

Norwich Union Life Holdings Limited

Report & Accounts 2003



**NORWICH
UNION**

an AVIVA company



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Norwich Union Life Holdings Limited

Registered in England No. 2403518

Registered Office: 2 Rougier Street, York, England, YO90 1UU

Directors and Officers

Directors

P R Hales
R J Harvey
P E Hessey
M T Kirsch
J A Newman
C E Riley
C T Thiam
M N Urnston
G M Vance
G N Withers

Secretary

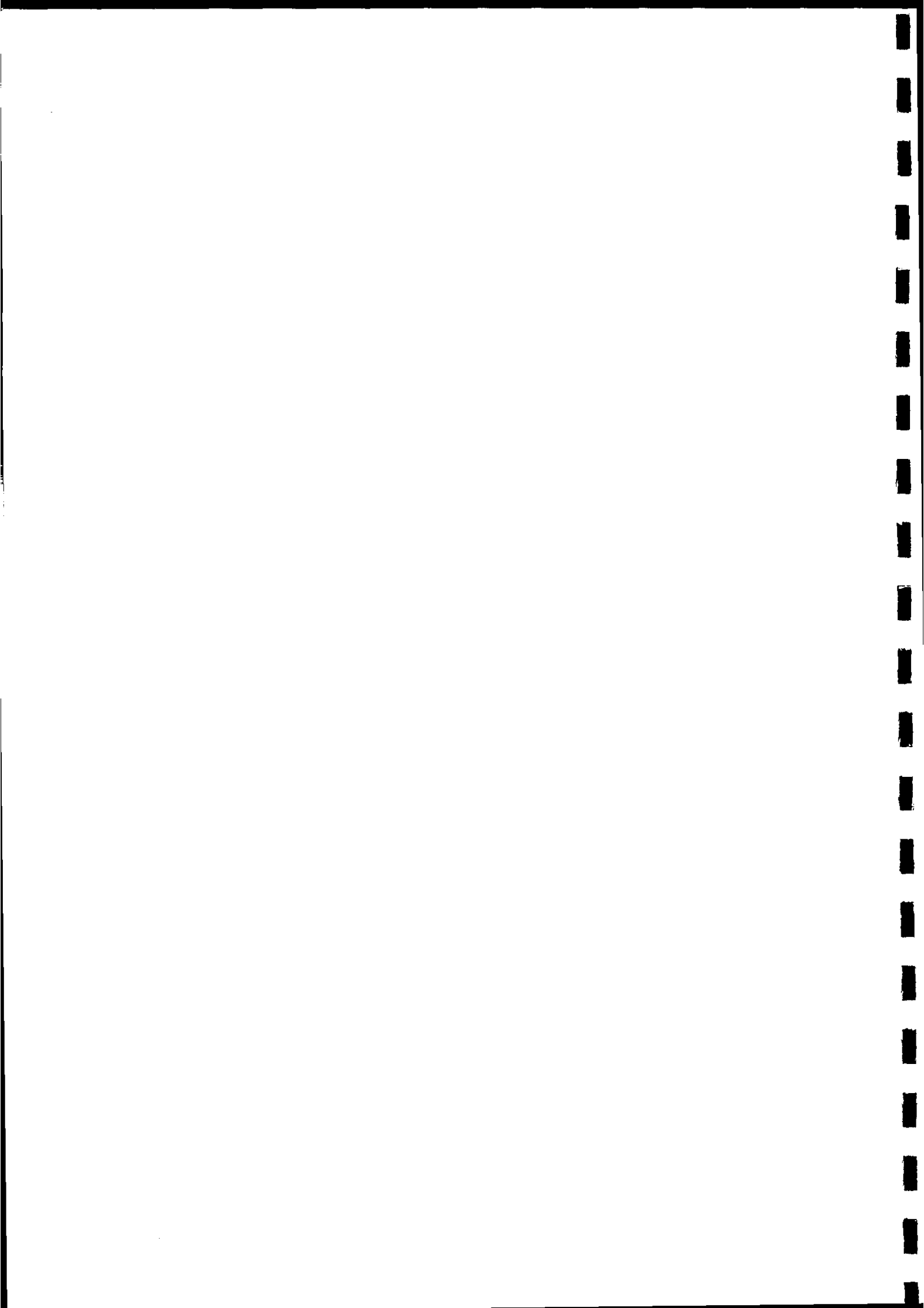
P M White

Auditor

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

Contents

	Page
Directors' report	3
Auditors' report	9
Profit and loss account	10
Statement of total recognised gains and losses	11
Reconciliation of movements in shareholders' funds	11
Balance sheet	12
Notes to the accounts	13



Directors' report

The directors present their annual report and audited accounts for Norwich Union Life Holdings Limited (the Company) for the year ended 31 December 2003.

Principal activity

The Company acts as the holding company for subsidiaries providing a range of financial services principally in the United Kingdom. Its principal subsidiaries are involved in long term savings and insurance business. The results of these subsidiary undertakings have not been consolidated in these financial statements as they have been included in the consolidated accounts of Aviva plc. The directors consider that this will continue unchanged into the foreseeable future.

Operational review of principal subsidiaries

As Aviva plc's largest long-term savings business, we produce 45% of the Group's total sales. New business sales including investment products were £6.6 billion (2002: £7.4 billion), having stabilised during 2003. This followed a reduction in market volumes from mid-2002 arising from the effect on customer confidence of prolonged equity market falls. We took early action to lead price increases in a number of product areas as we focused on improving margins.

Investment conditions have improved and consumer confidence is building. We expect a steady recovery in the UK long-term savings market through 2004. We see the market consolidating towards the larger players such as ourselves, who have the scale, brand and financial strength to develop new products, improve distribution and provide reassurance to customers as the Government seeks to reform pension provision and stimulate levels of personal saving. We are well placed to benefit from a market upturn.

