

Registered in England No: 875470

MORLEY PROPERTIES LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2001**



Morley Properties Limited

Report and Financial Statements 2001

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Morley Properties Limited

Directors, Advisers and Other Information

Directors:

J F Drysdale
K Jones
M G Quirke
I B Wornack

Secretary:

Aviva Company Secretarial Services Limited

Auditors:

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London
EC4A 1NH

Registered Office:

St Helen's,
1 Undershaft,
London EC3P 3DQ

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Morley Properties Limited

Directors' Report

For the year ended 31 December 2001

The directors present their annual report and audited financial statements for Morley Properties Limited (the Company) for the year ended 31 December 2001.

Principal activity

The principal activity of the Company is to act as the holding company for Morley Property Developments Limited, Holloways' Properties Limited and Morley Property (Estate Services) Limited. The directors consider that this will continue unchanged into the foreseeable future.

Dividends

The directors recommend a final dividend for the year of £15,000,000 (2000 - £nil).

European Monetary Union

The Company is a member of the CGNU plc Group. The total costs to the CGNU plc Group, including systems preparation, incurred for the introduction of the euro into the CGNU European operation amount to £65 million, of which £8 million was incurred during 2001 (2000: £17 million). On 1 January 2002, the Group's businesses in those countries within the European Union introducing the euro successfully applied the currency transition within their businesses.

Directors

The names of the present directors of the Company appear on page 2.

M G Quirke was appointed as a director of the Company on 20 February 2002.

J F Drysdale, K Jones and I B Womack 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 CGNU plc. Details of any options and awards held through CGNU plc's share schemes and incentive plans are shown below. All the disclosed interests are beneficial.

	At 1 January 2001 (or appointment if later)	At 31 December 2001
J F Drysdale	5,528	4,970
K Jones	760	760
I B Womack	7,130	2,652

Morley Properties Limited

Directors' Report (continued)

For the year ended 31 December 2001

Incentive plans

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

Share options

	At 1 January 2001 (or appointment if later) Number	Options granted during the year Number	Options exercised or lapsed during the year Number	At 31 December 2001 Number
J F Drysdale				
Savings related options	2,718	-	817	1,901
Executive options	-	-	-	-
K Jones				
Savings related options	-	-	-	-
Executive options	-	-	-	-
I B Womack				
Savings related options	3,185	-	-	3,185
Executive options	-	3,352	-	3,352

- (1) "*Savings related options*" are options granted under the Inland Revenue-approved CGNU SAYE Share Option Scheme. Options granted from 1994 to 2001 are normally exercisable during the six month period following either the third, fifth or seventh anniversary of the relevant savings contract.
- (2) "*Executive options*" are those granted to the former CGU directors under what was the CGU Executive Share Option Scheme, or predecessor schemes. Options, which have been granted on various dates from 1993 to 2001, 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.

Creditors payment policy and practice

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 Company has no trade creditors

Employees

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

Morley Properties Limited

Directors' Report (continued)

For the year ended 31 December 2001

Resolutions

On 10 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.

Auditors

At an Extraordinary General meeting on 31 October 2001, Ernst & Young LLP were appointed as auditor to the Company. PricewaterhouseCoopers, which had previously been auditor to the Company, did not seek reappointment at that meeting.

Ultimate holding company

On 1 July 2002, the ultimate holding company, CGNU plc, changed its name to Aviva plc. However, the references within these accounts are to CGNU plc and the CGNU Group as they existed at 31 December 2001.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 year. In preparing those financial statements, 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 financial statements 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board



Aviva Company Secretarial Services Limited
Secretary
29 October 2002

Morley Properties Limited

Independent Auditors' Report

To the members of Morley Properties Limited

We have audited the Company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 10. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

We report to you our opinion as to whether the financial statements 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 financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law 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.

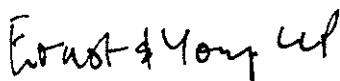
Basis of audit opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London
30 October 2002

Morley Properties Limited

Profit and Loss Account

For the year ended 31 December 2001

	Notes	2001 £	2000 £
Dividends receivable from subsidiary undertakings		<u>15,000,000</u>	<u>3,800,000</u>
Profit on ordinary activities before taxation		15,000,000	3,800,000
Taxation	1d	<u>-</u>	<u>-</u>
Profit on ordinary activities after taxation		15,000,000	3,800,000
Dividend		<u>(15,000,000)</u>	<u>-</u>
Retained profit for the financial year		-	3,800,000
Retained profit at 1 January		<u>15,072,414</u>	<u>11,272,414</u>
Retained profit at 31 December		<u>15,072,414</u>	<u>15,072,414</u>

There are no discontinued operations or acquisitions that require disclosure under the terms of FRS3.

