

99/22

**NORWICH UNION
INSURANCE LIMITED
2003**



Norwich Union Insurance Limited

Report and Accounts 2003

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Norwich Union Insurance Limited

Directors and Officer

Directors:

P J R Snowball (Chairman)
M S Hodges
B F McIntyre
C F Ramsay (Alternate Director to B F McIntyre)

Officer:

Company Secretary:
Aviva Company Secretarial Services Limited

Auditors:

Ernst & Young LLP
Registered Auditor
1 More London Place
London
SE1 2AF

Registered Office:

8 Surrey Street
Norwich
NR1 3NG

Registered in England: No. 99122

Members of the General Insurance Standards Council, the Association of British Insurers and the Financial Ombudsman Service.

The Company is a member of the Aviva plc group of companies (the Group).

Norwich Union Insurance Limited

Directors' Report

for the year ended 31 December 2003

The directors present their annual report and audited accounts for Norwich Union Insurance Limited (the Company) for the year ended 31 December 2003.

Principal activity and future developments

The principal activity of the Company is the transaction of general insurance business in the United Kingdom. The directors consider that this will continue unchanged into the foreseeable future. The Company has ceased its business through overseas agents although claims remain in run-off in certain locations.

Salient features

	2003 £m	2002 £m
Gross premiums written	3,040	2,775
Net earned premiums	1,382	1,250
Balance on technical account	(26)	1
Profit on ordinary activities before tax	155	(15)
Tax	(23)	(25)
Profit after tax	<u>132</u>	<u>(40)</u>
Balance sheet total assets	<u>6,783</u>	<u>6,078</u>
Shareholder's funds	<u>1,163</u>	<u>934</u>

Full details are set out on pages 11 to 15.

Norwich Union Insurance Limited

Directors' Report (continued)

for the year ended 31 December 2003

Major events

On 20 December 2003 the Company's authorised share capital was increased by 200 million Ordinary shares to 950 million Ordinary shares of £1 each. On this same date 200 million Ordinary shares were allotted to the Company's parent undertaking for consideration of £200 million.

Dividends

Interim dividends for the year of £30 million and £70 million were paid in December 2003 and in March 2004 respectively (2002: £60 million). The directors do not recommend the payment of a final dividend (2002: £ nil).

Payment policy

It is the Company's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

The amounts due to trade creditors at 31 December 2003 represented approximately 29 days of average daily purchases through the year (2002: 29 days).

Employees

All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the consolidated accounts of Aviva plc.

Resolutions

On 25 June 2001, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings, the laying of directors' reports, accounts and auditors' reports before the members in general meetings and the obligation to appoint auditors annually.

Norwich Union Insurance Limited

Directors' Report (continued)

for the year ended 31 December 2003

Directors' interests

The names of the present directors of the Company appear on page 1.

C F Ramsay was appointed as alternate director to B F McIntyre on 23 January 2004.

M S Hodges, B F McIntyre and P J R Snowball served as directors of the Company throughout the year.

The table below shows the interests held by each person who was a director at the end of the financial year in the ordinary shares of 25 pence each in Aviva plc. Details of any options and awards held through Aviva plc's share schemes and incentive plans are shown below and on page 5. All the disclosed interests are beneficial.

	At 1 January 2003 Number	At 31 December 2003 Number
M S Hodges	14,295	11,694
B F McIntyre	1,028	2,324

P J R Snowball is a director of the Company's ultimate parent undertaking, Aviva plc, and details of his interests are given in that company's accounts.

Incentive plans

Details of the directors who held office at the end of the financial year, and hold or held options to subscribe for ordinary shares of Aviva plc or hold or held awards over shares in Aviva plc, pursuant to Aviva plc's share based incentive plans, are set out below.

