

CGNU Holdings (Australia) Limited

Report and accounts for the year ended 31 December 2004



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CGNU Holdings (Australia) Limited

Directors' report

The directors present their report and accounts for the Company for the year ended 31 December 2004.

Principal activity

During the year the Company continued to be a holding company for the Aviva Group's long-term business operations in Australia. The directors consider that the Company's activities will continue unchanged into the foreseeable future.

Ultimate holding company

The ultimate holding company is Aviva plc.

Results and dividend

The results for the year are shown on page 5. The directors do not recommend the payment of any dividend for the year (2003: £nil).

Directors

The current directors, and those in office during the year, are as follows:

Aviva Company Secretarial Services Limited (appointed 31 March 2004)

Aviva Director Services Limited (appointed 31 March 2004)

C A Schrauwers (resigned 31 March 2004)

P J Twyman (resigned 31 March 2004)

There were no contracts of significance in existence during or at the end of the year in which a director of the company was materially interested.

Directors' interests

Neither of the directors who held office at 31 December 2004 had any beneficial interest in the Company's shares or any other company within the Aviva plc Group.

Resolutions

On 20 May 2001, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings, the laying of directors' reports, accounts and auditors' reports before the members in general meeting and the obligation to appoint auditors annually.

Auditors

Ernst & 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.

Approved and signed on behalf of the Board on 26 October 2005.



Authorised Signatory

Aviva Company Secretarial Services Limited

Secretary

Registered Office:

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

CGNU Holdings (Australia) Limited

Statement of directors' responsibilities

The directors are required to ensure that accounts are prepared for each accounting period which comply with the relevant provisions of the Companies Act 1985 and which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies have to be used and applied consistently in preparing accounts, using reasonable and prudent judgements and estimates, on the going concern basis unless it is inappropriate to presume that the Company will continue in business. Applicable accounting and financial reporting standards also have to be followed, with any material departures being disclosed and explained.

The directors are responsible for maintaining proper accounting records which are intended to disclose with reasonable accuracy at any time the financial position of the Company. They are also ultimately responsible for the systems of internal control maintained by the Company for safeguarding the assets of the Company and ensuring that controls are in place for the prevention and detection of fraud and other irregularities.

CGNU Holdings (Australia) Limited

Independent auditors' report to the members of CGNU Holdings (Australia) Limited

We have audited the Company's accounts for the year ended 31 December 2004 which comprise the Profit and loss account, Balance sheet, Statement of total recognised gains and losses, Reconciliation of movements in equity shareholders' funds and the related notes 1 to 11. 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 auditor

The directors' responsibilities for preparing the Annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of directors' responsibilities on page 3.

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 loss 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

Date *31 October 2005*

CGNU Holdings (Australia) Limited

Profit and loss account

For the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Dividends receivable from subsidiary undertaking		-	11,311
Interest receivable from other Group undertaking		95	64
Profit on purchase of own shares by subsidiary	5(a)	-	205,830
Reversal / (provision) for impairment in value of subsidiary undertaking	5(a)	60,000	(60,000)
Foreign exchange gains / (losses)		361	(41,921)
Loan interest payable to subsidiary undertaking		-	(5,381)
Loan interest payable to parent undertaking	6	(2,814)	(2,807)
Profit on ordinary activities before tax		57,642	107,096
Tax credit on profit on ordinary activities	1(d) & 4	142	10,579
Profit for the financial year		57,784	117,675

Statement of total recognised gains and losses

For the year ended 31 December 2004

		2004 £'000	2003 £'000
Profit for the financial year		57,784	117,675
Unrealised gain / (loss) on investment in subsidiary undertaking	5(a)	55,535	(41,245)
Deferred taxation		-	667
Total recognised gains arising in the year		113,319	77,097

Reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2004

	2004 £'000	2003 £'000
Balance at 1 January	638,642	561,545
Total recognised gains arising in the year	113,319	77,097
Balance at 31 December	751,961	638,642

The notes on pages 7 to 10 form integral part of these accounts. The auditors' report is on page 4.

CGNU Holdings (Australia) Limited

Balance sheet

At 31 December 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Shares in subsidiary undertaking	1(b) & 5	303,335	187,800
Current assets			
Amounts due from other Group undertakings		503,903	506,278
Corporation tax recoverable		-	11,620
Group tax relief recoverable from Group companies		18,733	2,678
		522,636	520,576
Creditors : amounts falling due in less than one year			
Corporation tax payable		(4,276)	-
Accruals and deferred income		(813)	(813)
		(5,089)	(813)
Net current assets		517,547	519,763
Total assets less current liabilities		820,882	707,563
Creditors: amounts falling due in more than one year			
Loan due to parent company	6	(68,921)	(68,921)
Net assets		751,961	638,642
Represented by:			
Capital and reserves			
Called up share capital	7	575,460	575,460
Revaluation reserve	8	47,109	(8,426)
Profit and loss account	8	129,392	71,608
Equity shareholders' funds		751,961	638,642

Approved by the Board on 26th October 2005



Aviva Company Secretarial Services Limited
Director

The notes on pages 7 to 10 form an integral part of these accounts. The auditors' report is on page 4.

