

**NORWICH UNION
CENTRAL SERVICES LIMITED**

Annual Report and Accounts

YEAR ENDED 31 DECEMBER 2000



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NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2000

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NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

DIRECTORS AND OFFICERS

DIRECTORS

M N Biggs
I Butterworth
P C Easter
P G O'Donnell (resigned 16 February 2000)
C F Ramsay

SECRETARY

P E Bourner (resigned 29 September 2000)
CGNU Company Secretarial Services Limited (appointed 29 September 2000)

AUDITORS

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

REGISTERED OFFICE

8 Surrey Street
Norwich
NR1 3NG

Registered in England No 3259447

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

DIRECTORS' REPORT

for the year ended 31 December 2000

The directors present their report and accounts for the Company for the year ended 31 December 2000.

Principal activity

The Company's principal activity is the provision of physical infrastructure and associated support services to other companies within the CGNU plc group. The directors consider that this will continue unchanged into the foreseeable future.

Profit and loss account - salient features

	2000 £000	1999 £000
Turnover	279,478	174,053
Cost of sales	(278,824)	(173,702)
Administration expenses	(10)	(9)
Interest payable and similar charges	(432)	(299)
Net result before tax	212	43

Full details of the results are set out on page 9.

Dividend

The results for the year are shown on page 9. The Directors do not recommend the payment of any dividend for the year (1999 - nil).

Charitable donations and political contributions

No charitable donations were made in the year (1999: nil). No political contributions were made.

Change of name

The Company changed its name from Norwich Union Group Services Limited to Norwich Union Central Services Limited on 2 October 2000.

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

DIRECTORS' REPORT

for the year ended 31 December 2000

Payment policy

It is the Company's policy to adhere to the Confederation of British Industry Prompt Payer Code of Good Practice (the CBI code) for external parties providing goods and services to the Company. This policy excludes payments to policyholders and shareholders. Company policy is:

- a) to agree the payment terms with suppliers when agreeing each transaction and to provide suppliers with clear guidance on payment procedures;
- b) to have a clear consistent policy that bills are settled in accordance with contract and to not extend or alter these payment terms without prior agreement;
- c) to ensure there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices or part of invoices are contested.

When agreeing the terms of each transaction with its suppliers it is the Company's preferred payment policy to settle accounts within 45 days of the supply date. At 31 December 2000, the Company had 39 days purchases outstanding in creditors. This has been calculated by dividing the aggregate of amounts owed to creditors by the aggregate amounts invoiced to suppliers.

The CBI code is available from the Confederation of British Industry or from the Group Purchasing department at CGNU plc.

Employees

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

European monetary union

CGNU has significant operations within the European Union and considers that overall success of EMU presents a substantial opportunity for the Group. Costs incurred to date for the introduction of the euro amount to £57 million, of which £17 million has been included in CGNU plc's results (1999: £16million). The expected total cost of preparing the Group's systems for the euro is some £74 million, excluding the UK.

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

DIRECTORS' REPORT continued
for the year ended 31 December 2000

Directors' interests

The directors of the Company who held office at 31 December 2000 had the following interests in the shares of CGNU plc:

Ordinary Shares of 25p each

	At 1 January 2000 or at conversion date				At 31 December 2000	
	Shares	Share options	Options granted during the year	Options exercised during the year	Shares	Share options
I Butterworth*	373	-	432	-	373	432
P C Easter*	2,109	3,185	-	-	9,661	3,185
C F Ramsay*	422	-	-	-	494	-

* The directors marked with an asterisk held shares in Norwich Union plc which were converted to shares in CGNU plc on 30 May 2000 in accordance with the terms of the merger Scheme of Arrangement at the rate of 48 CGNU plc shares for every 100 Norwich Union shares held. In order to show actual movement in shareholdings during the year, these shareholdings are stated as if the conversion had been applied at the start of the year.

Mr M Biggs is a director of the Company's ultimate holding company, CGNU plc, and details of his interests are given in that company's accounts.

On 29 September 2000, Mr Butterworth and Mr Easter were granted restricted awards over 15,426 and 21,597 CGNU shares respectively under the CGNU Integration Incentive Plan. Awards under the Plan become capable of vesting in year 2002, subject to the achievement of specified performance criteria.

On 29 September 2000, Mr Butterworth and Mr Easter were granted restricted awards over 2,673 and 16,969 CGNU shares respectively under the CGNU Long Term Incentive Plan. Awards under the Plan become capable of vesting in the year 2003, subject to the achievement of specified performance criteria.

Consequent upon the Scheme of Arrangement, which gave effect to the merger between CGU plc and Norwich Union plc, awards made under the Norwich Union Long Term Incentive Plan vested in full, and awards granted under the Norwich Union Restricted Share Plan (which were subject to the attainment of conditions based on Norwich Union's performance) vested as to 45% in relation to awards granted in 1998 (but not otherwise). As a result, the former Norwich Union directors received Norwich Union shares (which, under the terms of the said Scheme, were exchanged for shares in CGNU plc at the rate of 48 CGNU shares for every 100 shares in Norwich Union plc) as follows:

I Butterworth	595
P C Easter	35,340

None of the directors exercised share options in relation to shares in CGNU plc during the year.