(i) Share options

	At 1 January 2003 Number	Options granted during the year Number	Options cancelled during the year Number	At 31 December 2003 Number
M S Hodges				
Savings related options	2,356	-	-	2,356
B F McIntyre				
Savings related options	2,356	-	-	2,356

(i) "Savings related options" are options granted under the Inland Revenue approved SAYE Share Option Scheme. Options granted from 2002 to 2003 are normally exercisable during the six month period following either the third, fifth or seventh anniversary of the relevant savings contract.

(ii) During the year neither director exercised any share options and therefore no gains on such were made.

Norwich Union Insurance Limited

Directors' Report (continued)

for the year ended 31 December 2003

Directors' interests (continued)

(ii) Share awards

	At 1 January 2003	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	At 31 December 2003
	Number	Number	Number	Number	Number
M S Hodges					
Aviva Long Term Incentive Plan	35,369	46,250	-	-	81,619
Aviva Deferred Bonus Plan	26,678	27,264	-	-	53,942
B F McIntyre					
Aviva Long Term Incentive Plan	56,746	50,000	-	-	106,746
Aviva Deferred Bonus Plan	32,028	19,650	-	-	51,678

(i) Aviva Long Term Incentive Plan; awards under the Plan are made on an annual basis and the 2003 award was made in March. Awards are subject to the attainment of performance conditions over a three year period.

(ii) Aviva Deferred Bonus Plan; awards disclosed include those made in lieu of some or all of the cash bonus earned and deferred under Aviva plc's Annual Bonus in 2003 and also the matching awards granted on a one for one basis. The awards are not subject to performance conditions and vest on the third anniversary of their grant.

Norwich Union Insurance Limited

Directors' Report (continued)

for the year ended 31 December 2003

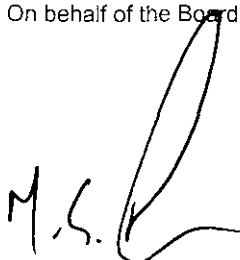
Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the result of the Company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They have 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.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'M.S. K.' with a large, stylized flourish extending upwards and to the right.

Director
25 March 2004

Norwich Union Insurance Limited

Independent Auditors' Report

To the members of Norwich Union Insurance Limited

We have audited the Company's accounts for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 31. These accounts have been prepared on the basis of the accounting policies set out on pages 8 to 10.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities in the Directors' Report the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Equalisation Reserve

Our evaluation of the presentation of information in the accounts 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 2003 and the effect of the movement in those reserves during the year on the technical result and profit before tax are disclosed in note 21.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

25 March 2004

Norwich Union Insurance Limited

Statement of Accounting Policies

(a) Basis of accounts

The accounts have been prepared on the basis of the accounting policies set out below. They have been prepared in accordance with section 255 of, and Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP) in November 2003. The practices recommended by the ABI SORP are applicable for accounting periods ending after 1 January 2004, but the Company has chosen to adopt such practices early. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2003, as considered appropriate for an insurance company.

The Company is exempt from preparing group accounts by virtue of section 228 of the Companies Act 1985, as it is a subsidiary of an EU parent (see note 31). The accounts present information about the Company as an individual undertaking and not about the Group.

The results of the business are principally determined on an annual basis.

The profit and loss account for the year reflects all income, expenditure, and investment gains and losses, except for certain items which are taken directly to the revaluation reserve. The items taken to the revaluation reserve consist of unrealised appreciation on investments in Group undertakings, after adjusting for goodwill.

(b) Premiums

Premiums are accounted for in the year in which the risk commences. Written premiums include an estimate of pipeline premiums less a provision for anticipated lapses.

(c) Claims

Claims incurred include all losses occurring during the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date.

(d) Technical provisions

- (i) Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.
- (ii) Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. Any estimate represents a point within a range of possible outcomes. Further details of estimating techniques are given in note 20.
- (iii) Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.
- (iv) Exchange differences arise on the translation of amounts due in foreign currency in respect of outstanding claims brought forward and the related reinsurers' share. Such differences are included as part of the change in provision for claims in the technical account.

