CGNU Life Assurance Limited

Report & Accounts 2004

NORWICH UNION
an AVIVA company

Directors and Officers

Directors

J D Ainley
P R Hales
M T Kirsch
J A Newman
C E Riley
M N Urmston
G N Withers

Secretary

Aviva Company Secretarial Services Limited

Auditor

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

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Directors' report

The directors present their annual report and audited accounts for CGNU Life Assurance Limited (the Company) for the year ended 31 December 2004.

Principal activity

The principal activity of the Company is the transaction of long term insurance business. The directors consider that this will continue unchanged into the foreseeable future.

Operations and new business

	2004	2003	2002
	£m	£m	£m
New annual premiums (net of reinsurance)	**18**	22	36
New single premiums (net of reinsurance)	**431**	443	1,205
Balance on the long-term business technical account	**22**	27	33

Further details of the results are given in the profit and loss account on pages 12 and 13.

Further details of the annual valuation and distribution of profits are provided in the returns to the Financial Services Authority ("FSA").

FRS27

The UK Accounting Standards Board issued a new financial reporting standard in December 2004, known as FRS 27, requiring certain capital disclosures to be made, including a capital statement. The purpose of these disclosures is to set out the financial strength of the entity and to provide an analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements.

The capital statement is prepared on group level, and can be found in the accounts of Aviva plc, the Company's ultimate parent undertaking.

UK with-profit funds

Under the Memorandum of Understanding, which Aviva plc entered into with the ASB relating to FRS27, we are required to disclose information on the realistic balance sheets for the Company, the Company's capital position statement and financial options and guarantees. These are set out in the following paragraphs.

Regulatory basis

The FSA published the Prudential Sourcebook (PSB) for insurers, which in 2004 is applicable for 31 December 2004 year ends. The PSB formally introduces the FSA's realistic reporting regime setting out a realistic basis of measurement for assets and liabilities and also the realistic capital requirements.

The Company is required to hold sufficient capital to meet the FSA's capital requirements. Under the FSA's realistic reporting regime, the UK with-profits business' capital requirement is determined from the "twin peaks" approach, such that the capital resources must be sufficient to cover the greater of the statutory and realistic liability and capital requirements. The Company must also take into account the ICA which considers certain business risks not reflected in the twin peaks approach. For UK non-participating business, the capital requirement is calculated on the statutory basis, which is based on EU Directives.

In 2004 realistic results have been prepared in accordance with the PSB. The results make appropriate allowance for all the liabilities of the with-profit funds, including provision for future bonuses, the fair value of guarantees, options and promises on a market consistent basis and the cost of shareholder transfers and tax associated with future bonuses. The calculations also make allowance for how the with-profit funds are expected to be run, for example investment policy, and how policyholders are expected to behave, for example persistency.

FRS27 (continued)

Regulatory basis (continued)

During 2003, in order to ease the transition to the new realistic reporting regime, the FSA indicated that those companies which could demonstrate that statutory regulations for valuation of liabilities were unduly onerous relative to a realistic assessment of solvency could secure modifications to the rules by way of waiver. Such waivers were granted to the Company in 2003, and the statutory valuation was modified at the 2003 year end. As the FSA's realistic rules are now in effect for the 2004 year end, such waivers are no longer appropriate and have been allowed to lapse.

The available capital of the with-profit funds is represented by the realistic orphan estate. The estate represents the assets of the long-term with-profit funds less the realistic liabilities for non-profit policies, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs and guarantees.

Realistic balance sheet information is shown for the Company in the table below.

	Estimated realistic assets	Estimated realistic liabilities*	Estimated realistic orphan estate**	Estimated required capital margin***	Estimated excess
	£bn	£bn	£bn	£bn	£bn
Realistic balance sheet information	12.2	10.5	1.7	0.3	1.4

* Realistic liabilities include the shareholders' share of future bonuses of £0.1 billion. Realistic liabilities adjusted to eliminate the shareholders' share of future bonuses are £10.4 billion.

These realistic liabilities make provision for guarantees, options and promises on a market consistent stochastic basis. The value of the provision included within realistic liabilities is £0.6 billion

** Realistic orphan estate at 31 December 2003 was £1.3 billion

*** The Required Capital Margin (RCM) is 5.1 times covered by the orphan estate in aggregate.

Calculation of the realistic liabilities requires various assumptions to be made as follows:

Investment related assumptions – Our objective in setting these assumptions is that where parameters can be determined from instruments traded in the market, then our assumptions would reproduce the prices of these traded instruments. This approach is taken for assumptions for risk free rates, equity and fixed interest volatility. Where assumptions cannot be determined in this way, for example correlation, then this is based on past market experience.

Risk free rates at 31 December 2004 have been determined as the annualised spot yields for the gilt market, sourced from the Bank of England, increased by 10 b.p. The increase reflects the result that gilt yield is a little less than true risk free because of the highly liquid nature. Assumptions for volatility have been sourced from various investment banks based on the market price of traded options.

Demographic assumptions – Assumptions for persistency, mortality and option take up rates are set to achieve a realistic best estimate. Assumptions are based on own and industry experience, and allow for anticipated future trends.

FRS27 (continued)

Regulatory basis (continued)

Management assumptions – Management may exercise discretion in the operation of the with-profit business, through for example, smoothing of payouts, the level of annual bonuses and investment policy. How management exercises this discretion is described in the Principles and Practices of Financial Management (PPFM). The assumptions made about how management will exercise discretion in the calculation of the realistic liability are consistent with the PPFM, with the objective of achieving a realistic best estimate.

The key assumptions for the Company are shown below:

Financial	
Risk free rate	4.66%
Equity volatility	18.3%
Property volatility	15.0%
Option take up	
Guarantee annuity	75.0%
No MVR guarantee	75.0% first opportunity; 25.0% second opportunity

Financial guarantees and options

As a normal part of operating activities, the Company has given guarantees and options, including interest rate guarantees, in respect of certain long-term insurance and fund management products.

