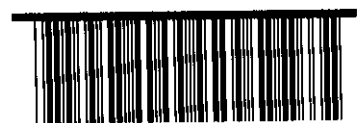


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**CGU CREDIT
SERVICES LIMITED
2003**



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CGU Credit Services Limited

Report and Accounts 2003

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CGU Credit Services Limited

Directors and Officer

Directors:

P J R Snowball

M S Hodges

B F McIntyre

Officer:

Company Secretary:

Aviva Company Secretarial Services Limited

Auditor:

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered Office:

St Helens

1 Undershaft

London

EC3P 3DQ

Registered in England: No. 184857

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

CGU Credit Services Limited

Directors' Report

for the year ended 31 December 2003

The directors present their annual report and audited accounts for CGU Credit Services Limited (the Company) for the year ended 31 December 2003.

Principal activity

The principal activity of the Company during the year continues to be the provision of instalment credit in respect of insurance premiums in the United Kingdom. The directors consider that this will continue unchanged into the foreseeable future.

Profit and loss account - salient features

	2003 £'000	2002 £'000
Turnover	10,736	10,769
Profit before tax	11,126	9,658

Full details of the results are set out on page 8.

Dividends

No interim dividend was paid during the year (2002: £ nil). The directors do not recommend the payment of a final dividend (2002: £15,000,000).

Directors' interests

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

C F Ramsay was appointed an alternate director to B F McIntyre on 23 January 2004 and resigned on 26 April 2004.

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

CGU Credit Services Limited

Directors' Report (continued)

for the year ended 31 December 2003

Directors' interests (continued)

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 under incentive plans below and on page 4. 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 exercised or 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

(1) "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.

(2) During the year no directors exercised any share options and therefore no gains on such were made.

CGU Credit Services Limited

Directors' Report (continued)

for the year ended 31 December 2003

Directors' interests (continued)

(ii) Share awards

	At 1 January 2003	Awards granted during year	Awards vested during year	Awards lapsed during 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

- (1) The 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.
- (2) The 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.

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 26 August 1999, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings, the laying of directors' reports, financial statements and auditors' reports before the members in general meeting and the obligation to appoint auditors annually.

CGU Credit Services 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.

By order of the Board



Aviva Company Secretarial Services Limited
Secretary

24 SEPTEMBER 2004

CGU Credit Services Limited

Independent Auditor's Report

To the members of CGU Credit Services Limited

We have audited the Company's accounts for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 13. These accounts have been prepared on the basis of the accounting policies set out on page 7.

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 auditor

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.

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 result 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

29 September 2004

CGU Credit Services 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 under the historical cost convention and in accordance with the Companies Act 1985. The accounting policies adopted reflect United Kingdom Financial Reporting Standards and Statements of Standard Accounting Practice applicable at 31 December 2003 as considered appropriate.

(b) Turnover

Turnover represents the net amount receivable, excluding value added tax, under agreements for providing instalment credit on insurance premiums, written by fellow Group undertakings, in the United Kingdom.

Income is recognised on an accruals basis over the term of the agreement

(c) 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 the maturity dates and in currencies similar to those of the deferred tax assets or liabilities.

CGU Credit Services Limited

Profit and Loss Account for the year ended 31 December 2003

	Notes	2003 £'000	2002 £'000
Turnover	1	10,736	10,769
Administration expenses		(319)	(1,111)
Release of accrual for administration expenses	2	709	-
Profit on ordinary activities before tax		11,126	9,658
Tax on profit on ordinary activities	5	(3,038)	(3,197)
Profit for the financial year		8,088	6,461
Dividends - proposed		-	(15,000)
Retained profit/(loss) for the year		8,088	(8,539)
Retained profit at 1 January		1,730	10,269
Retained profit at 31 December	10	9,818	1,730

All activities of the Company are continuing.