Norwich Union continues to play a leading role in the debate over pensions reform and product simplification. We await the results of the Government's decision on price capping of Sandler savings products. Product pricing must be based on a realistic charging structure to be economically viable. In the appropriate circumstances, we intend to be a major player in this market.

Total sales through our joint ventures with The Royal Bank of Scotland Group were £843m (2002: £880m), reduced with-profit bond sales being offset by encouraging sales of collective investments introduced in February 2003. Further development of our products, increased sales force capacity and technology improvements will underpin the growth of this business and enhance cost-efficiencies in 2004.

Pension sales were lower at £2.6 billion (2002: £2.7 billion), reflecting reduced individual pension sales. This was offset by good growth in our target sector of larger group and corporate schemes, with sales up 20% to £829m. Annuities continued to perform well in a competitive market.

Bond and savings sales were lower at £1.9 billion (2002: £2.8 billion), reflecting the poor investment climate in which market demand for with-profit bonds fell by 77% during 2003. Unit-linked bonds sales increased significantly benefiting from the relaunch of our product range during the second half of 2003, and we expect continued growth in 2004.

Our equity release business, which enables customers to free up capital from their homes, continued its strong growth with sales up 39% to £501m (2002: £361m), fuelled by an ageing population, low investment returns and house price inflation. Norwich Union is the UK's largest equity release provider, with a market share of 43%.

UK life achieved operating profit was £659m (2002: £699m), reflecting reduced investment returns on lower asset values at the beginning of the year of £104m, offset by the non-recurrence of a £123m net charge for strengthening annuity reserves in 2002.

We reduced our cost base, adjusted our product mix and realigned product commissions for IFAs. Operational efficiency measures announced in 2003 included a number of job reductions in the UK. Following a series of feasibility studies in 2003, our intention is to create about 700 call centre and administrative jobs in India during 2004.

Directors' report

Operational review of principal subsidiaries (continued)

We maintained our financial strength in the UK. We led the market in lowering with-profit bonus rates to protect the long-term interests of policyholders and ensure the continued financial stability of our funds.

Major events

On 1 January 2003, the Company sold its subsidiary CGU Trust Managers Limited to The Royal Bank of Scotland Group for a consideration of £1.5m.