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

There is no difference between the results as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly a note of historical cost profit and loss for the year is not given.

The notes on pages 9 and 10 are an integral part of these financial statements.

Morley Properties Limited

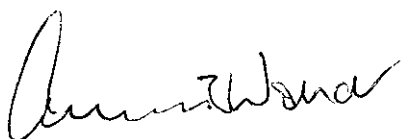
Balance Sheet

As at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Subsidiary undertakings	4	<u>55,083,482</u>	<u>55,083,482</u>
Current assets			
Amounts owed by subsidiary undertakings		53,184,297	38,184,297
Amounts owed by group companies		<u>430,722</u>	<u>430,722</u>
		53,615,019	38,615,019
Creditors: amounts falling due within one year			
Amounts owed to subsidiary undertakings		(1,109,040)	(1,109,040)
Amounts owed to group companies		(49,500,239)	(49,500,239)
Proposed dividend		<u>(15,000,000)</u>	<u>-</u>
		(65,609,279)	(50,609,279)
Net current liabilities		<u>(11,994,260)</u>	<u>(11,994,260)</u>
Net assets		<u>43,089,222</u>	<u>43,089,222</u>
Capital and reserves			
Share capital	5	28,000,000	28,000,000
Share premium account		16,808	16,808
Profit and loss account		15,072,414	15,072,414
Equity shareholders' funds	6	<u>43,089,222</u>	<u>43,089,222</u>

Approved by the Board on 29 October 2002

Director



The notes on pages 9 and 10 are an integral part of these financial statements.

Morley Properties Limited

Notes to the Financial Statements

1. Accounting policies

- a) These financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom.
- b) Subsidiary undertakings are shown at cost less any provision considered necessary by the directors.
- c) The financial statements of the Company and of its subsidiaries are included in the consolidated financial statements of its parent, CGU International Insurance plc. Consequently the Company is exempt from the obligation to prepare consolidated financial statements.
- d) The taxation charge in the profit and loss account is based on the taxable profits for the year. Provision is only made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future. The Company's main source of income is dividends paid by its subsidiaries and, as a result, there is no tax charge.

2. Directors' emoluments

All directors were remunerated by MFM Employment Services Limited in respect of their services to the CGNU group as a whole. MFM Employment Services Limited have not made any charge to the Company for the directors' services as directors of the Company.

3. Auditors' remuneration

Auditors' remuneration for the year was charged in the accounts of Morley Fund Management Limited (2000: £9,678).

4. Subsidiary undertakings

- a) The Company's investments comprise:

	2001 £	2000 £
Cost at 1 January and 31 December	<u>55,083,482</u>	<u>55,083,482</u>

In the opinion of the directors, the value of the Company's investments in its subsidiaries is, in aggregate, not less than the amount at which it is stated in the balance sheet.

- b) The Company had the following wholly owned property subsidiaries at 31 December 2001.

Name	Fully paid shares	Nominal value	Nature of business
Morley Property (Estate Services) Limited	20	£1	Property management and estate services
Morley Property Developments Limited	500,000	10 pence	Property development
Holloways' Properties Limited	1,350,669	25 pence	Property investment

Morley Properties Limited

Notes to the Financial Statements (continued)

5. Share capital

	2001 £	2000 £
Authorised:		
112,000,000 ordinary shares of 25 pence each	<u>28,000,000</u>	<u>28,000,000</u>
Allotted, called up and fully paid:		
112,000,000 ordinary shares of 25 pence each	<u>28,000,000</u>	<u>28,000,000</u>

6. Reconciliation of movements in equity shareholders' funds

	2001 £	2000 £
Balance at 1 January	43,089,222	39,289,222
Profit after taxation	15,000,000	3,800,000
Dividend	(15,000,000)	-
Balance at 31 December	<u>43,089,222</u>	<u>43,089,222</u>

7. Parent undertaking and ultimate parent undertaking

The immediate holding company is CGU International Insurance plc.

The smallest group of undertakings that prepares group financial statements, of which the Company is a member, is headed by CGU International Insurance plc. Its group financial statements are available to the public, on payment of the appropriate fee, from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The ultimate holding company is CGNU plc. Its group financial statements for the year are available on application to the Group Company Secretary, CGNU plc, St Helen's, 1 Undershaft, London, EC3P 3DQ.

8. Cash flow statement

As the Company is a wholly owned subsidiary of CGNU plc, the cash flows of the Company were included in the consolidated group cash flow statement of CGNU plc. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement.

9. Related party transactions

As consolidated financial statements are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties who are 90% or more owned within the same group.

10. Contingent liabilities and commitments

There were no contingent liabilities or commitments at the balance sheet date.