Provision for guarantees and options under MSSB reporting

The costs of guarantees and options are not material to the level of technical provisions held and the overall level of shareholders' capital. Most guarantees are in the UK with-profit fund and are covered by the estate. Elsewhere, where guarantees exist, they are matched by a high quality government and corporate bond portfolio which reduces the time value costs. Where the exposure is not fully matched, we adopt hedging techniques and hold appropriate technical reserves; and finally, where interest rate guarantees are provided in our current product set, these are set-up rates of 1-2% and are priced into the contracts. As required by FRS27, additional disclosure setting out details of material guarantees and options has been provided below. A financial option or guarantee is one whose potential value is affected by the behaviour of financial variables, and not by those features of life assurance contracts where the potential changes in policyholder benefits arise solely from insurance risk.

In providing these guarantees and options, the Company's capital position is sensitive to market risk, such as adverse fluctuations in financial variables including foreign currency exchange rates, interest rates, real estate prices and equity prices. Interest rate guaranteed returns, such as those available on guaranteed annuity options (GAOs), are sensitive to interest rates falling below the guaranteed level. Other guarantees such as maturity value guarantees and guarantees in relation to minimum rates of return, are sensitive to fluctuations in the investment return below the level assumed when the guarantee was made. The Company carefully manages its exposure to market risk.

These processes are described in the "Risk management policies" section of this report.

FRS27 (continued)

With-profits business

In the UK, from 31 December 2004, life insurers are required to comply with the FSA's realistic reporting regime for their with-profit funds for the calculation of FSA liabilities. Provision is made for guarantees and options within the FSA realistic liabilities of the Company. Under the FSA's rules these must be measured at fair value using market consistent stochastic models. A stochastic approach includes measuring the time value of guarantees and options, which represents the additional cost arising from uncertainty surrounding future economic conditions. The time value is evaluated by projecting a large number of possible future outcomes under a wide range of economic scenarios, for example possible outcomes for interest rates and equity returns.

The Company has written various with-profit life insurance contracts which include guarantees and options. The Company's with-profit liabilities measured on a realistic basis, include explicit provision for these guarantees and options, which have been measured in accordance with the FSA's rules. These realistic liabilities have not been included within the MSSB balance sheet for 2004 but will be incorporated in the statutory balance sheet from 1 January 2005 in accordance with FRS27. These realistic liabilities have not been included within the MSSB balance sheet for 2004 but will be incorporated in the statutory balance sheet from 1 January 2005 in accordance with FRS27.

The material guarantees and options are:

Maturity value guarantees – Substantially all of the conventional with-profit business and a significant proportion of unitised with-profit business have minimum maturity values reflecting the sums assured plus declared annual bonus. In addition the guarantee fund has offered maturity value guarantees on certain unit linked products.

No market valuation reduction (MVR) guarantees – For unitised business, there are a number of circumstances where a "no MVR" guarantee is applied, for example on certain policy anniversaries, guaranteeing that no market value reduction will be applied to reflect the difference between the guaranteed value of the policy and the market value of the underlying assets.

Guaranteed annuity options – The Company has written individual and group pensions which contain guaranteed annuity rate options (GAOs), where the policyholder has the option to take the benefits from a policy in the form of annuity based on guaranteed conversion rates. The Company also has exposure to GAOs and similar options on deferred annuities.

Guaranteed minimum pension (Transfer Plan (section 32)) – The Company also has certain section 32 policies which contain a guaranteed minimum level of pensions as part of the condition of the original transfer from state benefits to the policy.

In addition, while these do not constitute guarantees, the Company has made promises to certain policyholders in relation to mortgage endowments that payments on these policies will meet the mortgage value, provided investment returns exceed 6% per annum net of tax, between 1 January 2000 and maturity, and the investment returns on the free reserves are sufficient to meet the top up costs.

Non-profit business

The Company has also written contracts which include guarantees and options within its non-profit funds. The Company's UK non-profit funds are not subject to the requirements of the FSA's realistic reporting regime and therefore liabilities are evaluated by reference to local statutory reserving rules. Provision for guarantees and options in the non-profit funds has been included within the MSSB liabilities.

Directors' report

Major events

On 13 December 2004, Keith Cardale Groves Limited and Stuart Wyse Ogilvie Limited, wholly owned subsidiaries of the Company, went into liquidation.

Dividends

An interim dividend of £58m was paid during the year (2003: £nil). The directors do not recommend the payment of a final dividend for the year (2003: £nil).

Post balance sheet event

On 1 January 2005 technical provisions and matching assets to the value of £1.2 billion were transferred into the Company from a fellow subsidiary (Norwich Union Life & Pensions Limited).

This transaction represented the recapture of With-Profits business which had previously been reassured from the Company to Norwich Union Life & Pensions Limited.

The net impact on profit before tax and on retained profit is £nil.

Directors

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

J D Ainley and C E Riley were appointed as directors of the Company on 2 August 2004.

P E Hessey resigned as a director of the Company on 2 August 2004.

G M Vance resigned as a director of the Company on 30 November 2004.

P R Hales, M T Kirsch, J A Newman, M N Urmston and G N Withers served as directors of the Company throughout the year.

Directors' interests

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 on pages 8 and 9. All the disclosed interests are beneficial.