On 31 January 2003, by Members Resolution the authorised share capital of the Company was increased from 4,715,000,000 to 4,765,000,000 by the creation of an additional 50,000,000 redeemable ordinary shares of £1 each.

On 31 January 2003, 44,000,000 redeemable ordinary shares of £1 each were allotted at par to Norwich Union Holdings Limited.

On 3 February 2003, the Company invested a further £42.5m in its wholly owned subsidiary, Norwich Union Linked Life Assurance Limited.

On 1 March 2003, the Company acquired 100% of the issued share capital of NUSoF.com Limited from a fellow group undertaking for a consideration of £7.5m.

On 1 March 2003, the Company acquired 100% of the issued share capital of Norwich Union Wealth Management Limited from a fellow group undertaking for a consideration of £8.7m.

On 1 March 2003, the Company acquired 100% of the issued share capital of NUWM Nominees Limited from a fellow group undertaking for a consideration of £nil.

On 1 March 2003, the Company acquired 100% of the issued share capital of NUWM Services Limited from a fellow group undertaking for a consideration of £nil.

On 14 May 2003, at an Extraordinary General Meeting, the Company passed special resolutions to redesignate the authorised share capital of the Company by converting 653,760,913 ordinary shares of £1 each into 653,760,913 redeemable ordinary shares of £1 each, and to convert 653,760,913 ordinary shares of £1 each in the Company held by Norwich Union Holdings Limited into redeemable ordinary shares of £1 each in the Company to rank in all respects pari passu with the redeemable ordinary shares of £1 each in the Company held by Norwich Union Holdings Limited.

On 11 June 2003, the Company acquired 50% of the issued share capital of Bankhall Investment Finance Limited, a joint venture between the Company, Skandia UK Limited and Bankhall Investment Management Limited.

On 29 July 2003, Norwich Union Technology Supplies Limited was dissolved.

On 15 September 2003, 4,750,000 redeemable ordinary shares of £1 each were allotted at par to Norwich Union Holdings Limited.

On 15 September 2003, the Company invested a further £4.75m in its wholly owned subsidiary, Norwich Union Linked Life Assurance Limited.

On 18 December 2003, the Company invested a further £10.2m in its wholly owned subsidiary, your-move.co.uk Limited.

On 18 December 2003, the Company invested a further £90m in its wholly owned subsidiary, Norwich Union Life Services Limited.

Directors' report

Major events (continued)

On 29 December 2003, GA Unit Trust Managers Limited and General Accident PEP Managers Limited went into voluntary liquidation.

On 30 December 2003, the Company acquired 100 ordinary shares of £1 each and 12,000,000 non-cumulative redeemable shares of £1 each in Life and Pensions Administration Services Limited from a fellow group undertaking for a consideration of £4.7m.

Dividends

No interim dividend was paid during the year (2002: £412.4m). The directors do not recommend the payment of a final dividend for the year (2002: £nil).

Directors

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

P G Scott resigned as a director of the Company on 1 July 2003.

C E Riley was appointed as a director of the Company on 1 July 2003.

R J Harvey was appointed as a director of the Company on 2 July 2003.

C T Thiam was appointed as a director of the Company on 4 July 2003.

P R Hales, P E Hessey, M T Kirsch, J A Newman, M N Urmston, G M Vance 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 6 to 8. All the disclosed interests are beneficial.

	At 1 January 2003 (or appointment if later)	At 31 December 2003
	Number	Number
P R Hales	23,734	24,686
P E Hessey	3,304	3,630
M T Kirsch	18,251	19,499
J A Newman	12,294	13,122
C E Riley	19,655	3,957
C T Thiam	-	-
M N Urmston	11,522	2,637
G M Vance	19,397	20,669
G N Withers	1,051	30,342

R J Harvey is a director of the Company's ultimate parent undertaking, Aviva plc, and details of his interests (including share options and share awards) are given in that company's accounts.

