 150 | 13 | 34 |
| | - disposed business | **-** | **(15)** | **(15)** | - | - | - |
| | | **2,330** | **(687)** | **(489)** | 3,228 | (297) | (19) |

The general business pre tax result comprises underwriting result and allocated investment return but excludes the movement in equalisation reserves and reorganisation costs.
The territorial results are after central reinsurance protection. The 'Other' result includes this reinsurance in respect of the following territories:-

| | **Net written premiums £m** (1999) | **Underwriting result £m** (1999) | Net written premiums £m (1998) | Underwriting result £m (1998) |
|---|---|---|---|---|
| United Kingdom | **161** | **(11)** | 132 | 10 |
| Republic of Ireland | **2** | **(1)** | 3 | (3) |
| | **163** | **(12)** | 135 | 7 |

**b) Class of business analysis**

| | **Net written premiums £m** (*1999*) | **Underwriting result £m** (*1999*) | Net written premiums £m (*1998*) | Underwriting result £m (*1998*) |
|---|---|---|---|---|
| Property | **593** | **(343)** | 782 | (68) |
| Motor | **777** | **(245)** | 1,254 | (194) |
| Liability | **139** | **(33)** | 183 | 13 |
| Other | **193** | **(46)** | 467 | (38) |
| **Total excluding healthcare** | **1,702** | **(667)** | 2,686 | (287) |
| Short term healthcare | **628** | **(20)** | 542 | (10) |
| **Total general business** | **2,330** | **(687)** | 3,228 | (297) |

**c) Funded business**

In accordance with accounting policy IIf the funded basis of accounting is used for inwards reinsurance, marine and aviation business. For this business, information of sufficient accuracy is not available to enable a result to be determined annually.

**d) Claims Equalisation Reserve**

Equalisation provisions are established in accordance with the requirements of the Insurance Companies (Reserves) Act 1995. These provisions, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Schedule 9A to the Companies Act 1985 to be included within the technical provisions in the balance sheet notwithstanding that they do not represent liabilities at the balance sheet date. At 31 December 1999 claims equalisation reserves were £18m (1998:£137m).

**e) Analysis of net operating expenses**

| | 1999 £m | 1998 £m |
|---|---|---|
| Acquisition costs | **495** | 727 |
| (Increase)/decrease in deferred acquisition costs | **7** | (32) |
| Administrative expenses | **238** | 341 |
| Reinsurance commissions and profit participation | **8** | 14 |
| | **748** | 1,050 |

## 2 Life business

**a) Geographical analysis**

| | 1999 Net written premiums £m | 1999 Pre-tax result £m | 1998 Net written premiums £m | 1998 Pre-tax result £m |
|---|---|---|---|---|
| United Kingdom and Republic of Ireland | | | | |
| Continuing business | **103** | **(6)** | 113 | (6) |
| Discontinued business | **329** | **44** | 399 | 24 |
| Continental Europe | | | | |
| Discontinued business | **73** | **2** | 259 | 7 |
| Asia | | | | |
| Discontinued business | **6** | **-** | 22 | - |
| Other | **-** | **-** | 40 | (1) |
| | **511** | **40** | 833 | 24 |

**b) Class of business analysis**

| | 1999 Net written premiums £m | 1999 Pre-tax result £m | 1998 Net written premiums £m | 1998 Pre-tax result £m |
|---|---|---|---|---|
| Long term healthcare | **84** | **(6)** | 100 | (5) |
| Other long term business | **427** | **46** | 733 | 29 |
| | **511** | **40** | 833 | 24 |

The Directors are of the view that it is not relevant to disclose new business figures as the life businesses have been disposed of prior to the year end.

**c) Investment income**

| | 1999 £m | 1998 £m |
|---|---|---|
| Income from property | **42** | 47 |
| Income from other investments | **354** | 552 |
| Realised investment and foreign exchange gains | **624** | 566 |
| | **1,020** | 1,165 |

Income from other investments includes £322m (1998: £438m) in respect of listed investments.

## *Notes on the Financial Statements continued*

**d) Net operating expenses**

| | 1999 £m | 1998 £m |
|---|---|---|
| Acquisition costs | 33 | 69 |
| Decrease in deferred acquisition costs | 13 | 8 |
| Administrative expenses | 46 | 72 |
| | 92 | 149 |

**e) Investment expenses and charges**

| | 1999 £m | 1998 £m |
|---|---|---|
| Interest expense *(note: 4c)* | 1 | 5 |
| Investment management expenses | 8 | 13 |
| | 9 | 18 |

**f) Tax attributable to shareholders**

Life profits have been grossed up by the effective rate of tax in the territory concerned.

**g) Life business provision**

The life business provision is calculated initially on a statutory basis, modified to remove certain reserves required by solvency regulations. Where applicable, a net premium valuation is used which includes an explicit provision for vested bonuses, including those vesting following the current valuation. Implicit provision is made for future reversionary bonuses by a reduction in the valuation rate of interest. Some of the costs of writing new business are explicitly determined and deferred to the extent that they are recoverable out of future revenue margins and are disclosed as an asset in the balance sheet.

### 3 Income from joint venture and interests in associated undertakings

***a) Income from joint venture***

The pre-tax operating result arising from the PPP Columbia Hospitals joint venture was £4m (1998: £5m) with a related taxation charge of £1m (1998: £2m). The joint venture is not an insurance operation and does not, therefore, affect Group premium income.