	At 1 January 2004 (or appointment if later)	At 31 December 2004
	Number	Number
J D Ainley	13,030	13,141
P R Hales	24,686	23,515
M T Kirsch	19,499	12,525
J A Newman	2,873	3,776
C E Riley	4,508	4,508
M N Urmston	2,637	2,652
G N Withers	30,342	10,863

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 2004 (or appointment if later)	Options granted during year	Options exercised or lapsed during year	At 31 December 2004
	Number	Number	Number	Number
J D Ainley				
Savings related options	2,356	-	-	2,356
P R Hales				
Savings related options	541	-	541	-
Executive options	52,705	-	-	52,705
M T Kirsch				
Savings related options	2,356	-	-	2,356
C E Riley				
Savings related options	2,305	-	-	2,305
Executive options	33,277	-	-	33,277
Bonus plan options	300	-	-	300
M N Urmston				
Savings related options	5,041	-	1,081	3,960
Executive options	97,764	-	23,552	74,212
G N Withers				
Savings related options	4,096	-	-	4,096

(1) "*Savings related options*" are options granted under the Inland Revenue-approved SAYE Share Option Scheme. Options granted from 1998 to 2003 are normally exercisable during the six months period following either the third, fifth or seventh anniversary of the relevant savings contract.

(2) "*Executive options*" are those granted under the Aviva Executive Share Option Scheme, or predecessor schemes. Options, which have been granted on various dates from 1995 to 2000, are normally exercisable between the third and tenth anniversaries of their date of grant. Options granted after 1997 are only exercisable if certain performance conditions are met.

(3) "*Bonus plan options*" are the options granted in 1999 and 2000 under the CGU Deferred Bonus Plan. Participants, who deferred their annual cash bonuses and received an award of shares, also received an award over an equivalent number of options. The options, which are not subject to performance conditions, are normally exercisable between the third and tenth anniversary of their grant.

During the year one director exercised share options.

Incentive plans (continued)

(ii) Share awards

	At 1 January 2004 (or appointment if later)	Awards granted during year	Awards vested during year	Awards lapsed during year	At 31 December 2004
	Number	Number	Number	Number	Number
J D Ainley					
Aviva Long Term Incentive Plan	127,083	-	-	-	127,083
Aviva Deferred Bonus Plan	46,850	-	-	-	46,850
P R Hales					
Aviva Long Term Incentive Plan	93,033	40,307	3,955	14,274	115,111
Aviva Deferred Bonus Plan	45,538	13,180	7,200	-	51,518
M T Kirsch					
Aviva Long Term Incentive Plan	91,740	38,771	3,616	13,050	113,845
Aviva Deferred Bonus Plan	59,800	28,070	14,666	-	73,204
J A Newman					
Aviva Long Term Incentive Plan	81,296	38,387	1,327	4,792	113,564
Aviva Deferred Bonus Plan	44,522	27,024	7,832	-	63,714
C E Riley					
Aviva Long Term Incentive Plan	111,211	-	-	-	111,211
Aviva Deferred Bonus Plan	42,514	-	-	-	42,514
M N Urmston					
Aviva Long Term Incentive Plan	91,891	39,155	3,955	14,274	112,817
Aviva Deferred Bonus Plan	69,572	26,782	14,582	-	81,772
G N Withers					
Aviva Long Term Incentive Plan	155,414	71,976	6,781	24,469	196,140
Aviva Deferred Bonus Plan	80,910	52,110	-	-	133,020

(1) *The Aviva Long Term Incentive Plan*, awards under the Plan are made on an annual basis and the 2004 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 2004 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.

Other than as disclosed above, none of the directors who held office at 31 December 2004 had any beneficial interests in the Company's shares or the shares of any other company within Aviva plc Group.

Directors' report

Resolutions

On 27 May 1999, 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 meeting and the obligation to appoint auditors annually.

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 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 to 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*

30 March 2005

Auditors' report

Independent auditors' report to the members of CGNU Life Assurance Limited

We have audited the Company's accounts for the year ended 31 December 2004 which comprise profit and loss account, statement of total recognised gains and losses, reconciliation of movement in shareholders' funds, balance sheet and the related notes 1 to 32. These accounts have been prepared on the basis of the accounting policies set out therein.

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 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 2004 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

30 March 2005

Profit and loss account
for the year ended 31 December 2004

Technical account - long-term business

	Note	2004 £m	2003 £m
Earned premiums, net of reinsurance			
Gross premiums written	2	**4,688**	3,677
Outward reinsurance premiums		**(3,969)**	(2,869)
		719	808
Investment income	3	**693**	498
Unrealised gains on investments		**609**	800
		2,021	2,106
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		**(2,596)**	(1,825)
Reinsurers' share		**1,599**	946
		(997)	(879)
Change in the provision for claims			
Gross amount		**(75)**	(21)
		(1,072)	(900)
Change in other technical provisions, net of reinsurance			
Long-term business provision, net of reinsurance			
Gross amount		**(579)**	(212)
Reinsurers' share		**254**	407
		(325)	195
Other technical provisions, net of reinsurance		**-**	3
		(325)	198
Net operating expenses	5	**(319)**	(170)
Investment expenses and charges	6	**(13)**	(17)
Tax attributable to long-term business	10(b)	**(68)**	(61)
Transfers to the fund for future appropriations		**(202)**	(1,129)
Balance on the technical account - long-term business		**22**	27

The notes on pages 17 to 31 are an integral part of these accounts. The auditors' report is on page 11.

Profit and loss account

for the year ended 31 December 2004

Non-technical account

	Note	2004 £m	2003 £m
Balance on the long-term business technical account		**22**	27
Tax credit attributable to balance on the long-term business technical account	10(a)	**9**	12
		31	39
Investment income	3	**1**	1
Operating profit on ordinary activities before tax	8	**32**	40
Tax on profit on ordinary activities	10(a)	**23**	(12)
Profit for the financial year after tax		**55**	28
Dividends	11	**(58)**	-
Retained (loss)/profit for the financial year	20	**(3)**	28

Acquisitions or discontinued operations during the current and prior financial year had no significant impact on the results above.