Directors' report

Incentive plans

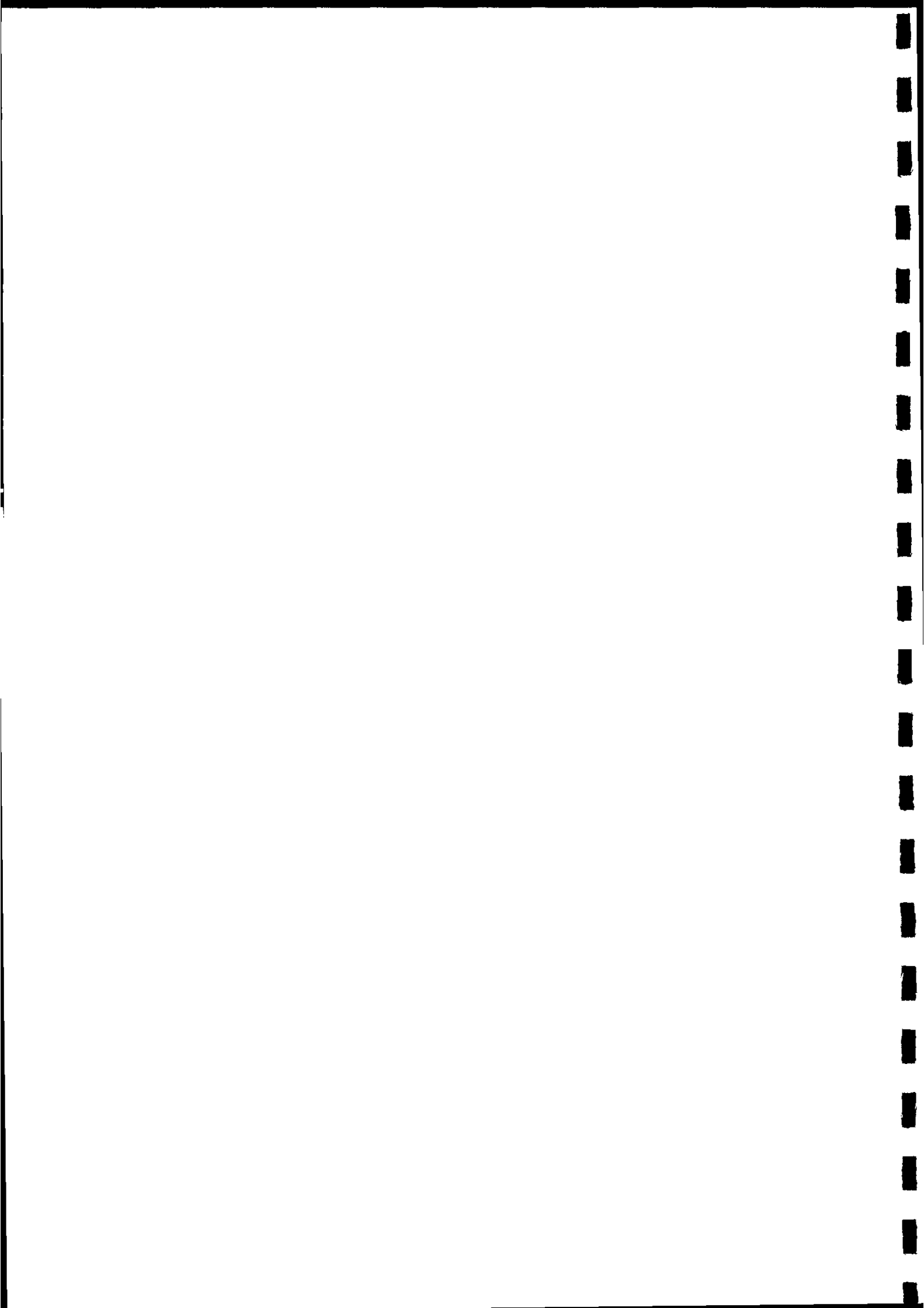
Details of the directors who held office at the end of the financial year, and hold or held options to subscribe for ordinary shares of Aviva plc or hold or held awards over shares in Aviva plc, pursuant to Aviva plc's share based incentive plans, are set out below.