CGNU Holdings (Australia) Limited

Notes to the accounts

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

(a) Basis of accounts

These accounts have been prepared under the historical cost convention, except for investments in subsidiary undertakings, which are shown at current value. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice.

(b) Subsidiary undertakings

Investments in subsidiary undertakings are stated at current value, which for this purpose is European Embedded Value for life operations or net asset value for other entities, computed in accordance with the Company's accounting policies. The resulting gain/loss over book value is taken to the revaluation reserve, except where the directors consider any shortfall to be a permanent impairment. Provisions for impairment and any changes thereto, are taken to the profit and loss account.

(c) Consolidated accounts

The Company has taken advantage of the exemption under section 228 of the Companies Act not to prepare consolidated accounts, as it is a wholly-owned subsidiary of Aviva plc.

(d) Tax

The tax credit in the profit and loss account and the provision for corporation tax payable or receivable in the balance sheet are based on the taxable result for the year, after any adjustments in respect of prior years.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences. Deferred tax 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.

(e) Exchange rates

Assets and liabilities in non-sterling currencies are translated at the relevant rates of exchange ruling at 31 December, apart from the cost of fixed asset investments, which is translated at the rate ruling at the time of acquisition. Any resulting exchange gains or losses are taken to the profit and loss account. Revenue transactions in non-sterling currencies are translated into sterling at the rate of exchange ruling on the date of the transaction and any exchange gains or losses arising are taken to the profit and loss account.

Unrealised gains or losses arising on the Company's investment in its subsidiary, which is denominated in a foreign currency, are taken directly to the revaluation reserve.

2. Expenses

All expenses, including auditors' remuneration, have been borne by Aviva plc in both current and prior years.

3. Directors' emoluments

None of the directors received any emoluments in respect of his services as a director of the Company during the year (2003: £nil).

CGNU Holdings (Australia) Limited

Notes to the accounts (continued)

4. Tax

(a) The tax credit in the profit and loss account comprises:

	2004 £'000	2003 £'000
UK corporation tax	(708)	(11,620)
Adjustment to tax charge in respect of prior years	566	1,041
	<u>(142)</u>	<u>(10,579)</u>

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

Profit on ordinary activities before tax	<u>57,642</u>	<u>107,096</u>
Current tax charge at standard UK corporation tax rate of 30% (2003:30%)	17,292	32,129
Adjustment to tax charge in respect of prior years	566	1,041
Movement in provision for impairment in value of subsidiary	(18,000)	18,000
Realised gains not taxable	-	(61,749)
	<u>(142)</u>	<u>(10,579)</u>

5. Shares in subsidiary undertaking

(a) The Company's investment in its subsidiary undertaking comprises:

	2004 £'000	2003 £'000
Cost		
At 1 January	327,790	715,017
Repurchased by subsidiary	-	(387,227)
At 31 December	<u>327,790</u>	<u>327,790</u>
Unrealised loss on investment		
At 1 January	(139,990)	(84,517)
Repurchased by subsidiary	-	45,772
Movement in provision for impairment	60,000	(60,000)
Movement in year (note 8)	55,535	(41,245)
At 31 December	<u>(24,455)</u>	<u>(139,990)</u>
Net asset value at 31 December	<u>303,335</u>	<u>187,800</u>

CGNU Holdings (Australia) Limited

Notes to the accounts (continued)

5. Shares in subsidiary undertaking (continued)

(b) Details of the wholly-owned subsidiary undertaking at 31 December 2004 are as follows:

<u>Name</u>	<u>Class of share</u>	<u>Country of incorporation</u>	<u>Nature of business</u>
Aviva Australia Holdings Limited	Ordinary shares	Australia	Insurance holding company

6. Loan due to holding company

The Company has a £68.9 million loan (2003: £68.9 million) from Aviva plc, which enabled it to acquire the minority shares in CGU Insurance Australia Limited in 1999. This loan is interest-bearing, with interest of £2.8 million (2003: £2.8 million) included as an expense in the profit and loss account.

7. Ordinary share capital

The ordinary share capital of the Company at 31 December was:

	2004 £'000	2003 £'000
Authorised 575,459,764 (2003: 575,459,764) ordinary shares of £1 each	<u>575,460</u>	<u>575,460</u>
Allotted, called up and fully paid 575,459,764 (2003: 575,459,764) ordinary shares of £1 each	<u>575,460</u>	<u>575,460</u>

8. Reserves

Movements in the Company's reserves comprise:

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	(8,426)	71,608	63,182
Change in value of subsidiary undertakings (note 5(a))	55,535	-	55,535
	-	57,784	57,784
Profit for the financial year	<u> </u>	<u> </u>	<u> </u>
At 31 December 2004	<u>47,109</u>	<u>129,392</u>	<u>176,501</u>

CGNU Holdings (Australia) Limited

Notes to the accounts (continued)

9. Related party transactions

As consolidated accounts for Aviva plc are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with related parties who are 90% or more owned within the same group.

10. Cash flow statement

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

11. Holding company details

The immediate and ultimate holding company is Aviva plc. Its group accounts are available on application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.