A statement of movement in reserves can be found in note 20.

The notes on pages 17 to 31 are an integral part of these accounts. The auditors' report is on page 11.

Statement of total recognised gains and losses

for the year ended 31 December 2004

The Company has no recognised gains or losses other than those included in the results above. Accordingly, a statement of total recognised gains and losses is not given.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2004

	2004 £m	2003 £m
Profit for the financial year	**55**	28
Dividends	**(58)**	-
Net (reduction)/addition to shareholders' funds	**(3)**	28
Opening shareholders' funds	**61**	33
Closing shareholders' funds	**58**	61

The notes on pages 17 to 31 are an integral part of these accounts. The auditors' report is on page 11.

Balance sheet
as at 31 December 2004

Assets

	Note	2004 £m	2003 £m
Investments			
Land and buildings	12	**1,405**	1,280
Investments in group undertakings and participating interests	13	**172**	100
Other financial investments	14	**10,592**	9,855
		12,169	11,235
Assets held to cover linked liabilities	15	**1**	1
Reinsurers' share of technical provisions			
Long-term business provision		**7,267**	7,013
Claims outstanding		**1**	1
Technical provisions for unit-linked liabilities		**10,793**	7,429
		18,061	14,443
Debtors			
Debtors arising out of direct insurance operations	16	**149**	77
Debtors arising out of reinsurance operations	17	**69**	49
Other debtors	18	**326**	354
		544	480
Other assets			
Cash at bank and in hand		**21**	97
Prepayments and accrued income			
Accrued interest and rent		**121**	68
Deferred acquisition costs		**1**	205
Other prepayments and accrued income		**-**	14
		122	287
Total assets		**30,918**	26,543

The notes on pages 17 to 31 are an integral part of these accounts. The auditors' report is on page 11.

Balance sheet
as at 31 December 2004

Liabilities

	Note	2004 £m	2003 £m
Capital and reserves			
Called up share capital	19	**-**	-
Profit and loss account	20	**58**	61
Shareholders' funds attributable to equity interests		**58**	61
Fund for future appropriations		**2,457**	2,252
Technical provisions			
Long-term business provision	31	**16,919**	16,340
Claims outstanding		**200**	125
		17,119	16,465
Technical provisions for linked liabilities	31	**10,794**	7,430
Provisions for other risks and charges	10(e)	**69**	29
Creditors			
Creditors arising out of direct insurance operations		**115**	25
Creditors arising out of reinsurance operations	21	**-**	21
Other creditors including taxation and social security	22	**288**	235
		403	281
Accruals and deferred income		**18**	25
Total liabilities		**30,918**	26,543

The accounts on pages 12 to 31 were approved by the Board on 30 March 2005 and were signed on its behalf by

J A Newman *Director*

The notes on pages 17 to 31 are an integral part of these accounts. The auditors' report is on page 11.

Notes to the accounts

1 Accounting policies

Basis of accounts

The accounts have been prepared in accordance with section 255 of, and the special provisions relating to insurance companies of Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice issued by the Association of British Insurers (the ABI SORP) in November 2003. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2004, as considered appropriate for an insurance company.

The Company has adopted the modified statutory solvency basis of accounting for long term insurance business.

The Company is exempt under section 228 of the Companies Act 1985, from the requirement to prepare group accounts, as it is a wholly owned subsidiary undertaking whose immediate parent undertaking is established under the law of a member state of the European Union. Accordingly, the accounts present information about the Company as an individual undertaking and not as a group.

Premiums

Long-term business premiums are accounted for when receivable, except for investment-linked premiums which are accounted for when liabilities are recognised.

Claims

Claims arising from death or maturity are included in the technical account for long-term business when the insured event is notified or becomes due. Surrenders are charged in the period when payment is made and annuities are charged in the period in which each payment becomes due.

Claims payable are stated gross of any related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

Bonuses

Reversionary bonuses are recognised in the technical account for long-term business when they are declared and terminal bonuses are recognised when the bonus is paid.

Investment return

Investment return comprises investment income, including realised investment gains and losses, and movements in unrealised investment gains and losses, net of investment expenses and charges. Investment return on investments attributable to the long-term business is reported in the technical account for long-term business. Investment return on assets not directly attributable to the long-term business is included in the non-technical account.

Investment income is recognised on an accruals basis. Dividend income is recognised when the related investment is declared ex-dividend, at the amount receivable.

Net realised gains and losses represent the difference between the net sale proceeds of an investment and the purchase price. Net realised gains and losses are included within the technical account for long-term business if these are attributable to assets in the long-term business fund. All other net realised gains and losses are included in the non-technical account.

The movement in net unrealised gains and losses represents the difference between the valuation of investments at the balance sheet date and the valuation at the last balance sheet date, or purchase price if purchased during the year, after adjustment for any previously recognised unrealised gains and losses on investments disposed of in the year.

Notes to the accounts

1 Accounting policies (continued)

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the writing of insurance contracts. Deferred acquisition costs comprise the costs of acquiring insurance policies that are incurred during a financial year but are to be recovered out of a subsequent financial year.

The costs are amortised over a period no longer than that in which they are expected to be recoverable out of margins in revenues from the related policies.

Tax

The shareholder tax charge in the non-technical account 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.

In the long-term business technical account, the charge is based on the method of assessing tax for long-term funds applicable in the relevant country of operation. Different tax rules apply under UK law and for some overseas jurisdictions, depending upon whether the business is basic life and annuity business or other long-term business, such as pensions or overseas life assurance. Tax on life and annuity business is based on investment return less expenses attributable to that business, whilst tax on other long-term business is based on the shareholders' attributable profits or losses. The shareholders' portion of the long-term business profit is taxed at the shareholders' rate, whilst the remaining portion is taxed at rates applicable to the policyholders.