(i) Share options

	At 1 January 2003 (or appointment if later)	Options granted during year	Options exercised or lapsed during year	At 31 December 2003
	Number	Number	Number	Number
P R Hales				
Savings related options	825	-	284	541
Executive options	68,894	-	16,189	52,705
P E Hessey				
Savings related options	2,356	-	-	2,356
Executive options	33,145	-	15,297	17,848
M T Kirsch				
Savings related options	2,356	-	-	2,356
C E Riley				
Savings related options	1,591	1,363	-	2,954
Executive options	53,245	-	13,408	39,837
Bonus Plan options	300	-	-	300
M N Urmston				
Savings related options	2,686	2,732	-	5,418
Executive options	113,953	-	16,189	97,764
G M Vance				
Savings related options	2,293	3,903	996	5,200
Executive options	62,619	-	13,907	48,712
Bonus Plan options	2,834	-	-	2,834
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 no directors exercised share options.



Directors' report

Incentive plans (continued)

(ii) Share awards

	At 1 January 2003 (or appointment if later)	Awards granted during year	Awards vested during year	Awards lapsed during year	At 31 December 2003
	Number	Number	Number	Number	Number
P R Hales					
Aviva Long Term Incentive Plan	43,033	50,000	-	-	93,033
Aviva Deferred Bonus Plan	27,538	18,000	-	-	45,538
P E Hessey					
Aviva Long Term Incentive Plan	39,902	45,500	-	-	85,402
Aviva Deferred Bonus Plan	15,444	15,924	-	-	31,368
M T Kirsch					
Aviva Long Term Incentive Plan	43,490	48,250	-	-	91,740
Aviva Deferred Bonus Plan	34,470	25,330	-	-	59,800
J A Newman					
Aviva Long Term Incentive Plan	33,046	48,250	-	-	81,296
Aviva Deferred Bonus Plan	27,152	17,370	-	-	44,522
C E Riley					
Aviva Long Term Incentive Plan	87,352	-	-	-	87,352
Aviva Deferred Bonus Plan	36,210	-	-	-	36,210
C T Thiam					
Aviva Long Term Incentive Plan	56,250	-	-	-	56,250
Aviva Deferred Bonus Plan	5,658	-	-	-	5,658
M N Urmston					
Aviva Long Term Incentive Plan	42,641	49,250	-	-	91,891
Aviva Deferred Bonus Plan	34,112	35,460	-	-	69,572
G M Vance					
Aviva Long Term Incentive Plan	39,123	47,000	-	-	86,123
Aviva Deferred Bonus Plan	30,046	29,610	-	-	59,656
G N Withers					
Aviva Long Term Incentive Plan	70,414	85,000	-	-	155,414
Aviva Deferred Bonus Plan	20,560	60,350	-	-	80,910
CGNU Restricted Share Plan	46,875	-	46,875	-	-

- (1) *The Aviva Long Term Incentive Plan*, awards under the Plan are made on an annual basis and the 2003 award was made in March. Awards are subject to the attainment of performance conditions over a three year period.
- (2) *The Aviva Deferred Bonus Plan*, awards disclosed include those made in lieu of some or all of the cash bonus earned and deferred under Aviva plc's Annual Bonus in 2003 and also the matching awards granted on a one for one basis. The awards are not subject to performance conditions and vest on the third anniversary of their grant.

Directors' report

Incentive plans (continued)

(ii) Share awards (continued)

- (3) *CGNU Restricted Share Plan* was a deferred bonus arrangement in which a small number of former Norwich Union senior managers participated. Awards were granted which vested in March 2003 and July 2003. The Plan then closed.

Other than as disclosed above, none of the directors who held office at 31 December 2003 had any beneficial interests in the Company's shares or the shares of any other company within Aviva plc Group.