Any differences between the provisions at the balance sheet date and settlements and provisions in the following year are included in the technical account for that year.

Norwich Union Insurance Limited

Statement of Accounting Policies (continued)

(e) Equalisation provision

Equalisation provisions are established in accordance with the requirements of the Financial Services and Markets Act 2000. 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 of the Companies Act 1985 to be included within technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date.

(f) Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurers' share of deferred acquisition costs are included in "Accruals and deferred income" in the balance sheet.

(g) Investment income and unrealised investment gains and losses

Investment income consists of interest, dividends and rents receivable for the year together with realised investment gains. Income from listed stocks and shares is included in the accounts when the security becomes ex-dividend, except for income from certain overseas stocks and shares which is accounted for when received. Income is credited to the profit and loss account at the amount receivable, with no associated tax credit for income from the United Kingdom. Interest and rents receivable are accounted for on an accruals basis.

Net realised gains on investments are calculated as the difference between net sales proceeds and the cost of acquisition.

Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year. Net movements in the year are taken to the profit and loss account and disclosed either as net unrealised gains or net unrealised losses.

(h) Investment expenses and charges

Investment expenses and charges include net realised losses on the disposal of investments. These are calculated as the difference between net sales proceeds and the cost of acquisition.

(i) Taxation

The tax charge is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material timing differences including revaluation gains and losses on investments recognised in the profit and loss account. Deferred taxation is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and pattern of expected realisation of investments.

The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on Government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities.

Norwich Union Insurance Limited

Statement of Accounting Policies (continued)

(j) Rates of exchange

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year end rates of exchange. The resulting exchange gains or losses are included in the profit and loss account.

(k) Licence costs

Certain expenditure incurred on licence costs in respect of computer systems and software, and which is considered to have an economic benefit lasting several years into the future and is substantial in amount, is deferred and amortised over a maximum period of five years.

(l) Goodwill

Goodwill arising on the purchase of Group undertakings represents the difference between the fair value of the purchase consideration and the fair value of the net assets acquired. With effect from 1 January 1998 goodwill is included as an intangible asset in the balance sheet and amortised over its estimated useful life comprising periods which typically vary from five to twenty years. Goodwill arising on acquisitions prior to 1 January 1998 was written off to reserves. At 31 December 2003 this represented £38.3 million written off against the revaluation reserve.

Goodwill previously written off to reserves will be taken to the profit and loss account when calculating the profit and loss on any disposal of the underlying investment.

The period of amortisation depends upon the nature of the business concerned, the stability of the industry in which the acquired business operates, the typical lifespans of the products to which the goodwill attaches, and the expected future impact of competition on the business. The carrying value of goodwill is reviewed regularly for impairment. Goodwill amortised during the period is charged to 'other charges' in the non-technical account.

(m) Valuation of investments

Investments are shown in the balance sheet as follows:

- (i) Listed securities at middle market value less accrued interest where applicable.
- (ii) Unlisted securities at market value estimated by the directors.
- (iii) Group undertakings at net asset value.
- (iv) Deposits at cost

(n) Revaluation reserve

The revaluation reserve in the accounts of the Company consists of unrealised appreciation on investments in Group undertakings, after adjusting for goodwill arising in accordance with accounting policy (l).

When the net asset value of a subsidiary undertaking is below cost the impairment is charged to the profit and loss account.

Norwich Union Insurance Limited

Profit and Loss Account - Technical Account for the year ended 31 December 2003

	Notes	2003 £m	2002 £m
Gross premiums written - continuing operations	1	3,040	2,775
Outward reinsurance premiums		(1,596)	(1,459)
Net premiums written		1,444	1,316
Change in the provision for unearned premiums			
- gross amount		(122)	(164)
- reinsurers' share		60	98
Earned premiums - net of reinsurance		1,382	1,250
Claims paid			
- gross amount		1,796	1,606
- reinsurers' share		(766)	(566)
		1,030	1,040
Change in the provision for claims			
- gross amount		252	282
- reinsurers' share		(225)	(391)
		27	(109)
Claims incurred - net of reinsurance	2	1,057	931
Net operating expenses	3	342	311
Change in the equalisation provision	21	9	7
		1,408	1,249
Balance on the technical account from *			
- continuing operations		(26)	-
- discontinued operations	30	-	1
		(26)	1