The balance on the long-term business technical account is computed net of the total tax attributable to that business. In order to present the profit on long-term business operations on a pre-tax basis, this net figure is grossed up at the long-term effective rate of tax borne by shareholders in respect of the underlying business. This shareholder tax add-back is included in the tax charge on the profit on ordinary activities in the non-technical account.

Provision is made for deferred tax liabilities, 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.

No provision is made for tax that might arise if profits retained by overseas subsidiary and associated undertakings were remitted to the United Kingdom, unless a binding agreement exists for the relevant undertaking to distribute those earnings in future.

Investments

Investments are stated at their current values at the end of the year. Current values, for this purpose, are: stock exchange mid-market values for listed securities; bid price for unit trusts and OEICS; average trading prices for unlisted securities where a market exists; and directors' valuations for other unlisted securities and for mortgages and loans.

Properties are revalued annually at open market value in accordance with the guidance note on the valuation of assets issued by the Royal Institution of Chartered Surveyors, as determined by the Company's professionally qualified internal valuers and by external valuers for a proportion of these properties.

1 Accounting policies (continued)

Investments (continued)

In accordance with SSAP 19, no depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Subsidiary undertakings

Shares in subsidiary undertakings are included at current value.

Unrealised gains and losses in the value of subsidiary undertakings owned by policyholder funds are recognised in the technical account. Unrealised gains and losses in the value of subsidiary undertakings owned by shareholder funds are taken directly to the revaluation reserve. To the extent that any losses exceed the previously recognised gains in the revaluation reserve, they are taken directly to the non-technical account.

Long-term business provision and technical provision for linked liabilities

The long-term business provision is calculated separately for each life operation, based on local actuarial principles consistent with those in the United Kingdom. Each calculation represents a point within a range of possible outcomes, and the assumptions used in the calculations depend on the circumstances prevailing in each life operation. Further details of the methodology and the principal assumptions used are given in note 31.

Within the long-term business provision, explicit allowance is made for vested bonuses, including those added following the most recent fund valuation. The allowance for future bonuses depends on the methodology and is explained in note 31. The provisions held for linked business and unitised with profits business are the unit liabilities together with certain non-unit provisions.

Fund for future appropriations

The fund for future appropriations is used in conjunction with long-term business where the nature of the policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain. Amounts whose allocation either to policyholders or shareholders has not been determined by the end of the financial year are held in the fund for future appropriations. Transfers between the fund for future appropriations and the long-term business technical account represent changes in the unallocated amounts between balance sheet dates.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of 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.

2 Premiums

Gross premiums written

	2004 £m	2003 £m
Individual premiums	**4,104**	3,271
Premiums under group contracts	**392**	230
	4,496	3,501
Periodic premiums	**1,067**	1,073
Single premiums	**3,429**	2,428
	4,496	3,501
Premiums from non-participating contracts	**223**	205
Premiums from participating contracts	**753**	901
Premiums from investment linked contracts	**3,520**	2,395
Gross premiums written which relate to direct insurance	**4,496**	3,501
Gross premiums written which relate to reinsurances accepted	**192**	176
	4,688	3,677

Gross premiums are derived principally from contracts written in the United Kingdom.

Annualised new business premiums

	Annualised periodic premiums		Single premiums	
	2004 £m	2003 £m	2004 £m	2003 £m
Gross	**280**	250	**3,539**	2,610
Reinsurance	**(262)**	(228)	**(3,108)**	(2,167)
Net	**18**	22	**431**	443

In classifying new business premiums, the following basis of recognition has been adopted.

Recurrent single premium contracts, including rebates from the Department of Work and Pensions, are classified as new single premiums. Incremental increases on existing policies are classified as new business premiums.

Funds at retirement under individual pension contracts left with the Company and transfers from group to individual contracts are classified as new business single premiums and are included in the accounts as both claims incurred and as single premiums within gross premiums written.

Increments under existing group pension schemes are classified as new business premiums.

Where periodic premiums are received other than annually, such premiums are included on an annualised basis.

Gross premiums written by destination are not materially different from gross premiums written by source.

3 Investment income

	Technical account 2004 £m	Technical account 2003 £m	Non-technical account 2004 £m	Non-technical account 2003 £m
Income from land and buildings	**91**	99	**-**	-
Income from other investments	**416**	407	**1**	1
Net gains/(losses) on the realisation of investments	**186**	(8	**-**	-
	693	498	**1**	1

4 Long-term business bonuses

The following amounts have been included in the long-term business technical account in respect of policyholder bonuses:

	2004 £m	2003 £m
Bonuses included in claims paid	**18**	7
Reversionary and similar policyholder bonuses, included in the movement in the long-term business provision	**187**	247
	205	254

5 Net operating expenses

Net operating expenses in the technical account comprise:

	2004 £m	2003 £m
Acquisition costs	**214**	186
Change in deferred acquisition costs	**204**	40
Administrative expenses	**65**	61
	483	287
Reinsurance commissions and profit participation	**(164)**	(117)
	319	170

Under a management agreement Norwich Union Life Services Limited, a fellow group undertaking, supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amounts payable to Norwich Union Life Services Limited in respect of acquisition costs and administrative expenses.

The amount of this recharge is £43m (2003: £52m).

Total commission paid to external agents included above is £201m (2003: £189m).

6 Investment expenses and charges

	2004 £m	2003 £m
Investment management expenses, including interest	**13**	17

Notes to the accounts

7 Auditors' remuneration

The total remuneration payable by the Company, including VAT, to its principal auditor Ernst & Young LLP, in respect of the audit of these accounts is shown below, together with fees payable in respect of other work.