Resolutions

On 18 September 1992, 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



P M White Secretary

24 March 2004

Auditors' report

Independent auditors' report to the members of Norwich Union Life Holdings Limited

We have audited the Company's accounts for the year ended 31 December 2003 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 18. 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 2003 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



25 March 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Operating expenses	2	(107)	(19)
Operating loss		(107)	(19)
Income from shares in group undertakings		9,000	437,960
Other interest receivable and similar income	3	7,138	351
Interest payable and similar charges	4	(509)	(19,694)
Amounts written off investments	9	(3,733)	(74,783)
Profit on ordinary activities before taxation	5	11,789	343,815
Tax on profit on ordinary activities	7	(2,215)	5,809
Profit for the financial year		9,574	349,624
Dividends paid and proposed	8	-	(412,400)
Retained profit/(loss) for the financial year	15	9,574	(62,776)

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

A statement of the movement in reserves can be found in note 15.

The notes on pages 13 to 19 are an integral part of these accounts. The auditors' report is on page 9.

Statement of total recognised gains and losses

for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	9,574	349,624
Unrealised gain on revaluation of shares in group undertakings	452,506	387,753
Total recognised gains and losses in the financial year	452,080	737,377

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	9,574	349,624
Dividends	-	(412,400)
	9,574	(62,776)
Unrealised gain on revaluation of shares in group undertakings	452,506	387,753
New share capital subscribed	48,750	653,851
Net addition to shareholders' funds	510,830	978,828
Opening shareholders' funds	5,619,193	4,640,365
Closing shareholders' funds	6,130,023	5,619,193

The notes on pages 13 to 19 are an integral part of these accounts. The auditors' report is on page 9.

Balance sheet

as at 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investments in subsidiary undertakings	9	6,552,708	5,942,736
Investment in associated undertakings	10	500	-
		6,553,208	5,942,736
Current assets			
Debtors	11	28,882	24,431
Cash at bank and in hand		7,483	20,378
		36,365	44,809
Creditors: amounts falling due within one year	12	364,626	368,352
Net current liabilities		(328,261)	(323,543)
Total assets less current liabilities		6,224,947	5,619,193
Creditors: amounts falling due after more than one year	13	94,924	-
Net assets		6,130,023	5,619,193
Capital and reserves			
Called up share capital	14	4,753,641	4,704,891
Share premium account	15	597,991	597,991
Revaluation reserve	15	831,207	378,702
Profit and loss account	15	(52,816)	(62,391)
Shareholders' funds		6,130,023	5,619,193
Analysed between:			
Equity		5,312,478	5,619,193
Non-equity		817,545	-
		6,130,023	5,619,193

The accounts on pages 10 to 19 were approved by the Board on 24 March 2004 and were signed on its behalf by



J A Newman Director

The notes on pages 13 to 19 are an integral part of these accounts. The auditors' report is on page 9.

Notes to the accounts

1 Accounting policies

Basis of accounts

The accounts have been prepared under the historical cost convention, except for the revaluation of subsidiary undertakings, and in accordance with the Companies Act 1985 and applicable accounting standards.

The profit and loss account for the year reflects all income, expenditure, and investment gains and losses, except certain items which are taken directly to reserves.

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 about its group.

Subsidiary undertakings

Shares in subsidiary undertakings are included at net asset value or, where more appropriate, at directors' valuation, being embedded value. Unrealised gains and losses in the value of subsidiary undertakings 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 profit and loss account. Permanent diminutions in value are also charged to the profit and loss account.

Tax

The tax charge in the profit and loss 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.

2 Operating expenses

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 these expenses.

3 Other interest receivable and similar income

	2003 £'000	2002 £'000
Receivable from fellow group undertakings	6,098	-
Other interest	1,039	351
Realised gain	1	-
	<u>7,138</u>	<u>351</u>

4 Interest payable and similar charges

	2003 £'000	2002 £'000
Payable to fellow group undertakings	507	19,694
Other interest	2	-
	<u>509</u>	<u>19,694</u>

Notes to the accounts

5 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
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Profit on ordinary activities before taxation is stated after charging:

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

Audit services - statutory audit	5	3
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Audit fees are included in the management charge from Norwich Union Life Services Limited.