* The balance on the technical account is otherwise referred to as the underwriting result

The accounting policies on pages 8 to 10 and the notes on pages 16 to 27 form an integral part of these accounts

Norwich Union Insurance Limited

Profit and Loss Account - Non-technical Account

for the year ended 31 December 2003

	Notes	2003 £m	2002 £m
Balance on the technical account		(26)	1
Investment income (including net realised gains on investments)	6	213	164
		<u>187</u>	<u>165</u>
Investment expenses and charges	7	9	6
Unrealised losses on investments	8	11	149
Other charges	9	12	25
		<u>32</u>	<u>180</u>
Profit/(Loss) on ordinary activities before tax		155	(15)
Tax on profit/(loss) on ordinary activities	10	(23)	(25)
Profit/(Loss) for the financial year		<u>132</u>	<u>(40)</u>
Dividends	11	(100)	(60)
Retained profit/(loss) for the year	19	<u>32</u>	<u>(100)</u>

The accounting policies on pages 8 to 10 and the notes on pages 16 to 27 form an integral part of these accounts

Norwich Union Insurance Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2003

	2003 £m	2002 £m
Profit/(Loss) for the financial year	132	(40)
Movement in revaluation reserve	(3)	(50)
Total recognised net gains/(losses) relating to the year	<u>129</u>	<u>(90)</u>

There is no deferred tax on movements through the statement of total recognised gains and losses.

Norwich Union Insurance Limited

Balance Sheet

at 31 December 2003

	Notes	2003 £m	2002 £m
ASSETS			
Intangible assets	12	114	120
Investments			
Investments in Group undertakings	13	1,778	1,637
Other financial investments	13	1,590	1,435
		<u>3,368</u>	<u>3,072</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums		762	702
Claims outstanding	20	841	616
		<u>1,603</u>	<u>1,318</u>
Debtors			
Debtors arising out of direct insurance operations	15	922	823
Debtors arising out of reinsurance operations	16	5	17
Other debtors	17	363	388
		<u>1,290</u>	<u>1,228</u>
Other assets			
Cash at bank and in hand		74	39
Prepayments and accrued income			
Accrued interest and rent		22	23
Deferred acquisition costs		260	251
Other prepayments and accrued income		52	27
		<u>334</u>	<u>301</u>
Total assets		<u>6,783</u>	<u>6,078</u>

The accounting policies on pages 8 to 10 and the notes on pages 16 to 27 form an integral part of these accounts

Norwich Union Insurance Limited

Balance Sheet (continued)

at 31 December 2003

	Notes	2003 £m	2002 £m
LIABILITIES			
Capital and reserves			
Called up share capital	18	911	711
Share premium account	19	148	148
Revaluation reserve	19	57	60
Profit and loss account	19	47	15
Shareholder's funds attributable to equity interests	19	<u>1,163</u>	<u>934</u>
Technical provisions			
Provision for unearned premiums - gross amount		1,470	1,348
Claims outstanding - gross amount	20	2,251	1,999
Equalisation provision	21	41	32
		<u>3,762</u>	<u>3,379</u>
Provisions for other risks and charges	22	<u>15</u>	<u>26</u>
Creditors			
Creditors arising out of direct insurance operations	23	55	66
Creditors arising out of reinsurance operations	24	610	779
Other creditors including taxation and social security	25	902	661
		<u>1,567</u>	<u>1,506</u>
Accruals and deferred income		<u>276</u>	<u>233</u>
Total liabilities		<u><u>6,783</u></u>	<u><u>6,078</u></u>

The accounting policies on pages 8 to 10 and the notes on pages 16 to 27 form an integral part of these accounts

Approved by the Board and signed on its behalf by:



Director
25 March 2004

Norwich Union Insurance Limited

Notes to the Accounts

1 Segmental information

(i) For the purposes of Statement of Standard Accounting Practice 25, "Segmental Reporting", the directors consider that the Company operates in only one geographical segment, that of the United Kingdom. The Company has ceased business in overseas agents although claims remain in run-off in certain locations.