	2004 £'000	2003 £'000
Audit services		
Statutory audit	**162**	93
Audit-related regulatory reporting (FSA)	**54**	31
	216	124
Other services	**12**	115
	228	239

Audit fees are included in the management charge from Norwich Union Life Services Limited.

8 Operating profit on ordinary activities before tax

	2004 £'000	2003 £'000
Operating profit on ordinary activities before tax is stated after crediting:		
Interest receivable from group undertakings	**3,545**	5,480

9 Directors' emoluments

As stated in note 5, a management charge in respect of administration services has been made by Norwich Union Life Services Limited, which includes an element in respect of directors' time spent in managing the Company.

J D Ainley, P R Hales, P E Hessey, M T Kirsch, J A Newman, C E Riley, M N Urmston, G M Vance and G N Withers are directors of Norwich Union Life Services Limited and details of their remuneration are given in the accounts of that company.

In respect of these directors, it is not possible to determine the proportion of their remuneration, which relates to the Company.

Eligible directors also participate in Aviva group share option schemes and group retirement benefit schemes.

Emoluments and retirement benefits accruing in respect of the directors, who are also directors of Norwich Union Life Services Limited, are provided in the accounts of that company.

10 Tax

(a) Tax on profit on ordinary activities

Tax (credited)/charged in the non-technical account comprises:

	2004 £m	2003 £m
Current tax		
Prior year adjustments – UK	**(32)**	-
Tax credit attributable to balance on the long-term business technical account	**9**	12
Total tax (credited)/charged in the non-technical account	**(23)**	12

(b) Long-term business

Tax charged in the long-term business technical account comprises:

	2004 £m	2003 £m
Current tax		
UK corporation tax	**35**	15
Overseas tax	**2**	4
Prior year adjustments - UK	**(9)**	14
Total current tax	**28**	33
Deferred tax		
Origination and reversal of timing differences	**47**	35
Increase in discount	**(7)**	(7)
Total deferred tax	**40**	28
Total tax charged in the long-term business in the technical account	**68**	61

(c) Factors affecting current tax charge for the year

The tax assessed in the non-technical account is lower than (2003: at) the standard UK corporation tax rate.

	2004 £m	2003 £m
Profit on ordinary activities before tax	**32**	40
Current tax charge at standard UK corporation tax rate of 30% *(2003: 30%)*	**9**	12
Adjustment to tax charge in respect of prior years	**(32)**	-
Current tax (credit)/charge for the year (note 10(a))	**(23)**	12

(d) 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:

	2004 £m	2003 £m
Losses	**5**	1

10 Tax (continued)

(e) Balance sheet

(i) The discounted provision for deferred tax, included within the provision for other risks and charges, comprises:

	2004 £m	2003 £m
Unrealised gains on investments	**141**	80
Provisions and other timing differences	**(58)**	(44)
Undiscounted provision for deferred tax	**83**	36
Discount	**(14)**	(7)
Discounted provision for deferred tax	**69**	29

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

	2004 £m	2003 £m
Provision at 1 January	**29**	1
Amounts charged to the profit and loss account	**40**	28
Provision at 31 December	**69**	29

11 Dividends

	2004 £m	2003 £m
Interim dividend paid of £5,840 per share (2003: £nil)	**58**	-

12 Land and buildings

The carrying value of land and buildings comprises:

	2004 £m	2003 £m
Freeholds	**1,110**	1,021
Long leaseholds – over 50 years	**295**	259
	1,405	1,280

The cost of land and buildings at 31 December 2004 was £1,077m (2003: £1,094m). The carrying value of land and buildings occupied by the Group was £6m (2003: £23m).

The valuation of properties has been undertaken by qualified external valuers or prepared or monitored by qualified members of staff reporting to the Managing Director of Morley Properties Limited, who is a Fellow of the Royal Institution of Chartered Surveyors. All properties are treated as "investment properties" and are valued at market price.

Notes to the accounts

13 Investments in group undertakings and participating interests

	Shares in group undertakings £m
At 1 January 2004	**100**
Revaluations	**72**
At 31 December 2004	**172**

The Company's principal subsidiaries are shown below.

	Principal activity	Percentage of ordinary share capital held	Incorporated in
The Lancashire and Yorkshire Reversionary Interest Company Limited	Investment in reversions and life interests	100	England
Quarryvale One Limited	Holding company	100	England

14 Other financial investments

	Carrying value		Cost	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Shares and other variable-yield securities and units in unit trusts	**6,189**	5,514	**5,104**	4,850
Debt securities and other fixed income securities	**4,362**	4,286	**4,263**	4,219
Other	**26**	40	**26**	40
	10,577	9,840	**9,393**	9,109
Loans secured by insurance policies	**13**	13	**13**	13
Deposits with credit institutions	**2**	2	**2**	2
	10,592	9,855	**9,408**	9,124

Listed investments

	2004 £m	2003 £m
Included in the carrying values above are listed investments as follows:		
Shares and other variable-yield securities and units in unit trusts	**5,567**	5,135
Debt securities and other fixed income securities	**4,710**	3,995
	10,227	9,130

Notes to the accounts

15 Assets held to cover linked liabilities

	2004 £m	2003 £m
Carrying value	1	1
Purchase price	1	1

16 Debtors arising out of direct insurance operations

	2004 £m	2003 £m
Amounts owed by policyholders	149	77

17 Debtors arising out of reinsurance operations

	2004 £m	2003 £m
Amounts owed by group undertakings	44	49
Other	25	-
	69	49

18 Other debtors

	2004 £m	2003 £m
Amounts owed by group undertakings	175	252
Tax recoverable	7	3
Other	144	99
	326	354

19 Share capital

	2004 £m	2003 £m
Authorised:		
10,000 Ordinary shares of £100 each	1	1
Allotted, called up and 25% paid:		
10,000 Ordinary shares of £100 each	-	-

20 Reserves

	Profit and loss account £m
Balance at 1 January 2004	**61**
Retained loss for the financial year	**(3)**
Balance at 31 December 2004	**58**

The amounts available for distribution are restricted by the Financial Services and Markets Act 2000 in respect of long-term business. In addition, unrealised gains and losses reported in the non-technical account are not considered to be distributable. Of the profit and loss reserve balance, £25m is not regarded as realised profit available to pay dividends.