**b) Summary of income from joint venture and associates**

| | | | 1999 | | | 1998 |
|---|---|---|---|---|---|---|
| | **Net written premiums £m** | **Underwriting result £m** | **Pre tax result £m** | Net written premiums £m | Underwriting result £m | Pre tax result £m |
| United Kingdom | - | - | 9 | - | - | 5 |
| Continental Europe | 7 | - | 2 | 25 | - | 7 |
| Asia | 4 | 1 | 1 | 10 | - | 1 |
| | 11 | 1 | 12 | 35 | - | 13 |
| Balance of investment return | | | 3 | | | 8 |
| Group share of pre-tax result | | | 15 | | | 21 |

## *Notes on the Financial Statements continued*

### 4 Corporate investment

**a) Other investment income**

| | 1999 £m | 1998 £m |
|---|---|---|
| Income from property | **8** | 12 |
| Income from other investments | **296** | 362 |
| Realised investment gains | **344** | 552 |
| | **648** | 926 |

Realised investment gains include foreign exchange profit of £16m (1998: losses £19m).

Income from other investments includes £173m (1998: £268m) from listed investments.

**b) Other expenses and charges**

| | *1999* £m | *1998* £m |
|---|---|---|
| Interest expense *(note: 4c)* | **25** | 37 |
| Investment management expenses | **5** | 15 |
| | **30** | 52 |

**c) Interest expense**

| | General insurance and corporate | | Life | |
|---|---|---|---|---|
| | 1999 £m | 1998 £m | 1999 £m | 1998 £m |
| On loans repayable within five years: | | | | |
| Bank loans and overdrafts | **7** | 21 | **-** | - |
| Other loans | **8** | 12 | **1** | 5 |
| On loans repayable beyond five years: | | | | |
| Non bank loans | **10** | 4 | **-** | - |
| | **25** | 37 | **1** | 5 |

**d) Other charges**

*Other charges of £32m (1998: £24m) represent the costs of the corporate centre. This includes £12m exceptional* bid defence costs.

## Notes on the Financial Statements continued

**5 Investment return allocation between technical and non-technical accounts**

**a) Longer term investment returns**

The longer term investment return is based on historical real rates of return and current inflation expectations, adjusted for economic and investment forecasts. The return is calculated by applying the long term rate to a notional portfolio deemed to support the insurance operations.

The principal rates used are:

| | Equities | | | Fixed Interest | | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | 1997 | **1999** | 1998 | 1997 |
| | **%** | % | % | **%** | % | % |
| UK | **8.0** | 9.0 | 9.0 | **6.0** | 6.5 | 6.5 |
| Republic of Ireland | **10.0** | 10.0 | 10.0 | **4.5** | 4.5 | 7.0 |
| Germany | **8.5** | 8.5 | 8.5 | **4.5** | 4.5 | 4.5 |
| USA | **9.0** | 9.0 | 9.0 | **4.5** | 5.5 | 5.5 |

**b) Comparison of longer term return with actual returns**

Actual average rates of return attributable to shareholders for the last three years are:

| | Equities | | | Fixed Interest | | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | 1997 | **1999** | 1998 | 1997 |
| | **%** | % | % | **%** | % | % |
| UK | **23.8** | 9.9 | 23.0 | **1.5** | 13.8 | 12.0 |
| Republic of Ireland | **16.4** | 32.2 | 53.6 | **0.6** | 11.7 | 11.5 |
| Germany | **1.4** | 15.6 | 38.2 | **5.0** | 10.0 | 8.8 |
| USA | **21.1** | 23.0 | 29.6 | **1.7** | 7.9 | 8.1 |

**6 Taxation**

The taxation (charge)/credit in the profit and loss account is detailed below:

| | **1999** | 1998 |
|---|---|---|
| | **£m** | £m |
| **Current taxation:** | | |
| *United Kingdom taxation* | | |
| Corporation tax at rate of 30.25% (1998: 31%) | **71** | (83) |
| Prior year items | **2** | - |
| Tax relating to franked investment income | **(4)** | (10) |
| | **69** | (93) |
| Double tax relief | **-** | 12 |
| Overseas taxation | **7** | (61) |
| | **76** | (142) |
| **Deferred taxation** | **12** | 84 |
| **Taxation attributable to shareholders' life business profits** | **(9)** | (10) |
| **Share of associate companies' and joint venture taxation** | **(2)** | (5) |
| ***Taxation charged in profit and loss account*** | **77** | (73) |

Balance Sheet provisions for deferred taxation represent:

| | Provided | | Unprovided | |
|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 |
| | **£m** | £m | **£m** | £m |
| Unrealised investment gains | **156** | 206 | **149** | 265 |
| Other short term timing differences | **2** | 3 | **(34)** | (34) |
| Losses and surplus ACT available for offset | **(5)** | - | **(16)** | (1) |
| Deferred taxation provisions *(note: 11)* | **153** | 209 | **99** | 230 |

Deferred taxation on unrealised gains has been provided where it is considered that a liability will arise in the foreseeable future, in accordance with accounting policy VIII. Taxation relief attributable to exceptional items is £22m ( 1998: £12m).

The Company is not a close company within the terms of the Income and Corporation Taxes Act 1988.