(ii) The directors consider that turnover on the destination basis is not materially different from turnover on an origin basis.

(iii)

	2003 £m	2002 £m
(a) Gross premiums written		
Accident and health	424	400
Motor (third party liability)	1,015	784
Motor (other classes)	868	892
Fire and other damage to property	654	634
Third party liability	10	8
Miscellaneous	69	57
	<u>3,040</u>	<u>2,775</u>
(b) Gross premiums earned		
Accident and health	405	340
Motor (third party liability)	964	753
Motor (other classes)	828	861
Fire and other damage to property	649	579
Third party liability	9	9
Miscellaneous	63	69
	<u>2,918</u>	<u>2,611</u>
(c) Gross claims incurred, including claims equalisation		
Accident and health	230	218
Motor (third party liability)	761	637
Motor (other classes)	636	699
Fire and other damage to property	369	360
Third party liability	34	(5)
Miscellaneous	27	(14)
	<u>2,057</u>	<u>1,895</u>
(d) Gross operating expenses		
Accident and health	127	111
Motor (third party liability)	196	161
Motor (other classes)	168	183
Fire and other damage to property	211	164
Third party liability	2	2
Miscellaneous	35	34
	<u>739</u>	<u>655</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

1 Segmental information (continued)

	2003 £m	2002 £m
(e) Reinsurance balance		
Accident and health	30	22
Motor (third party liability)	10	11
Motor (other classes)	37	5
Fire and other damage to property	61	1
Third party liability	(3)	4
Miscellaneous	13	17
	<u>148</u>	<u>60</u>
(f) Net underwriting result		
Accident and health	18	(11)
Motor (third party liability)	(3)	(56)
Motor (other classes)	(13)	(26)
Fire and other damage to property	8	54
Third party liability	(24)	8
Miscellaneous	(12)	32
	<u>(26)</u>	<u>1</u>
(g) Net technical provisions		
Accident and health	120	118
Motor (third party liability)	857	700
Motor (other classes)	720	775
Fire and other damage to property	305	316
Third party liability	122	120
Miscellaneous	35	32
	<u>2,159</u>	<u>2,061</u>
(h) Geographical analysis		
Profit/(loss) on ordinary activities before tax		
United Kingdom	155	(16)
European Union (excluding UK)	-	1
	<u>155</u>	<u>(15)</u>
Net assets		
United Kingdom	1,149	920
European Union (excluding UK)	14	14
	<u>1,163</u>	<u>934</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

2 Prior years' claims provisions

Material over / (under) provisions in respect of prior years' claims provisions are as follows:

	2003 £m	2002 £m
Accident and health	5	6
Motor	(8)	(85)
Property	10	62
Third party liability	(19)	20
Miscellaneous	(7)	29
	<u> </u>	<u> </u>

3 Net operating expenses

	2003 £m	2002 £m
Written commissions	396	368
Other acquisition costs	111	109
Change in deferred acquisition costs	(4)	(4)
Administrative expenses	64	50
Reinsurance commissions and profit participation	(225)	(212)
	<u> </u>	<u> </u>
	<u>342</u>	<u>311</u>

4 Auditors' remuneration

	2003 £000	2002 £000
For auditing Companies Act accounts	500	445
For other services provided by Ernst & Young LLP	98	572
	<u> </u>	<u> </u>
	<u>598</u>	<u>1,017</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

5 Directors' emoluments

- (i) P J R Snowball is a director of Aviva plc, and details of his remuneration are given in the accounts of that company.
- (ii) Details of the aggregate emoluments of the directors of the Company, as paid by Aviva Employment Services Limited, excluding the director referred to in (i) above, comprised:

	2003 £000	2002 £000
Fees and benefits	<u>444</u>	<u>765</u>

- (iii) The highest paid director was also a director of Aviva plc and his emoluments are disclosed in the accounts of Aviva plc.

