

Morley Fund Management International Limited

Registered in England No 2152949

Registered Office: 1 Poultry, London, EC2R 8EJ

Directors and Officers

Directors

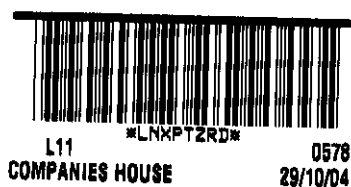
N D Alford
A Gadd
K L Garrett-Cox
K Jones
A D Morrison
J Nuttall
I B Womack
D K Watson

Secretary

Aviva Company Secretarial Services Limited

Auditor

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



Contents

	Page
Directors' report	3
Auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9

Directors' report

The directors present their annual report and audited financial statements for Morley Fund Management International Limited ("the Company") for the year ended 31 December 2003.

Principal activity

The principal activity of the Company is to provide securities and property fund management services. The directors consider that this will continue unchanged into the foreseeable future.

Summary profit and loss account

	2003 £'000	2002 £'000
Turnover	3,561	1,483
Administrative expenses	(6,135)	(2,405)
Operating loss	(2,574)	(922)
Realised loss on fixed asset investments	(210)	-
Loss before interest	(2,784)	(922)
Interest receivable	440	513
Dividends receivable	67	-
Loss on ordinary activities before taxation	(2,277)	(409)

Further details of the results are given on page 7.

Major events

On 23 May 2003, the Company changed its name to Morley Fund Management International Ltd ("MFMI") from Norwich Union Investment Management Ltd.

On 23 May 2003, the Company changed its registered office from 8 Surrey Street, Norwich, Norfolk NR1 3NG to No.1 Poultry, London EC2R 8EJ.

On 16 June 2003, the Company's Japan Branch was established when the assets of Morley Fund Management (Japan) KK ("MFMJ"), a group subsidiary, were transferred to MFMI. MFMJ was placed into liquidation on 30 June 2003 and the liquidation was completed on 26 December 2003.

Post balance sheet events

The Japan Branch of MFMI discontinued its operations in August 2004.

K L Garrett-Cox was appointed a director of the Company on 31 March 2004.

G H Holtham resigned as a director of the Company on 24 March 2004.

P J Twyman resigned as a director of the Company on 31 March 2004.

D Stannard resigned as a director of the Company on 30 April 2004.

Dividends

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

Directors

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

A D Morrison, A Gadd, and I B Womack were appointed directors of the Company on 20 February 2003.

R Bachmann was appointed director of the Company on 20 February 2003 and resigned as a director of the Company on 31 August 2003.

N D Alford was appointed as a director of the Company on 1 September 2003.

D Watson was appointed as a director of the Company on 16 December 2003.

M J Le May resigned as a director of the Company on 10 January 2003.

D Tremblay resigned as a director of the Company on 4 February 2003.

M G Quirke resigned as a director of the Company on 16 December 2003.

G H Holtham, K Jones, J Nuttall, D Stannard and P Twyman served as directors of the Company throughout the year.

Directors' report

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 below. All the disclosed interests are beneficial.

	At 1 January 2003 (or appointment if later) Number	At 31 December 2003 Number
G H Holtham	641	641
K Jones	760	760
D Stannard	196	196
D Watson	574	574
I B Womack	3,215	3,591

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

N Alford, A Gadd, A Morrison and J Nuttall had no director's interests throughout the year.

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.

Share options

	At 1 January 2003 (or appointment if later) Number	Options granted during year Number	Options Exercised or Lapsed during year Number	At 31 December 2003 Number
N D Alford				
Savings related options	2,356	-	-	2,356
J Nuttall				
Savings related options	2,232	-	-	2,232
A D Morrison				
Savings related options	3,276	-	-	3,276
D Stannard				
Savings related options	1,082	2,272	-	3,354
Executive options	925	-	-	925
I B Womack				
Savings related options	4,096	-	-	4,096
Executive options	3,352	-	-	3,352

(1) "Savings related options" are options granted under the Inland Revenue-approved Aviva SAYE Share Option Scheme. Options granted from 2000 to 2003 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 under the Aviva Executive Share Options Schemes, or predecessor schemes. Options, which have been granted on various dates from 2000 to 2002, 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.

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

Directors' report

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.

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 Aviva plc.

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, financial statements and auditors' reports before the members in general meeting and the obligation to appoint auditors annually.

Auditors

Ernst and Young LLP will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

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;
- prepare the financial statements 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 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 to prevent and detect fraud and other irregularities.