# Notes on the Financial Statements continued

7 *Consolidated balance sheet as at 31 December 1999*

| | General and Corporate | | Life | | Consolidated | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 | **1999** | 1998 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| **Intangible assets** | **152** | 521 | **-** | - | **152** | 521 |
| **Land and buildings** | | | | | | |
| Company occupied | **51** | 95 | **-** | 39 | **51** | 134 |
| Other | **7** | 101 | **24** | 683 | **31** | 784 |
| | **58** | 196 | **24** | 722 | **82** | 918 |
| Investment in fellow subsidiary undertaking | **1,682** | - | **-** | - | **1,682** | - |
| Associated undertakings and joint venture | **89** | 177 | **-** | - | **89** | 177 |
| **Other financial investments** | | | | | | |
| British Government Securities | **1,222** | 790 | **49** | 1,358 | **1,271** | 2,148 |
| Overseas Government, municipal and public boards | **465** | 1,328 | **99** | 933 | **564** | 2,261 |
| Debentures and debenture stocks | **191** | 965 | **36** | 1,900 | **227** | 2,865 |
| | **1,878** | 3,083 | **184** | 4,191 | **2,062** | 7,274 |
| Preference and guaranteed stocks and shares | **51** | 78 | **-** | 8 | **51** | 86 |
| Ordinary stocks and shares | **1,744** | 2,460 | **123** | 2,685 | **1,867** | 5,145 |
| | **1,795** | 2,538 | **123** | 2,693 | **1,918** | 5,231 |
| Mortgages and loans | **123** | 391 | **1** | 1,197 | **124** | 1,588 |
| Deposits with credit institutions | **99** | 432 | **-** | 144 | **99** | 576 |
| Deposits with ceding companies | **20** | 14 | **1** | - | **21** | 14 |
| **Total Investments** | **5,744** | 6,831 | **333** | 8,947 | **6,077** | 15,778 |
| Assets held to cover linked liabilities | **-** | - | **161** | 3,596 | **161** | 3,596 |
| Reinsurers' share of technical provisions | **380** | 483 | **51** | 116 | **431** | 599 |
| Debtors | **1,444** | 1,452 | **18** | 159 | **1,444** | 1,438 |
| Other assets | **472** | 356 | **15** | 22 | **487** | 378 |
| Prepayments and accrued income | **331** | 359 | **18** | 229 | **349** | 588 |
| TOTAL ASSETS | **8,523** | 10,002 | **596** | 13,069 | **9,101** | 22,898 |
| **Capital and Reserves** | | | | | | |
| Share capital | **47** | 46 | **-** | - | **47** | 46 |
| Share premium | **83** | 54 | **-** | - | **83** | 54 |
| Non-distributable shareholders' interest in life funds | **-** | - | **-** | 12 | **-** | 12 |
| Other reserves | **2,493** | 2,675 | **-** | - | **2,493** | 2,675 |
| **Equity shareholders' funds** | **2,623** | 2,775 | **-** | 12 | **2,623** | 2,787 |
| Minority interests | **481** | 151 | **-** | - | **481** | 151 |
| Fund for future appropriations | **-** | - | **88** | 1,268 | **88** | 1,268 |
| Technical provisions | **4,252** | 5,282 | **309** | 7,841 | **4,561** | 13,123 |
| Technical provisions for linked liabilities | **-** | - | **170** | 3,596 | **170** | 3,596 |
| Other liabilities and provisions | **1,167** | 1,794 | **29** | 352 | **1,178** | 1,973 |
| **Total liabilities and shareholders' funds** | **8,523** | 10,002 | **596** | 13,069 | **9,101** | 22,898 |

The equity shareholders' funds appearing in 1998 of £12m under life business arises from the use of the modified statutory basis of reporting and does not include the greater part of the value of the worldwide life funds.

## 8 Fixed assets

| | Cost £m | Depreciation £m | Net book value £m |
|---|---|---|---|
| At 31 December 1998 | 190 | (117) | 73 |
| Exchange | (4) | 3 | (1) |
| Restated | 186 | (114) | 72 |
| Purchases | 7 | - | 7 |
| Sales | (7) | 4 | (3) |
| Other movements | (97) | 63 | (34) |
| Provision for depreciation | - | (13) | (13) |
| At 31 December 1999 | 89 | (60) | 29 |

Fixed assets are primarily computer equipment, fixtures and fittings.

## 9 Investments

The cost price of investments held at 31 December 1999 was £3,509m (1998: £12,489m). The cost price of investments held to cover linked liabilities was £114m (1998: £2,668m).

Investments totalling £3,888m (1998: £12,240m) are listed on a recognised stock exchange. Of these £3,456m (1998: £7,146m) are listed on the London Stock Exchange.

Land and buildings includes £9m (1998: £143m) in respect of leasehold properties of which £1m (1998: £6m) related to land held on short lease. All properties are subject to external valuation as at 31 December 1999.