6 Directors and employees

Directors' emoluments

As stated in note 2, a management charge in respect of administration services has been made by Norwich Union Life Services Limited, which includes a negligible element in respect of directors' time spent in managing the Company.

R J Harvey and P G Scott are directors of the Company's ultimate holding company, Aviva plc, and details of their remuneration are given in the accounts of that company.

P R Hales, P E Hessey, M T Kirsch, J A Newman, M N Urnston, 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.

C E Riley and C T Thiam are remunerated by Aviva Employment Services Limited.

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.

Employees

As stated in note 2, a management charge in respect of staff costs has been made by Norwich Union Life Services Limited. Details of UK employees who provide services to the Company are included in the accounts of Aviva Employment Services Limited, the employment company of Aviva plc.

Notes to the accounts

7 Tax

(a) Tax on profit on ordinary activities

Tax (charged)/credited in the profit and loss account comprises:

	2003 £'000	2002 £'000
Current tax		
UK corporation tax	(1,959)	5,809
Prior year adjustments	(256)	-
Total tax (charged)/credited in the profit and loss account	(2,215)	5,809

(b) Factors affecting current tax charge for the year

The tax assessed in the profit and loss account is lower than the standard UK corporation tax rate, as follows:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	11,789	343,815
Current tax charge at standard UK corporation tax rate of 30% (2002: 30%)	(3,537)	(103,145)
Adjustment to tax charge in respect of prior years	(256)	-
Non-assessable dividends	2,700	131,388
Non tax deductible investment write offs	(1,122)	(22,434)
Current tax (charge)/credit for the year (note 7(a))	(2,215)	5,809

8 Dividends

	2003 £'000	2002 £'000
Interim dividend paid of £nil per share (2002: £0.10 per share)	-	412,400

9 Investments in subsidiary undertakings

	£'000
At 1 January 2003	5,942,736
Additions	168,249
Disposals	(7,050)
Amounts written off	(3,733)
Unrealised gain on revaluation of shares in group undertakings	452,506
At 31 December 2003	6,552,708

On 1 January 2003, the Company sold its subsidiary CGU Trust Managers Limited to The Royal Bank of Scotland Group for a consideration of £1.5m.

On 3 February 2003, the Company invested a further £42.5m in its wholly owned subsidiary, Norwich Union Linked Life Assurance Limited.

On 1 March 2003, the Company acquired 100% of the issued share capital of NUSoF.com Limited from a fellow group undertaking for a consideration of £7.5m.

On 1 March 2003, the Company acquired 100% of the issued share capital of Norwich Union Wealth Management Limited from a fellow group undertaking for a consideration of £8.7m.

Notes to the accounts

9 Investments in subsidiary undertakings (continued)

On 29 July 2003, Norwich Union Technology Supplies Limited was dissolved.

On 15 September 2003, the Company invested a further £4.75m in its wholly owned subsidiary, Norwich Union Linked Life Assurance Limited.

On 18 December 2003, the Company invested a further £90m in its wholly owned subsidiary, Norwich Union Life Services Limited.

On 18 December 2003, the Company invested a further £10.2m in its wholly owned subsidiary, your-move.co.uk Limited

On 29 December 2003, GA Unit Trust Managers Limited and General Accident PEP Managers Limited went into voluntary liquidation.

On 30 December 2003, the Company acquired 100 ordinary shares of £1 each and 12,000,000 non-cumulative redeemable shares of £1 each in Life and Pensions Administration Services Limited from a fellow group undertaking for a consideration of £4.7m.

The historical cost of shares in group undertakings was £826m (2002: £310m) lower than the current value shown above.