Save as disclosed above, none of the directors who held office at 31 December 2000 had any beneficial interests in the Company's shares or the shares of any other company within the CGNU Group.

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

DIRECTORS' REPORT

for the year ended 31 December 2000

Financial Reporting Standard 8 'Related Party Disclosures' (FRS8)

There have been no significant transactions between the directors and the Company during the year.

As consolidated financial statements of CGNU plc are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties the voting rights in which are controlled by companies within the CGNU Group.

Auditors

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

Approved and signed on behalf of the Board on 6 June 2001.



Authorised Signatory
CGNU Company Secretarial Services Limited
Secretary

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the Company for that period. In preparing the accounts on pages 9 to 16, 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

REPORT OF THE AUDITORS

to the members of Norwich Union Central Services Limited

We have audited the accounts on pages 9 to 16, which have been prepared under the historical cost convention and the accounting policies set out in note 1.

Respective responsibilities of directors and auditors

As described on page 7 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

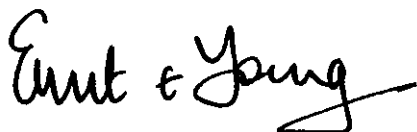
Basis of opinion

We conducted our audit in accordance with 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

6 June 2001

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	279,477,522	174,052,882
Cost of sales		(278,823,929)	(173,702,345)
		<hr/> 653,593	<hr/> 350,537
Administrative expenses		(10,000)	(9,000)
OPERATING PROFIT	3	<hr/> 643,593	<hr/> 341,537
Interest payable and similar charges	4	(431,689)	(298,801)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 211,904	<hr/> 42,736
Tax on profit on ordinary activities	5	(20,924,178)	(1,583,487)
LOSS RETAINED FOR THE YEAR		<hr/> <hr/> (20,712,274)	<hr/> <hr/> (1,540,751)

STATEMENT OF RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2000

There are no recognised gains / losses other than the loss for the year of £20,712,274 (1999 loss: £1,540,751).

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

BALANCE SHEET
at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	6	60,694,839	61,387,469
Investments	7	<u>2,646</u>	<u>2,646</u>
		60,697,485	61,390,115
CURRENT ASSETS			
Debtors	8	93,233,730	60,745,369
CREDITORS: amounts falling due within one year	9	(134,843,052)	(86,377,910)
NET CURRENT LIABILITIES		<u>(41,609,322)</u>	<u>(25,632,541)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,088,163</u>	<u>35,757,574</u>
CREDITORS: amounts falling due after more than one year:			
Obligations under finance leases and hire purchase contracts	10	(6,177,863)	(2,135,000)
	2	<u><u>12,910,300</u></u>	<u><u>33,622,574</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	32,001,000	32,001,000
Capital reserve	12	3,000,000	3,000,000
Profit and loss account	12	<u>(22,090,700)</u>	<u>(1,378,426)</u>
Equity shareholders' funds	12	<u><u>12,910,300</u></u>	<u><u>33,622,574</u></u>

The notes on pages 11 to 16 form an integral part of these accounts.

Director



6 June 2001

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

NOTES TO THE ACCOUNTS
at 31 December 2000

1. ACCOUNTING POLICIES

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Group Accounts

The accounts present information about the Company as an individual undertaking and not about its group. The Company is exempt from the obligation to prepare and deliver group accounts by virtue of section 228 of the Companies Act 1985. The Company is included in the consolidated accounts of its ultimate parent undertaking CGNU plc registered in England.

c) Turnover

Turnover, which excludes VAT, represents amounts charged to CGNU plc group companies in respect of the provision of physical infrastructure and associated support services. All turnover arises from continuing operations.

d) Fixed assets

All fixed assets are recorded at historical cost less accumulated depreciation.

e) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value evenly over its expected useful life as follows:

Motor Vehicles	-	3 years
Computer Equipment	-	3 years
Plant & Machinery	-	3 years

f) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations is charged in the profit and loss account over the periods of the leases and hire purchase contracts and represents a sum of the digits proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

g) Taxation

Tax is charged on all taxable profits arising for the year. Deferred taxation is calculated using the liability method. It is provided where the amount is likely to become payable in the foreseeable future and where future tax liabilities are known.

h) Cash flow statement

In accordance with FRS 1(Revised), the Company has not presented a cash flow statement as the Company's cash flows have been consolidated with those of its ultimate parent company CGNU plc.