Principal investments in group undertakings and participating interests at 31 December 1999 were as follows:

The investment in fellow subsidiary undertaking relates to a preference shareholding in AXA GRE Europe Investments Limited.

| | Holding | Country |
|---|---|---|
| Columbia Healthcare Holdings Limited (Joint Venture) | 50% | United Kingdom |
| Aviation and General Insurance Company Limited | 36% | United Kingdom |
| Earlyweigh Limited | 100% | United Kingdom |
| PanEuroRe Limited | 20% | Luxembourg |

The country shown is that of incorporation and principal operation.
All holdings are in equity share capital except Earlyweigh Ltd where the investment is in preference share capital.
Aviation and General Insurance Company Limited is an insurance company and Columbia Healthcare provides hospital facilities within the private healthcare market.
Earlyweigh Limited is the holding company of Layton Blackham insurance brokers and PanEuroRe is a reinsurance operation.

## 10 a) Debtors arising out of direct insurance operations

| | General and Corporate | | Life | | Consolidated | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 | **1999** | 1998 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Due from policyholders | **424** | 449 | **14** | 27 | **438** | 476 |
| Due from intermediaries | **259** | 418 | **-** | 3 | **259** | 421 |
| | **683** | 867 | **14** | 30 | **697** | 897 |

### b) Other Debtors

Included within other debtors are amounts due from intermediate parent undertaking of £383m (1998: nil).

### c) Other prepayments and accrued income

Included within other prepayments and accrued income are amounts due from fellow subsidiary undertakings of £62m (1998:nil).

# Notes on the Financial Statements continued

## 11 Provisions for other risks and charges

| | Pensions | Deferred Taxation | Other | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| At 1 January 1999 | 146 | 209 | 111 | 466 |
| Exchange | (6) | 3 | (2) | (5) |
| Acquisitions and disposals | (105) | (47) | (32) | (184) |
| Utilised | (7) | - | (46) | (53) |
| Profit and loss account | 15 | (12) | 124 | 127 |
| At 31 December 1999 | 43 | 153 | 155 | 351 |

Other includes provisions for liabilities arising from the disposal of subsidiaries, reorganisation of the business, vacant property, unfunded pensions and general insurance related costs.

## 12 Other creditors

| | General and Corporate | | Life | | Consolidated | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 | **1999** | 1998 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Amounts due to intermediate parent undertaking | **13** | - | - | - | **13** | - |
| Unpaid interim dividend | - | 38 | - | - | - | 38 |
| Proposed final dividend | **280** | - | - | - | **280** | - |
| Taxation | **55** | 219 | **1** | 85 | **56** | 304 |
| Other creditors | **146** | 464 | **17** | 155 | **145** | 446 |
| | **494** | 721 | **18** | 240 | **494** | 788 |

## 13 Loans

| | General and Corporate | | Life | | Consolidated | |
|---|---|---|---|---|---|---|
| | **1999** | 1998 | **1999** | 1998 | **1999** | 1998 |
| | **£m** | £m | **£m** | £m | **£m** | £m |
| Secured debenture stock of a subsidiary 10.75% repayable 2006 | - | - | - | 1 | - | 1 |
| 6 5/8% Company bonds repayable 2023 | **147** | 147 | - | - | **147** | 147 |
| | **147** | 147 | - | 1 | **147** | 148 |
| **Loans from bankers** | | | | | | |
| Unsecured | **7** | 240 | - | - | **7** | 240 |
| | **154** | 387 | - | 1 | **154** | 388 |
| ***Repayment periods*** **loans other than from bankers** | | | | | | |
| Over 5 years | **147** | 147 | - | 1 | **147** | 148 |
| | **147** | 147 | - | 1 | **147** | 148 |
| **Repayment periods loans from bankers** | | | | | | |
| 1 year or less | **7** | 23 | - | - | **7** | 23 |
| Between 1 and 2 years | - | 127 | - | - | - | 127 |
| Between 2 and 5 years | - | 90 | - | - | - | 90 |
| | **7** | 240 | - | - | **7** | 240 |

## 14 Capital expenditure commitments

At 31 December 1999, capital expenditure on equipment amounting to £10m (1998: £6m) had been authorised but had not been provided for in the accounts. Contracts had been placed for £0.2m (1998: £2m) of the authorised expenditure.

# Notes on the Financial Statements continued

## 15 Auditors' remuneration

| | 1999 £000 | 1998 £000 |
|---|---|---|
| Remuneration, including expenses, of the auditors of the Company and its subsidiaries for statutory work. This includes £115,000 (1998: £115,000) in respect of the audit of the Company. | 1,534 | 2,352 |

Remuneration for taxation advice and other non audit services provided by the Company's auditors to the Company and its United Kingdom subsidiaries amounted to £2,532,000 (1998: £3,226,000).

## 16 Intangible assets

| | Goodwill £m | Goodwill in acquired claims provisions £m | Purchased in-force businesses £m | Total £m |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 1999 | 483 | 47 | 8 | 538 |
| Acquisitions during year | (51) | 44 | 218 | 211 |
| Disposals during year | (323) | (48) | (218) | (589) |
| Exchange | 9 | 1 | - | 10 |
| At 31 December 1999 | 118 | 44 | 8 | 170 |
| Amortisation | | | | |
| At 1 January 1999 | 12 | 5 | - | 17 |
| Charged in year | 16 | 5 | 17 | 38 |
| Disposed during year | (10) | (10) | (17) | (37) |
| Exchange | - | - | - | - |
| At 31 December 1999 | 18 | - | - | 18 |
| Net book value at 31 December 1999 | 100 | 44 | 8 | 152 |
| Net book value at 31 December 1998 | 471 | 42 | 8 | 521 |

## 17 Staff

**a) Staff pensions costs**

The principal pension scheme within the Group covers employees in the United Kingdom and comprises defined benefit and defined contributions sections. The funds of the scheme are separate from the Group and are administered by trustees. The total pension cost attributable to this scheme for the year was £11m (1998: £16m), including £5m (1998: £4m) attributable to early retirement costs. It has been assumed that the scheme will remain open to new entrants. New staff join a money purchase arrangement for the period of service up to the age of 30 and have the option of joining the existing defined benefit scheme for service thereafter.