By order of the Board



Aviva Company Secretarial Services Limited

Secretary

29 October 2004

AUTHORISED SIGNATORY
FOR AND ON BEHALF OF
AVIVA COMPANY
SECRETARIAL SERVICES LIMITED

Auditors' report

Independent auditors' report to the members of Morley Fund Management International Limited

We have audited the Company's financial statements for the year ended 31 December 2003 which comprise the profit and loss account, balance sheet and the related notes 1 to 17. These financial statements 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 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 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
Registered Auditor, London

27 October 2004

Profit and loss account

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1b	3,561	1,483
Administrative expenses	5	(6,135)	(2,405)
Operating loss		(2,574)	(922)
Realised loss on fixed asset investments	3	(210)	-
Loss before interest		(2,784)	(922)
Interest receivable	4	440	513
Dividends receivable	1c	67	-
Loss on ordinary activities before taxation		(2,277)	(409)
Taxation credit	1d,7	518	117
Loss on ordinary activities after taxation		(1,759)	(292)
Retained loss for the financial year		(1,759)	(292)
Realised revaluation reserve	13	32	-
Retained loss at 1 January		(8,680)	(8,388)
Retained loss at 31 December	13	(10,407)	(8,680)

All amounts reported in the profit and loss account in 2003 (with the exception of loss on investments, interest receivable and dividends receivable) relate to the continuing operations of the Boston office, which commenced trading on 12 March 2001, and the Japan office, which commenced trading on 1 July 2003. The Japan Branch of MFMI discontinued its operations in August 2004.

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 profits and losses for the year is not given.

The notes on pages 9 to 13 form an integral part of these financial statements.

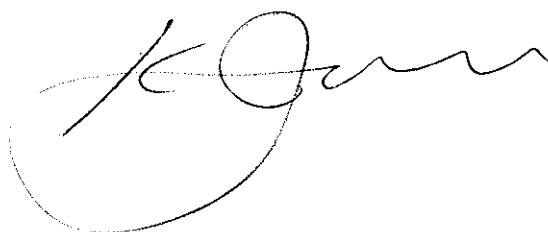
Balance sheet

As at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	1e & 8	250	156
Investments	9	-	176
		<u>250</u>	<u>332</u>
Current assets			
Debtors and prepayments	10	1,035	148
Short term deposits		13,800	13,800
Cash at bank		482	723
		<u>15,317</u>	<u>14,671</u>
Creditors: amounts falling due within one year	11	(2,474)	(150)
Net current assets		<u>12,843</u>	<u>14,521</u>
Total assets less current liabilities		13,093	14,853
Provisions for liabilities and charges			
Deferred taxation	7	-	(1)
Net assets		<u>13,093</u>	<u>14,852</u>
Capital and reserves			
Share capital	12	23,500	23,500
Revaluation reserve	13	-	32
Profit and loss account	13	(10,407)	(8,680)
Equity shareholders' funds	13	<u>13,093</u>	<u>14,852</u>

The financial statements were approved by the Board of directors on 27 October 2004 and were signed on its behalf by:

Director



The notes on pages 9 to 13 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with accounting standards applicable in the United Kingdom.

b) Turnover

Turnover represents income from continuing securities and property fund management services provided, and is shown net of VAT and trade discounts.

c) Dividend income

Dividend income is recognised at the amount receivable without any attributable UK tax credit.

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

The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities. This is a change in accounting policy to reflect the requirements of FRS 19.

e) Tangible assets

Computer equipment and other tangible assets are capitalised at cost, and depreciation is charged to the financial statements on a straight line basis over their estimated useful lives of between two and five years. Fixtures and fittings are depreciated over five years on a straight line basis.

Assets acquired under finance leases are capitalised and charged to the financial statements over the shorter of the term of the leases or their estimated useful lives subject to a maximum of five years. Computer equipment acquired under a finance lease is capitalised and depreciated over the period of the lease. All tangible assets are tested for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable.

f) Foreign exchange

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date.

2. Auditors remuneration

Auditors' remuneration is charged in the financial statements of Morley Fund Management Limited, a subsidiary company.

3. Exceptional items

	2003 £'000	2002 £'000
Realised loss on fixed asset investments	210	-
	<u>210</u>	<u>-</u>
Taxation credit	(63)	-

Notes to the financial statements**4. Interest receivable**

	2003 £'000	2002 £'000
Bank interest receivable	440	513

5. Employees

During the year, all employees in the Boston and Japan offices were remunerated directly by the Company. The total employment cost for the year ended 31 December 2003 was £2,841,207 (2002: £1,478,602).