The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

The accounting policies on page 7 and the notes on pages 10 to 13 form an integral part of these accounts

CGU Credit Services Limited

Balance Sheet

at 31 December 2003

	Notes	2003 £'000	2002 £'000
Current assets			
Debtors	6	119,895	133,625
Cash at bank and in hand	7	8,274	20,913
		<u>128,169</u>	<u>154,538</u>
Creditors: amounts falling due within one year	8	(118,290)	(152,747)
Net current assets		<u>9,879</u>	<u>1,791</u>
Total assets less current liabilities		<u>9,879</u>	<u>1,791</u>
Capital and reserves			
Called up share capital	9	25	25
Other reserves	10	36	36
Profit and loss account	10	9,818	1,730
Shareholder's funds attributable to equity interests	10	<u>9,879</u>	<u>1,791</u>

The accounting policies on page 7 and the notes on pages 10 to 13 form an integral part of these accounts.

Approved by the Board and signed on its behalf by:



24 SEPTEMBER 2004

Director

CGU Credit Services Limited

Notes to the Accounts

1 Segmental information

For the purposes of Statement of Standard Accounting Practice 25, "Segmental Reporting", the directors consider that the Company operates in only one class of business, that of the provision of instalment credit in respect of insurance premiums, and in only one geographical segment, that of the United Kingdom.

2 Administration expenses

In 2002 an accrual was made for administration expenses to be recharged by a Group undertaking. During 2003 the actual amount charged was less than the accrual, and accordingly the overaccrual of £ 709,000 has been credited to the profit and loss account.

3 Directors' emoluments

The emoluments of the directors have been borne in both 2002 and 2003 by a fellow Group undertaking, CGU Insurance plc.

4 Auditor's remuneration

The remuneration of the auditor has been borne in both 2002 and 2003 by CGU Insurance plc.

5 Taxation

(a) Profit and loss account

Taxation charged in the profit and loss account comprises:

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax	3,038	3,197
Total current tax charge for the year	3,038	3,197

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

The tax assessed in the profit and loss account is lower than (2002: higher than) the standard UK corporation tax rate because of the following factors:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	11,126	9,658
Current tax charge at standard UK corporation tax rate of 30% (2002: 30%)	3,338	2,897
Deferred tax assets not recognised	(300)	300
Current tax charge for the year	3,038	3,197

CGU Credit Services Limited

Notes to the Accounts (continued)

5 Taxation (continued)

(c) Factors that may effect 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 £'000	2002 £'000
Provisions and other timing differences	-	300
	<hr/>	<hr/>
	-	300

(d) Balance sheet:

There is no liability for deferred taxation provided for in 2002 and 2003. As noted above, a deferred tax asset of £ nil in 2003 (2002: £300,000) has not been recognised.

6 Debtors

	2003 £'000	2002 £'000
Trade debtors	119,839	130,589
Amounts owed by Group undertakings	-	1,369
Other debtors	56	1,667
	<hr/>	<hr/>
	119,895	133,625

7 Cash

Cash balances of the Company, at Lloyds TSB Bank Plc, are included in a pooling arrangement with other Group companies. Under this arrangement interest on funds is not allocated to its participants. Accordingly the Company has received no interest on its cash balances.

CGU Credit Services Limited

Notes to the Accounts (continued)

8 Creditors - amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to Group undertakings	114,993	147,127
UK corporation tax	2,985	3,250
Other creditors	312	-
Accruals and deferred income	-	2,370
	<u>118,290</u>	<u>152,747</u>

9 Share capital

	2003 £'000	2002 £'000
Authorised:		
Ordinary shares of £1 each	<u>25</u>	<u>25</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>25</u>	<u>25</u>

10 Reconciliation of movements in shareholder's funds

	Share capital	Other reserves	Profit and loss account	Total shareholder's funds	
	2003 £'000	2003 £'000	2003 £'000	2003 £'000	2002 £'000
Balance at 1 January	25	36	1,730	1,791	10,330
Retained profit/(loss) for the financial year	-	-	8,088	8,088	(8,539)
Balance at 31 December	<u>25</u>	<u>36</u>	<u>9,818</u>	<u>9,879</u>	<u>1,791</u>

CGU Credit Services Limited

Notes to the Accounts (continued)

11 Cash flow statement

The Company is exempt under Financial Reporting Standard 1 (revised) from the requirement to prepare a cash flow statement as, at 31 December 2003, it was 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.

12 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.

13 Parent undertaking

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

The Company's immediate parent undertaking is CGU Insurance plc, registered in Scotland.