21 Creditors arising out of reinsurance operations

	2004 £m	2003 £m
Amounts owed to group undertakings	-	17
Other	-	4
	-	21

22 Other creditors including taxation and social security

	2004 £m	2003 £m
Corporation tax payable	**5**	25
Other tax payable	**27**	18
Amounts owed to group undertakings	**21**	68
Other creditors	**235**	124
	288	235

23 Contingent liabilities

Note 31 gives details of the assumptions used in determining the long-term business provision which are designed to allow for prudence and the appropriate emergence of surpluses to pay future bonuses. This is estimated to give a result within the normal range of outcomes. To the extent that the ultimate cost falls outside this range, for example where experience is worse than that assumed for long-term business, there is uncertainty in respect of this liability.

24 Pensions and endowment reviews

The pensions review of past sales of personal pension policies which involved transfers, opt outs and non-joiners from occupational schemes, as required by the Financial Services Authority (FSA), has largely been completed. A provision of some £3m (2003: £3m) remains to meet the outstanding costs of the few remaining cases, the anticipated cost of any guarantees provided, and potential levies payable to the Financial Services Compensation Scheme (FSCS). It continues to be the directors' view that there will be no material effect either on the Company's ability to meet the expectations of policyholders or on shareholders.

In December 1999, the FSA announced the findings of its review of mortgage endowments and expressed concern as to whether, given decreases in expected future investment returns, such policies could be expected to cover full repayment of mortgages. A key conclusion was that, on average, holders of mortgage endowments had enjoyed returns such that they had fared at least as well as they would have done without an endowment.

24 Pensions and endowment reviews (continued)

Nevertheless, following the FSA review, all of the Company's UK mortgage endowment policyholders received policy-specific letters advising them whether their investment was on track to cover their mortgage.

In May 2002, in accordance with FSA requirements, the Company commenced sending out the second phase of endowment policy update letters, which provide policyholders with information about the performance of their policies and advice as to whether these show a projected shortfall at maturity. The Company will continue to send these updates annually to all mortgage endowment holders, in accordance with FSA requirements. The Company has made provisions totalling £53m (2003: £22m) to meet potential mis-selling costs and the associated expenses of investigating complaints. It continues to be the directors' view that there will be no material effect either on the Company's ability to meet the expectations of policyholders or on shareholders.

In August 2004, the Company confirmed its intention to introduce time barring on mortgage endowment complaints, under FSA rules, by the end of 2005. In 2005 the Company is writing to its endowment policyholders as part of its ongoing review, stating that it intends to introduce a time bar on mortgage endowment complaints in the future. Customers will be given at least 12 months' individual notice before a time bar becomes applicable – double the six months' notice required by the FSA.

25 Guarantees on long-term savings products

In common with other pension and life policy providers, the Company wrote individual and group pension policies in the 1970s and 1980s with a guaranteed annuity rate option (GAO). Since 1993, such policies have become more valuable to policyholders, and more costly for insurers, as current annuity rates have fallen in line with interest rates. Reserving policies for the cost of GAOs varied until a ruling by the House of Lords in the Equitable Life case in 2000 which effectively required full reserving by all companies. Prior to the ruling, consistent with the Company's ordinary reserving practice in respect of such obligations, full reserves for GAOs had already been established. No adjustment was made, or was necessary, to the Company's reserving practice as a result of the ruling. The directors continue to believe that the existing provisions are sufficient.

26 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of Aviva plc whose consolidated accounts are publicly available.

27 Related party transactions

Advantage has been taken of the exemption available not to disclose intra-group related party transactions in respect of 90% subsidiaries.

Disclosure of transactions with directors who are also directors of Aviva plc is given in the group consolidated accounts; for the other directors, there were no related party transactions.

28 Long-term fund

At 31 December 2004, the total amount of assets representing the long-term fund of the Company valued in accordance with Schedule 9A to the Companies Act 1985 was £30,170m (2003: £26,022m).

29 Parent undertaking

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

The Company's ultimate parent undertaking is Aviva plc, registered in England. Its group accounts are available on application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ. No other group accounts include the results of the Company.

30 Long-term business

(a) The Company underwrites long-term business in the United Kingdom as follows: "with-profit" fund of CGNU Life Assurance Limited, where the with-profits policyholders are entitled to at least 90% of the distributed profits, the shareholders receiving the balance.

(b) The directors have been advised by the Company's reporting actuary that the assets of each of the long-term operations were at least sufficient to meet their respective liabilities at 31 December 2004.

31 Long-term business provision

(a) Methodology

There are two main methods of actuarial valuation of liabilities arising under long-term insurance contracts – the net premium method and the gross premium method – both involve the discounting of projected premiums and claims.

Under the net premium method, the premium taken into account in calculating the provision is determined actuarially, based on the valuation assumptions regarding discount rates, mortality and disability. The difference between this premium and the actual premium payable provides a margin for expenses. This method does not allow for voluntary early termination of the contract by the policyholder, and so no assumption is required for persistency. Explicit provision is made for vested bonuses (including those vesting following the most recent fund valuation), but no such provision is made for future regular or terminal bonuses. However, this method makes implicit allowance for future regular or terminal bonuses already earned, by margins in the valuation discount rate used.

The gross premium method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, persistency and future expenses. These assumptions can vary by contract type and reflect current and expected future experience. Explicit provision is made for vested bonuses, but not terminal bonuses.