	2003 £'000	2002 £'000	2003 Average Number	2002 Average Number
Japan staff	277	-	3	-
Boston staff	2,564	1,479	14	8

6. Directors' emoluments

With the exception of Philip Twyman who is remunerated by Aviva plc, all directors who discharge their duties in the United Kingdom were remunerated by MFM Employment Services Limited in respect of their services to the group as a whole. MFM Employment Services Limited made no charge to the Company (2002: nil) for the services of these directors.

The emoluments of the directors are disclosed in the report and financial statements of Morley Fund Management Ltd.

7. Taxation**(a) Tax on profit on ordinary activities**

Taxation (credited) / charged to the profit and loss account is as follows:

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax	(505)	(121)
Prior year adjustments	(12)	3
Total current tax	(517)	(118)
Deferred tax:		
Origination and reversal of timing differences	(1)	1
Total deferred tax	(1)	1
Total tax credit in the profit and loss account	(518)	(117)

Notes to the financial statements

(b) Factors affecting the current tax credit for the year

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

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(2,245)	(409)
Current tax credit at standard UK corporation tax rate of 30%	(674)	(122)
Adjustments to tax credit in respect of prior years	(12)	3
Other disallowable expenses	173	-
Capital allowances for period in excess of depreciation	-	1
Other non-taxable income	(4)	-
Origination and reversal of timing differences	(1)	1
Current tax credit for the year	(518)	(117)

(c) Balance sheet

i) The discounted deferred tax item comprises:

	2003 £'000	2002 £'000
Accelerated capital allowances	2	1
Provisions and other timing differences	(119)	-
Deferred tax not provided	117	-
Discounted provision for deferred taxation	-	1

ii) Movements in deferred tax during the year are analysed as follows:

	2003 £'000	2002 £'000
Balance at 1 January	1	-
Amount (credited)/charged to the profit and loss account	(1)	1
Balance at 31 December	-	1

8. Tangible fixed assets

	Computer equipment £'000	Fixtures & fittings £'000	Total £'000
Cost			
At 1 January 2003	52	180	232
Exchange rate adjustment	(2)	(21)	(23)
Additions	22	181	203
At 31 December 2003	72	340	412
Accumulated depreciation			
At 1 January 2003	33	44	77
Charge for the year	30	55	85
At 31 December 2003	63	99	162

Notes to the financial statements

Net book value			
At 31 December 2003	9	241	250
Net book value			
At 31 December 2002	19	136	155

9. Investments

Investments held during the year comprise an investment in the Morley Absolute Growth Investment Company and seeding capital for 10 Singapore funds. These investments were disposed of during the year.

10. Debtors

	2003	2002
	£'000	£'000
Amount due from fellow subsidiaries	-	30
Corporation tax debtor	639	118
Other debtors and prepayments	396	-
	1,035	148

11. Creditors: amounts falling due within one year

	2003	2002
	£'000	£'000
Amount owed to group company	256	-
Amount owed to fellow subsidiary	996	49
Other creditors and accruals	1,222	101
	2,474	150

12. Share capital

	2003	2002
	£'000	£'000
Authorised:		
40,000,000 ordinary shares of £1 each	40,000	40,000
Allotted, called up and fully paid:		
23,500,000 ordinary shares of £1 each	23,500	23,500

13. Reconciliation of movements in equity shareholders' funds

	Share capital	Reval'n reserve	P&L account	2003 Total	2002 Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January	23,500	32	(8,680)	14,852	15,111
Movement in revaluation reserve	-	(32)	32	-	-
(Loss) for financial year	-	-	(1,759)	(1,759)	(259)
Balance at 31 December	23,500	-	(10,407)	13,093	14,852

Notes to the financial statements

14. Cash flow statement

As the Company is a wholly owned subsidiary of Aviva plc, the cash flows of the Company were included in the consolidated group cash flow statement of Aviva plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 (revised 1996) from publishing a cash flow statement.

15. Contingent liabilities and commitments

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

Other financial commitments:

			2003	2002
			£'000	£'000
Operating lease:				
Japan	Land & buildings	< 2 years	96	-
Boston	Land & buildings	< 2 years	158	176

16. Related party transactions

Transactions with entities which are part of the Aviva plc group have not been disclosed as permitted under FRS8 – Related Party Disclosures.

17. Parent undertaking and ultimate parent undertaking

The immediate parent undertaking is Morley Investment Holdings Limited.

The Company is a member of the Aviva plc group and its ultimate parent undertaking is Aviva plc, registered in England. Its group financial statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London, EC3P 3DQ.