Contributions are assessed by the actuary to the fund (who is a Group employee) using the Projected Unit method with a five-year control period. The last full valuation was carried out as at 31 March 1997. Augmentations on early retirement and improvements to the level of protection of pensions in payment have been funded by cash injections to the fund.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate increases in salaries and pensions. It was assumed that the investment return would increase by 8% per annum, dividends would grow by 4.5% per annum, salaries would increase by 4.5% per annum plus shaped promotional scale (which is on average equivalent to 2% per annum) and that the present and future pensions would increase by 4% per annum. At the 31 March 1997 review, the market value of assets was £992m and the actuarial value of assets represented 118% of the value of accrued liabilities on a projected final salary basis. The profit and loss account charge was 10.7% of pensionable salaries and the contribution rate 5% of pensionable salaries. The employer defined contribution rate for new employees under age 30 is 5% of basic salary.

In addition to the principal scheme, the accounts contain a further charge of £20m (1998: £23m) in respect of other schemes of which £9m (1998: £9m) relate to the provision of pensions for employees in Germany, for the period up to the date of disposal.

The analysis of provisions for other risks and charges in note 11 includes an amount of £43m (1998: £146m) in respect of staff pension schemes.

**b) Staff numbers and cost**

| | **1999 £m** | 1998 £m |
|---|---|---|
| Wages and salaries | **235** | 368 |
| Social security costs | **36** | 38 |
| Other pension costs | **31** | 39 |
| | **302** | 445 |

The average weekly number of employees, including executive directors, was comprised as follows:

| | **1999** | 1998 |
|---|---|---|
| United Kingdom insurance operations | **7,081** | 8,493 |
| United Kingdom investment and corporate centre | **383** | 509 |
| Ireland | **801** | 834 |
| Continental Europe | **792** | 2,417 |
| The Americas | **1,016** | 2,571 |
| South Africa | **453** | 1,299 |
| Asia | **245** | 595 |
| Other | **9** | 113 |
| | **10,780** | 16,831 |

**18 Share capital and share premium**

**a) Share capital**

| | | **1999 Authorised £m** | **1999 Paid-up £m** | 1998 Authorised £m | 1998 Paid-up £m |
|---|---|---|---|---|---|
| Authorised | 1,142,859,044 ordinary shares of 5.25p each and | **60** | | 60 | |
| | 931,707,318 non-cumulative redeemable preference shares of 20.5p each | **191** | | 191 | |
| | | **251** | | 251 | |
| Issued | 897,399,001(1998: 884,886,177) ordinary shares of 5.25p | | **47** | | 46 |

During the year 12,512,824 ordinary shares of 5.25p were issued as a result of the exercise of options at various prices in accordance with the terms of the Company's employee share option scheme.

During the year no options were granted under the Company's share option scheme to Group employees.

As at 31 December 1999, there were no outstanding options under the employee share option schemes, as all options were either cancelled or converted into SLPH employee share options, as a result of the purchase of all the GRE share capital by SLPH.

**b) Share premium**

| | £m |
|---|---|
| Balance at 1 January 1999 | 54 |
| Issue of ordinary shares | 29 |
| Balance at 31 December 1999 | 83 |

**19 a) Reserves**

| | Profit and loss account £m | Capital reserve £m | Other reserves £m | Total £m |
|---|---|---|---|---|
| Balance at 31 December 1997 | 1,257 | 104 | 1,041 | 2,402 |
| Cost of shares issued to employees under a Qualifying Employee Share Trust | (6) | - | - | (6) |
| Transfer (to)/from profit and loss account | 572 | - | (298) | 274 |
| Exchange on translation of overseas net assets | - | - | 17 | 17 |
| Balance at 31 December 1998 | 1,823 | 104 | 760 | 2,687 |
| Cost of shares issued to employees under a Qualifying Employee Share Trust | (2) | - | - | (2) |
| Transfer (to)/from profit and loss account | 34 | - | (191) | (157) |
| Exchange on translation of overseas net assets | - | - | (35) | (35) |
| Transfers between reserves | (105) | - | 105 | - |
| Balance at 31 December 1999 | 1,750 | 104 | 639 | 2,493 |

The capital reserve represents the share premium in respect of ordinary shares of Guardian Royal Exchange Assurance plc which were acquired by the Company under the Scheme of Arrangement in 1984 and acquired since that date on options being exercised to subscribe for ordinary shares under employee share option schemes.

Other reserves are non-distributable. They include the capital redemption reserve of the Company of £189m which was created in 1998 on the redemption of B shares. The balance arises principally from the revaluation of investments to current values and from profits/losses arising on the translation of overseas net assets to Sterling.