6 Investment income

	2003 £m	2002 £m
Income from other investments	138	130
Net realised gains on investments	-	34
Release of impairment provision for cost of investments in subsidiary undertakings (partial release of 2002 provision in note 8 below)	75	-
	<u>213</u>	<u>164</u>

7 Investment expenses and charges

	2003 £m	2002 £m
Interest payable - bank loans and overdrafts	5	5
Investment management expenses	1	1
Net realised losses on investments	3	-
	<u>9</u>	<u>6</u>

8 Unrealised losses on investments

	2003 £m	2002 £m
Impairment provision for cost of investments in subsidiary undertakings (refer accounting policy (n))	-	94
Other unrealised losses	11	55
	<u>11</u>	<u>149</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

9 Other charges

	2003 £m	2002 £m
Corporate costs	4	17
Amortisation of intangible assets	8	8
	<u>12</u>	<u>25</u>

10 Taxation

(a) Profit and loss account:

Taxation charged in the non-technical account is as follows:

	2003 £m	2002 £m
Current tax:		
UK corporation tax charge	19	11
Prior year adjustments	15	(1)
Total current tax	<u>34</u>	<u>10</u>
Deferred tax:		
Origination and reversal of timing differences	4	13
Prior year adjustments	(15)	2
Total deferred tax	<u>(11)</u>	<u>15</u>
Total tax charge in the non-technical account	<u>23</u>	<u>25</u>

(b) Factors affecting current tax charge for the year:

The tax assessed in the non-technical account is lower (2002: higher) than the standard UK corporation tax rate because of the following factors:

	2003 £m	2002 £m
Profit/(loss) on ordinary activities before tax	<u>155</u>	<u>(15)</u>
Current tax charge/(credit) at standard UK corporation tax rate of 30% (2002: 30%)	46	(5)
Adjustment to tax charge in respect of prior years	15	(1)
Non-taxable dividends	(5)	(2)
Non-taxable amortisation of goodwill	2	2
Other disallowable expenses	2	1
Other deferred tax movements	(4)	(13)
Deferred tax assets not recognised	(22)	29
Other items	-	(1)
Current tax charge for the year	<u>34</u>	<u>10</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

10 Taxation (continued)

(c) Factors that may affect future tax charges:

The deferred tax assets, which have not been recognised due to the uncertainty of their recoverability in the foreseeable future, comprise:

	2003 £m	2002 £m
Deferred tax assets not provided:		
Unrealised losses on investments	(6)	(28)
Accelerated capital allowances	(8)	(15)
Provisions and other timing differences	(5)	-
Total deferred tax asset not provided	(19)	(43)

(d) Balance sheet:

(i) The discounted provision for deferred tax, included within "Provisions for other risks and charges" (see note 22), comprises:

	2003 £m	2002 £m
Unrealised gains on investments	20	26
Provisions and other timing differences	13	-
Losses	(18)	-
	<u>15</u>	<u>26</u>
Undiscounted provision for deferred tax	15	26
Discount	-	-
Discounted provision for deferred tax	15	26

(ii) Movements in the deferred tax balances are analysed as follows:

	2003 £m	2002 £m
Provision at 1 January	26	11
Amounts (credited)/charged to the profit and loss account	(11)	15
Provision at 31 December	15	26

11 Dividends

	2003 £m	2002 £m
Interim dividend paid December 2003	30	60
Interim dividend paid March 2004	70	-
	<u>100</u>	<u>60</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

12 Intangible assets

	Licences	Goodwill	Total
	£m	£m	£m
Cost - at 1 January 2003	5	154	159
- acquired in the year	-	2	2
- at 31 December 2003	5	156	161
Amortisation			
- at 1 January 2003	5	34	39
- charge for the year	-	8	8
- at 31 December 2003	5	42	47
Net book value at 31 December 2003	-	114	114
Net book value at 31 December 2002	-	120	120

The goodwill acquired in the year represents purchases made regarding small brokerages.