The Company's principal subsidiaries are shown below:

	Principal activity	Percentage of ordinary share capital held	Incorporated in
CGNU Life Assurance Limited	Long term insurance	100	England
Norwich Union Linked Life Assurance Limited	Long term insurance	100	England
Norwich Union Life & Pensions Limited	Long term insurance	100	England
Norwich Union Annuity	Annuity life assurance	100	England
Commercial Union Life Assurance Company Limited	Long term insurance	100	England
Fidelity Life Assurance Limited	Long term insurance	100	England
Norwich Union Life Services Limited	Corporate administration services	100	England
Norwich Union Trustees Limited	Pension trustee services	100	England
your-move.co.uk limited	Estate agency	100	England
e.surv limited	Survey and valuation services	100	England
Norwich Union Commercial Finance Limited	Mortgage management services	100	England
Norwich Union Healthcare Limited	Marketing and administration of healthcare products	100	England
Norwich Union Personal Finance Limited	Personal finance services	100	England
Norwich Union Investment Funds Limited	Investment management	100	England
Life and Pensions Administration Services Limited	Leasing of administration systems	100	England

Notes to the accounts

10 Investment in associated undertakings

	£'000
Additions	500
At 31 December 2003	500

On 11 June 2003, the Company acquired 50% of the issued share capital of Bankhall Investment Finance Limited, a joint venture between the Company, Skandia UK Limited and Bankhall Investment Management Limited.

11 Debtors

	2003 £'000	2002 £'000
Amounts owed by group undertakings	9,513	12,133
Loans to group undertakings	19,333	6,400
Other debtors	36	5,898
	<u>28,882</u>	<u>24,431</u>

12 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	350,667	356,352
Loan from ultimate parent undertaking	12,000	12,000
Corporation tax payable	1,959	-
	<u>364,626</u>	<u>368,352</u>

The loan from ultimate parent undertaking is part of a revolving facility which bears interest at a rate linked to three month LIBOR.

13 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Loan from group undertaking - shareholder	79,924	-
Loan from group undertaking - policyholder	15,000	-
	<u>94,924</u>	<u>-</u>

The loan from the policyholder group undertaking bears an interest rate linked to the average monthly LIBOR. The loan from the shareholder group undertaking is interest free. Both loans are repayable in full on 31 December 2005.

Notes to the accounts

14 Share capital

	2003 £'000	2002 £'000
Authorised:		
4,061,239,087 (2002: 4,715,000,000) Ordinary shares of £1 each	4,061,239	4,715,000
703,760,913 (2002: nil) Redeemable ordinary shares of £1 each	703,761	-
	4,765,000	4,715,000
Allotted, called up and fully paid:		
4,051,130,000 (2002: 4,704,890,913) Ordinary shares of £1 each	4,051,130	4,704,891
702,510,913 (2002: nil) Redeemable ordinary shares of £1 each	702,511	-
	4,753,641	4,704,891

On 31 January 2003, by Members Resolution the authorised share capital of the Company was increased from 4,715,000,000 to 4,765,000,000 by the creation of an additional 50,000,000 redeemable ordinary shares of £1 each.

On 31 January 2003, 44,000,000 redeemable ordinary shares of £1 each were allotted at par to Norwich Union Holdings Limited.

On 14 May 2003, at an Extraordinary General Meeting, the Company passed special resolutions to redesignate the authorised share capital of the Company by converting 653,760,913 ordinary shares of £1 each into 653,760,913 redeemable ordinary shares of £1 each, and to convert 653,760,913 ordinary shares of £1 each in the Company held by Norwich Union Holdings Limited into redeemable ordinary shares of £1 each in the Company.

On 15 September 2003, 4,750,000 redeemable ordinary shares of £1 each were allotted at par to Norwich Union Holdings Limited.

The ordinary and redeemable ordinary shares rank pari passu, except with regard to the redemption terms. The redeemable ordinary shares may be redeemed at nominal value, by the Company at any time, or by the holders on the occurrence of certain specified events.

15 Reserves

	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000
Balance at 1 January 2003	597,991	378,702	(62,391)
Retained profit for the financial year	-	-	9,574
Transfer of realised profit	-	(1)	1
Unrealised gain on revaluation of shares in group undertakings	-	452,506	-
Balance at 31 December 2003	597,991	831,207	(52,816)

16 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.

Notes to the accounts

17 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.

18 Parent undertaking

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

The Company's ultimate parent undertaking is Aviva plc, a company 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.