During 1999 Guardian Royal Exchange plc received £30m from the issue of shares arising from the exercise of options awarded under employee share option schemes. Of this amount £28m was paid by employees and the balance was paid by subsidiary undertakings through a Qualifying Employee Share Trust.

The cumulative amount of goodwill written off against reserves is £199m.

**b) Company**

| | Profit and loss account £m | Capital Redemption Reserve £m | Total £m |
|---|---|---|---|
| Balance at 1 January 1999 | 312 | 189 | 501 |
| Transfer (to)/from profit and loss account | (28) | - | (28) |
| Balance at 31 December 1999 | 284 | 189 | 473 |

# *Notes on the Financial Statements continued*

## 20 Geographical Analysis of Net Assets

| | 1999 £m | 1998 £m |
|---|---|---|
| United Kingdom | **873** | 584 |
| Ireland | **94** | 154 |
| | **967** | 738 |
| Continental Europe | - | 536 |
| The Americas | - | 648 |
| South Africa | - | 42 |
| Asia | - | 54 |
| Others, including corporate centre | **1,415** | 71 |
| | **2,382** | 2,089 |
| Net assets of joint venture and associates | **89** | 177 |
| Intangible assets | **152** | 521 |
| | **2,623** | 2,787 |

## 21 Contingent liabilities

With the approval of HM Treasury certain wholly owned United Kingdom subsidiaries have entered into a mutual guarantee whereby each company guarantees payment of all liabilities incurred by the others in respect of general insurance business.

## 22 Acquisitions

On 23 December AXA Insurance plc acquired AXA Insurance UK plc for £317m satisfied by the issue of 26,480,467 ordinary shares of 25p each (valued at £11.98p per share).

**a) The fair value attributed to the assets acquired were:**

| | Book value £m | Fair value adjust-ments £m | Fair value to the Group £m |
|---|---|---|---|
| Investments | 1,033 | - | 1,033 |
| Cash | 33 | - | 33 |
| Insurance debtors | 209 | - | 209 |
| Other assets | 334 | - | 334 |
| Technical provisions | (1,129) | 44 | (1,085) |
| Other liabilities | (156) | - | (156) |
| | 324 | 44 | 368 |
| Net non-cash consideration | | | 317 |
| Negative goodwill | | | (51) |
| Goodwill in acquired claims provisions | | | 44 |
| Total negative goodwill on acquisition | | | (7) |

£44m of the total goodwill on acquisition and of the fair value adjustment in respect of technical provisions for general business relates to the difference between the undiscounted value of the technical provisions and their value on a discounted basis.

**b) Details of major acquisitions**

| | £m |
|---|---|
| **Results from 1 January 1999 to date of acquisition by the Group** | |
| Premium written | 740 |
| Operating profit/(loss) | 17 |
| Exceptional Item - restructuring costs | (23) |
| Profit/(loss) before tax | 37 |
| Tax | (28) |
| Profit after tax | 9 |
| **Statement of total recognised gains and losses** | |
| Profit for the financial period | 9 |
| Exchange | (1) |
| **Total recognised gains and losses in the period** | 8 |
| **Profit after tax for the 12 months to 31 December 1998** | 80 |

No other gains or losses were recognised in the period

**c) Acquisition of business from long term funds**

On 1 January 1999 £313m was transferred from shareholder to policyholder funds to acquire non participating business written through Guardian Linked Life Assurance Limited and Guardian Pensions Management Limited, companies owned by the with-profit life funds of Guardian Assurance plc. The acquisition comprised in force business valued at £218m, together with investments and other life fund assets of £95m. Goodwill was nil.

23 **a) Disposals**

On 10 May 1999 the Group sold GRE-USA Corporation and Guardian Royal Exchange Holdings Inc., inclusive of debt owing to Liberty Mutual for a consideration of £896m. The loss on disposal was £74m.

On 10 May 1999 the Group sold its other overseas businesses, inclusive of debt (excluding Ireland and certain overseas branches) to AXA SA for a consideration of £919m. The major subsidiary undertaking disposed of was Albingia Versicherungs-Aktiengesellschaft and the total profit on disposal was £112m.

The Group disposed of its UK life business (excluding PPP Lifetime) to Aegon on 7 Oct 1999 for £709m and the profit on disposal was £300m.

The amount of goodwill previously eliminated against reserves in respect of the above disposals is not material.

**b) Disposal of Irish Life Businesses**

By an agreement dated 3 November 1999 between the Company and Royal Liver Assurance Limited("Royal Liver"), Royal Liver agreed to acquire the entire issued share capital of Caledonian Insurance Company and GRE Life Ireland, subsidiary undertakings of the Group.

This agreement was conditional, inter alia, receipt by the Royal Liver of regulatory approvals within the UK and the Republic of Ireland. These approvals were obtained, and the sale completed, on 28 April 2000.

**c) Disposal of PPP Columbia Hospitals**

On 10 May 2000 the Group's subsidiary, PPP Healthcare announced that it had reached an agreement to sell its holding in the PPP/Columbia joint venture to its partner in that joint venture, an affiliate of Columbia/HCA Healthcare Corporation, for £73m.