(b) Company practice

The long-term business provision is calculated separately for each of the Company's life operations.

Material judgement is required in calculating the provision and is exercised particularly through the choice of assumptions where there is discretion over these. In turn, the assumptions used depend on the circumstances prevailing in each of the life operations. Provisions are most sensitive to assumptions regarding discount rates and mortality/morbidity rates.

Bonuses paid during the year are reflected in claims paid, whilst those allocated as part of the bonus declaration are included in the movements in the long-term business provision.

The principal assumptions are:

For all material classes of business, the provisions are valued using the gross premium method. A prudent assumption for persistency is used and no future regular bonuses are assumed to be added to conventional with-profits business. In respect of non-profit and conventional with-profit business, no policy is assumed to voluntarily terminate early.

For unitised with-profit business, the provisions are valued initially by determining the lower of the current non-guaranteed surrender value and the bid value of units. This result is then compared with a prospective valuation and the higher result is taken. The prospective valuation projects future benefits on the assumption that future premiums cease and regular bonuses reduce immediately to the guaranteed rate or nil. Allowance for persistency is based on actual experience and takes into account the likelihood of a significantly greater lapse experience on those occasions on which the life company guarantees not to apply a Market Value Reduction charge.

31 Long-term business provision (continued)

(b) Company practice (continued)

The provisions held in respect of guaranteed annuity options are a prudent assessment of the additional liability incurred under the option on a basis and method consistent with that used to value basic policy liabilities, and includes a prudent assessment of the proportion of policyholders who will choose to exercise the option.

While these do not constitute guarantees, the Company has made promises to certain policyholders in relation to mortgage endowments that payments on these policies will meet the mortgage value, provided investment returns exceed 6% per annum net of tax, between 1 January 2000 and maturity, and the investment returns on the free reserves are sufficient to meet the top up costs.

The technical provision for linked business is generally equal to the bid value of units (i.e. the value of the assets to which the contracts are linked), together with, where appropriate, a provision in respect of future expenses, mortality and other risks.

Valuation discount rate assumptions are set with regard to yields on the supporting assets and the general level of long-term interest rates as measured by gilt yields. An explicit allowance for risk is included by restricting the yields for equities and properties with reference to a margin over long-term interest rates or by making an explicit deduction from the yields on corporate bonds, mortgages and deposits based on historical default experience of each asset class. A further margin for risk of 2.5% is then deducted for all asset classes, consistent with FSA requirements.

The long-term business provision has been calculated in accordance with the accounting policy in note 1 and on the basis of the following principal assumptions:

Rates of interest	**2004**	2003
	%	%
Assurances		
Life with profit	**3.40**	3.70
Life unitised with profit	**3.70**	3.70
Life without profit	**3.20**	3.30
Pensions with profit	**4.30**	4.30
Pensions unitised with profit	**4.30**	4.30
Pensions without profit	**4.00**	4.20
Deferred annuities		
With profit – in deferment	**4.30**	4.30
With profit – in payment	**4.30**	4.30
Without profit - in deferment	**4.00**	4.30
Without profit - in payment	**4.00**	4.20
Vested annuities		
Without profit	**4.90**	5.20
With profit	**2.00**	1.50

31 Long-term business provision (continued)

Company practice (continued)

Mortality tables

	2004	2003
Assurances		
Whole life/endowment/ attaching decreasing term	**AM92 & AF92 ultimate with adjustments for smoker status**	AM92 & AF92 ultimate with adjustments for smoker status
Term	**75% TM92 & 75% TF92 ultimate non smoker** **150% TM92 & 180% TF92 ultimate smoker**	75% TM92 & 75% TF92 ultimate non smoker 150% TM92 & 180% TF92 ultimate smoker
Mortgage protection	**80% TM92 & 85% TF92 ultimate non smoker** **165% TM92 & 190% TF92 ultimate smoker**	80% TM92 & 85% TF92 ultimate non smoker 165% TM92 & 190% TF92 ultimate smoker
Unitised with profit	**AM92 & AF92 ultimate**	AM92 & AF92 ultimate
Deferred annuities		
In deferment		
Retirement annuities	**50% AM92 & 50% AF92 ultimate**	50% AM92 & 50% AF92 ultimate
Group	**50% AM92 & 50% AF92 ultimate**	50% AM92 & 50% AF92 ultimate
In possession		
Retirement annuities	**81%PMA80 adj & 98%PFA80 adj**	78% PMA80 adj & 94% PFA80 adj
Group	**81%PMA80 adj & 98%PFA80 adj**	78% PMA80 adj & 94% PFA80 adj
Vested annuities		
Retirement annuities without profit	**81%PMA80 adj & 98%PFA80 adj**	78% PMA80adj & 94% PFA80adj ultimate
Retirement annuities with profit	**81%PMA80 adj & 98%PFA80 adj**	75% PMA80adj & 90% PFA80adj ultimate
Group	**81%PMA80 adj & 98%PFA80 adj**	78% PMA80adj & 94% PFA80adj ultimate

Published standard mortality tables are used for different categories of business as appropriate. These tables are based on relevant experience and show mortality rates, by age, for specific groupings of people. Adjustments are made to the standard table where appropriate on the basis of the past experience of the Company.

The annuity mortality tables are based on published CMI mortality tables adjusted to reflect Norwich Union mortality experience and allow for a cohort projection of future mortality improvements. These adjustments were revised for the year ended 31 December 2004.

32 Post balance sheet event

On 1 January 2005 technical provisions and matching assets to the value of £1.2 billion were transferred into the Company from a fellow subsidiary (Norwich Union Life & Pensions Limited).

This transaction represented the recapture of With-Profits business which had previously been reassured from the Company to Norwich Union Life & Pensions Limited.

The net impact on profit before tax and on retained profit is £nil.