13 Investments

	2003		2002	
	Carrying value	Cost	Carrying value	Cost
	£m	£m	£m	£m
(a) Investments in Group undertakings:				
Shares - at net asset value	1,134	1,247	1,139	1,324
Loans	644	644	498	498
	1,778	1,891	1,637	1,822

	2003		2002	
	Carrying value	Cost	Carrying value	Cost
	£m	£m	£m	£m
(b) Other financial investments:				
Shares and other variable yield securities and units in unit trusts				
- listed	131	89	111	87
- unlisted	-	5	-	4
Debt and fixed income securities at market value				
- listed	1,344	1,351	1,172	1,151
- unlisted	15	15	67	67
Deposits with credit institutions	100	100	85	85
	1,590	1,560	1,435	1,394

Carrying value is market value unless otherwise indicated.

Norwich Union Insurance Limited

Notes to the Accounts (continued)

13 Investments (continued)

(c) Stock lending :

The Company has entered into stock lending arrangements in the United Kingdom during the year in accordance with established market conventions. Investments are lent to locally-domiciled counterparties and governed by agreements written under English law.

14 Group undertakings

Particulars of Group undertakings at 31 December 2003 are given below. Those undertakings which have been omitted do not materially affect the amount of the result or assets shown in the accounts. The undertakings have share capital comprising shares of one class only and are incorporated in Great Britain.

	Percentage of allotted share capital held
Haven Insurance Policies Limited (General business insurance)	100
Hill House Hammond Limited (Insurance intermediaries)	100
London and Edinburgh Insurance Company Limited (General business insurance)	100
NUI Investments Limited (Investment management company)	100
Norwich Union Mortgages (General) Limited (Mortgage management company)	100
Norwich Union Consumer Products Limited (Insurance intermediaries)	100

On 26 January 2004, the Company transferred its investment in Hill House Hammond Limited to its parent undertaking, Norwich Union Holdings Limited, at cost.

15 Debtors arising out of direct insurance operations

	2003 £m	2002 £m
Amounts due from policyholders	392	433
Amounts due from intermediaries - third parties	530	390
	<u>922</u>	<u>823</u>

Norwich Union Insurance Limited

Notes to the Accounts (continued)

16 Debtors arising out of reinsurance operations

	2003 £m	2002 £m
Amounts due from third parties	5	17

17 Other debtors

	2003 £m	2002 £m
Amounts due from fellow Group undertakings	326	363
UK corporation tax	-	1
Other debtors	37	24
	<u>363</u>	<u>388</u>

18 Share capital

	2003 £m	2002 £m
Authorised:		
950,000,000 (2002: 750,000,000) Ordinary shares of £1 each	950	750
Allotted, called up and fully paid:		
911,050,000 (2002: 711,050,000) Ordinary shares of £1 each	911	711

On 20 December 2003 the Company's authorised share capital was increased by 200 million Ordinary shares to 950 million Ordinary shares of £1 each. On this same date 200 million Ordinary shares were allotted to the Company's parent undertaking for consideration of £200 million to provide additional share capital for the Company.

Norwich Union Insurance Limited

Notes to the Accounts (continued)

19 Reconciliation of movements in shareholder's funds

	Share capital	Share premium account	Revaluation reserve	Profit and loss account	Total shareholder's funds	
	2003 £m	2003 £m	2003 £m	2003 £m	2003 £m	2002 £m
Balance at 1 January	711	148	60	15	934	984
Issue of share capital	200	-	-	-	200	100
Retained profit/(loss) for the year	-	-	-	32	32	(100)
Change in value of Group undertakings	-	-	(3)	-	(3)	(50)
Balance at 31 December	911	148	57	47	1,163	934

20 Provisions for outstanding claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average costs per claim and ultimate claim numbers for each accident year, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs.