# *Notes on the Financial Statements continued*

**24 Notes on cash flow statements**

**a) Reconciliation of profit before tax to net cash inflow from operating activities**

| | 1999 £m | 1998 £m |
|---|---|---|
| **Operating profit** | **(201)** | 261 |
| Exclude: | | |
| Interest expense | **25** | 37 |
| Share of associates' results | **(15)** | (21) |
| Investment gains | **(185)** | (281) |
| **Profit before taxation (excluding investment gains and interest)** | **(376)** | (4) |
| Increase/(decrease) in insurance funds, net of reinsurance | **374** | (101) |
| (Decrease)/increase in equalisation reserves | **(48)** | 16 |
| Goodwill written off | **21** | 17 |
| Net increase in debtors and creditors | **(592)** | 55 |
| Depreciation and fixed asset write offs | **32** | 35 |
| Tax on franked investment income | **(4)** | (10) |
| **Net cash inflow / (outflow) from operations** | **(593)** | 8 |

***b) Purchases and sales of portfolio investments***

| | 1999 £m | 1999 £m | 1998 £m | 1998 £m |
|---|---|---|---|---|
| Purchases of ordinary and preference shares | 1,482 | | 870 | |
| Sales of ordinary and preference shares | (1,934) | | (2,189) | |
| | | **(452)** | | (1,319) |
| Purchases of fixed income securities | 2,441 | | 3,916 | |
| Sales of fixed income securities | (2,392) | | (3,576) | |
| | | **49** | | 340 |
| Purchases of properties | 2 | | 3 | |
| Sales of properties | (29) | | (33) | |
| | | **(27)** | | (30) |
| **Net purchases/(sales) of portfolio investments** | | **(430)** | | (1,009) |
| Increase/(decrease) in deposits with credit institutions | | **(216)** | | (358) |
| **Movements in portfolio investments arising from cash flows** | | **(646)** | | (1,367) |

**c) Movement in portfolio investments, net of financing**

| | 1999 £m | 1999 £m | 1998 £m | 1998 £m |
|---|---|---|---|---|
| Increase in cash balances | **160** | | 148 | |
| Cash flow: | | | | |
| Decrease in portfolio investments | **(646)** | | (1,367) | |
| (Increase)/decrease in borrowings | **65** | | (24) | |
| Movement arising from cash flows | | **(421)** | | (1,243) |
| Changes in market values and impact of exchange rate movements | | **27** | | 326 |
| Movement in life business balances | | **(8,622)** | | 1,018 |
| Acquisitions and disposals of subsidiary undertakings | | **(2,067)** | | 916 |
| **Movement in portfolio investments, net of financing** | | **(11,083)** | | 1,017 |
| Portfolio investments, net of financing, at 1 January | | **15,503** | | 14,486 |
| **Portfolio investments, net of financing, at 31 December** | | **4,420** | | 15,503 |

# Notes on the Financial Statements continued

**d) Movement in cash, portfolio investments and financing**

| | At 01-Jan 1999 £m | Acquired and disposed operations £m | Cash Flow £m | Changes in Life Business £m | Changes in market values and currencies £m | At 31-Dec 1999 £m |
|---|---|---|---|---|---|---|
| Cash | 304 | - | 160 | (7) | - | 457 |
| Ordinary and preference shares | 5,231 | (1,950) | (430) | (2,570) | 26 | 307 |
| Fixed income securities | 8,862 | - | - | (5,203) | - | 3,659 |
| Properties | 918 | - | - | (698) | - | 220 |
| Deposits with credit institutions | 576 | (117) | (216) | (144) | - | 99 |
| Loans due within one year | (23) | - | 16 | - | - | (7) |
| Loans due later than one year | (365) | - | 49 | - | 1 | (315) |
| | 15,503 | (2,067) | (421) | (8,622) | 27 | 4,420 |

**e) Analysis of net cash outflow in respect of acquisitions**

| | £m |
|---|---|
| Cash consideration | 313 |
| Cash acquired | (33) |
| Net cash outflow | 280 |

**f) Disposal of subsidiaries**

| | £m |
|---|---|
| Net assets disposed of: | |
| Portfolio investments | 3,236 |
| Technical provisions | (2,183) |
| Other net assets | 1,027 |
| Non-cash consideration | (114) |
| Profit on disposal | 338 |
| Net cash inflow in respect of disposal of subsidiaries | 2,304 |

**25 Fully diluted earnings per share**

The fully diluted earnings per share is based on a profit of £123m (1998: £312m) and on a weighted average of 898,778,601 ordinary shares (1998: 894,121,819). This makes full allowance for all dilutive shares outstanding under the various share option schemes.

**26 Guardian Royal Exchange plc**

**a) Profit for the year**

The profit attributable to shareholders which was dealt with in the profit and loss account of Guardian Royal Exchange plc for the year ended 31 December 1999, including paid and proposed dividends from subsidiaries, was £252m (1998: £102m). As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not included in these accounts.

**b) Investments**

| Shares in subsidiary undertakings | £m |
|---|---|
| Balance as at 1 January 1999 | 567 |
| Purchases | 536 |
| Balance as at 31 December 1999 | 1,103 |

A capital contribution of £156m was made to AXA Insurance plc in January 1999. The company, on 19 May 1999, cancelled its loan notes of £300m and £188m with AXA Insurance plc in exchange for the issue to the Company of ordinary shares in AXA Insurance plc. The value of the loan notes on 19 May was £230m and £150m respectively.