Judgement is used to assess the extent to which past trends may not apply in future, for example to reflect public attitudes to claiming or varying levels of claims inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

21 Equalisation provision

An equalisation provision, which is in addition to the provision required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet notwithstanding that it does not represent liabilities at the year end. This has had the effect of reducing net assets at 31 December 2003 by £41 million (2002: £32 million). The movement in the provision during the year resulted in an increase in the underwriting loss and a decrease in the profit before tax of £9 million (2002: a decrease in the underwriting profit and an increase in the loss before tax of £7 million).

Norwich Union Insurance Limited

Notes to the Accounts (continued)

22 Provisions for other risks and charges

	2003 £m	2002 £m
Deferred tax (refer to note 10(d) for further details)	15	26

23 Creditors arising out of direct insurance operations

	2003 £m	2002 £m
Amounts due to fellow Group undertakings	10	10
Amounts due to third parties	45	56
	55	66

24 Creditors arising out of reinsurance operations

	2003 £m	2002 £m
Amounts due to fellow Group undertakings	602	770
Amounts due to third parties	8	9
	610	779

25 Other creditors including taxation and social security

	2003 £m	2002 £m
Bank overdrafts	96	79
Amounts due to fellow Group undertakings	505	364
UK corporation tax	31	-
Other creditors	270	218
	902	661

Bank overdrafts arise substantially from unpresented cheques. "Other creditors" includes the obligation to repay £112 million received under stock repurchase arrangements (2002: £112 million).

Norwich Union Insurance Limited

Notes to the Accounts (continued)

26 Capital commitments

There was no capital expenditure, excluding investments, contracted for at 31 December 2003 for which no provision had been made (2002: £ nil).

27 Contingent liabilities

As a result of an order made under Section 148 of the Financial Services and Markets Act 2000, the Company, London and Edinburgh Insurance Company Limited and Haven Insurance Policies Limited have been granted a concession to deposit consolidated annual returns with the Financial Services Authority. As a condition of this concession, the Company, London and Edinburgh Insurance Company Limited and Haven Insurance Policies Limited have mutually guaranteed their respective liabilities in a manner approved by the Financial Services Authority. Furthermore, they continue to guarantee the liabilities of a former Group undertaking, Maritime Insurance Company Limited, which was included under the concession until 31 December 1993. This guarantee only extends to liabilities arising prior to 1 January 1998. The Company also guarantees the liabilities of two subsidiary undertakings, Aviva Insurance and Security Insurance Limited, which had their general insurance business licences revoked in 2003.

28 Related party transactions

As permitted under Financial Reporting Standard 8, Related Party Disclosures, transactions with entities which are a part of the Aviva plc group of companies have not been disclosed.

29 Cash flow statement

The Company is exempt under Financial Reporting Standard 1 (revised) from the requirement to prepare a cash flow statement as it is 100% owned within the Aviva plc Group. The consolidated cash flow statement which includes the Company, can be found in the Group consolidated accounts of Aviva plc.

30 Discontinued operations

Claims arising from the Company's share of stop loss protection arrangements with Norwich Winterthur Reinsurance Corporation Limited and Stronghold Insurance Company Limited have been treated as discontinued operations in the general business technical account. Those claims arising from the run-off of overseas agents business are also treated as discontinued. In addition, certain marine and aviation reinsurance arrangements are also included in discontinued operations.

31 Parent undertaking

The ultimate parent undertaking is Aviva plc, registered in England. The accounts of the ultimate parent undertaking are available from the Registered Office, St Helen's, 1 Undershaft, London EC3P 3DQ.

The Company's immediate parent undertaking is Norwich Union Holdings Limited, registered in England.