## Notes on the Financial Statements continued

**27 Acquisition of GRE by Sun Life and Provincial Holdings plc**

On 10 May 1999, the acquisition of GRE by Sun Life and Provincial Holdings plc was declared unconditional in all respects.

As a result of this technical provisions for general insurance business were increased following a detailed actuarial review. Provisions of £140m were made for discontinued London Market and overseas operations together with an additional £30m for certain specific schemes which are no longer underwritten. The discontinued lines of business against which the additional provisions have been made include the industrial diseases business predating 1985 and written in part in the USA , employers liability business in respect of nationalised industries written prior to 1977, and subsidence risks written on building society business in the mid 1990s. Reserve adjustments on business which is still being underwritten comprised £171m.

**28 Directors' Emoluments**

| | ***1999*** | *1998* |
|---|---|---|
| | **£** | £ |
| **Non-executive directors** | | |
| Fees | **124,191** | 345,000 |
| **Executive directors** | | |
| Salaries and other emoluments | **1,138,121** | 3,353,474 |
| Contributions to money purchase pension schemes | **71,341** | 197,270 |
| Gains arising from the exercise of share options | **1,728,164** | 1,003,830 |
| Gains arising under long term incentive plan | **-** | 814,312 |
| | **3,061,817** | 5,713,886 |
| Amounts attributable to the highest paid director | | |
| Aggregate emoluments, including share option gains of £541,440 (1998: £837,989) | **652,842** | 1,191,201 |
| Accrued pension at end of year | **135,112** | 35,605 |

Notes:

i) No fees waived in 1999 or 1998.

ii) Payments totalling £1,855,962 were made to 5 directors as compensation for loss of office.

iii) Remuneration, pension and incentive plan details in respect of Messrs Wood, Haste, Homer and Roberts are provided in the accounts of the immediate parent company, Sun Life and Provincial Holdings plc.

**29 Ultimate parent**

In the opinion of the directors, the Company's ultimate parent and controlling company is AXA, a company incorporated in France. The parent undertaking of the largest group which includes the Company and for which group financial statements are prepared is AXA. Copies of the group financial statements of AXA are available from that company at 23 avenue Matignon, 75008, Paris, France. The parent undertaking of the smallest group which includes the company and for which group financial statements are prepared is Sun Life and Provincial Holdings plc, a company registered in England and Wales. Copies of the group financial statements of Sun Life and Provincial Holdings plc are available from that company's registered office at 107 Cheapside, London, EC2V 6DU.

# Notes on the Financial Statements continued

## 30 Related Parties

Reinsurance arrangements
Reinsurance arrangements with other AXA Group companies comprise the ceding of certain general and life business written by the Group to other members of AXA and inward reinsurance under arms length reinsurance arrangements. The amounts of gross written premium ceded were £52m (1998 - £Nil)and £Nil (1998 - £Nil) for the general and life businesses respectively and inward general reinsurance of £Nil (1998 - Nil).

Group services
AXA Group companies provided advice to the Company and its subsidiaries, on such matters as human resources, training, communications, treasury, mergers and acquisitions and IT advice. The charge to the Company and its subsidiaries for these services is calculated on an arms-length basis and is subject to the approval of the independent non-executive directors of the intermediate parent company Sun Life and Provincial Holdings plc. The cost incurred, or provided for, in 1999 amounted to £1m (1998 - £Nil). A provision of £Nil (1998 - £Nil) has been made in respect to the charge for 1999.

## Group Companies

| | Country of incorporation | Holdings of ordinary shares | |
|---|---|---|---|
| **Insurance Companies** | | | |
| AXA Insurance plc | England | 84.87% | (Parent) |
| AXA Insurance UK plc | England | 100% | |
| The Royal Exchange Assurance | England | 100% | |
| Atlas Assurance Company Limited | England | 100% | |
| Caledonian Insurance Company | England | 100% | |
| AXA Direct Insurance Limited | England | 100% | |
| Guardian Health Limited | England | 100% | |
| AXA General Insurance Limited | England | 100% | |
| Orion Personal Insurances Limited | England | 100% | |
| PPP healthcare limited | England | 100% | |
| PPP lifetime care plc | England | 100% | |
| GRE Life Ireland Limited | Ireland | 100% | |
| AXA PMPA Insurance Limited | Ireland | 100% | |
| **Other Companies** | | | |
| Bruton Property Holdings Limited | England | 100% | (Parent) |
| Denplan Limited | England | 100% | |
| Guardian Investment Holdings Limited | England | 100% | (Parent) |
| Guardian Asset Management Limited | England | 100% | |
| Guardian Properties Limited | England | 100% | |
| AXA Services Limited | England | 100% | (Parent) |
| The Metropolitan Trust Company Limited | England | 100% | |
| PPP healthcare group plc | England | 100% | |
| Royal Exchange Trust Company Limited | England | 100% | |
| AXA Holdings Ireland Limited | Ireland | 100% | |
| AXA Ireland Limited | Ireland | 100% | |
| Guardian Royal Exchange International (Holdings) B.V. | Netherlands | 100% | |

**Notes:**

1 The country of principal operation for each of the above companies is the country of incorporation with the exception of The Royal Exchange Assurance, whose principal country of operation is Portugal.

2 Information regarding other subsidiaries is submitted with the annual return.

3 All holdings of ordinary shares are held by a subsidiary unless otherwise stated.