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

NOTES TO THE ACCOUNTS
at 31 December 2000

2. SEGMENTAL ANALYSIS

An analysis of turnover by geographical destination is given below:

	2000 £	1999 £
United Kingdom	278,467,941	173,035,404
France	532,466	618,814
Ireland	450,374	398,664
Belgium	26,741	-
	<u>279,477,522</u>	<u>174,052,882</u>

An analysis of net assets by geographical destination is given below:

	2000 £	1999 £
United Kingdom	12,395,685	33,603,753
France	-	7,187
Ireland	487,874	11,634
Belgium	26,741	-
	<u>12,910,300</u>	<u>33,622,574</u>

3. OPERATING PROFIT

	2000 £	1999 £
This is stated after charging:		
Auditors' remuneration	10,000	9,000
Loss on disposal of fixed assets	1,002,951	701,526
Depreciation of assets held under finance leases and hire purchase contracts	3,088,136	3,449,873
Depreciation of other assets	24,051,752	20,350,550

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Finance charges payable under finance leases and hire purchase contracts:	<u>431,689</u>	<u>298,801</u>

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

NOTES TO THE ACCOUNTS
at 31 December 2000

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Provision for taxation on the result for the year has been made as shown below:

	2000 £	1999 £
UK corporation tax	14,755,320	2,253,739
Deferred tax	-	(676,295)
Total taxation	<u>14,755,320</u>	<u>1,577,444</u>
Prior year adjustment including deferred taxation	6,168,858	6,043
Charge to Profit and Loss account	<u>20,924,178</u>	<u>1,583,487</u>

Details of the full potential deferred taxation are given below:

	£	£
Not provided in accounts:		
Accelerated capital allowances	(21,375,694)	-
Other timing differences	-	(1,007,469)
	<u>(21,375,694)</u>	<u>(1,007,469)</u>

The effective rate of tax reflected in the tax charge is due primarily to the fact that a deferred tax asset in respect of accelerated capital allowances remains unprovided.

6. TANGIBLE FIXED ASSETS

	Motor vehicles	Computer equipment	Other	Total
	£	£	£	£
Cost				
At 31 December 1999	25,165,531	82,366,766	13,699,752	121,232,049
Additions	8,350,468	23,534,327	1,718,912	33,603,707
Disposals	<u>(7,755,632)</u>	<u>(3,075,230)</u>	<u>(49,646)</u>	<u>(10,880,508)</u>
At 31 December 2000	<u>25,760,367</u>	<u>102,825,863</u>	<u>15,369,018</u>	<u>143,955,248</u>
Depreciation				
At 31 December 1999	6,652,748	46,632,448	6,559,384	59,844,580
Charge	4,021,468	20,881,169	2,237,251	27,139,888
Disposals	<u>(3,486,388)</u>	<u>(189,677)</u>	<u>(47,994)</u>	<u>(3,724,059)</u>
At 31 December 2000	<u>7,187,828</u>	<u>67,323,940</u>	<u>8,748,641</u>	<u>83,260,409</u>
Net book value				
At 31 December 2000	<u>18,572,539</u>	<u>35,501,923</u>	<u>6,620,377</u>	<u>60,694,839</u>
At 31 December 1999	<u>18,512,783</u>	<u>35,734,318</u>	<u>7,140,368</u>	<u>61,387,469</u>
Assets held under finance leases (included in the figures above)				
Gross amount	-	36,379,386	1,147,210	37,526,596
Accumulated depreciation	-	(31,524,332)	(1,083,840)	(32,608,172)
Net book value at 31 December 2000	<u>-</u>	<u>4,855,054</u>	<u>63,370</u>	<u>4,918,424</u>

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

NOTES TO THE ACCOUNTS
at 31 December 2000

7. INVESTMENTS

	£
Cost of shares in group undertakings:	
At 31 December 1999	<u>2,646</u>
At 31 December 2000	<u>2,646</u>

All investments are shares in subsidiary undertakings registered in England and Wales as follows:

<u>Name of company</u>	<u>Percentage Held</u>	<u>Nature of business</u>
Print to Post Limited	100%	Printing and mail services
Norwich Union Software Services Limited	100%	Rental and sub-letting of a property
Norwich Union Asset Services Limited	100%	Leasing
Union Contract Company Limited	51%	Cleaning services and associated management

Notes

8. DEBTORS	2000 £	1999 £
Trade debtors	935,141	1,213,495
Amounts owed by subsidiary undertakings	3,328,857	3,009,419
Amounts owed by parent and group undertakings	68,891,659	42,089,601
Other debtors	291,838	81,176
Prepayments and accrued income	<u>19,786,235</u>	<u>14,351,678</u>
	<u>93,233,730</u>	<u>60,745,369</u>

All amounts are due within one year.

9. CREDITORS : Amounts falling due within one year	2000 £	1999 £
Bank loans and overdrafts	49,982,896	47,234,752
Obligations under finance leases and HP contracts	10 5,918,000	2,357,780
Trade creditors	2,687,248	8,184,850
Amounts owed to subsidiary undertakings	226,718	121,695
Amounts owed to group undertakings	503,768	-
UK corporation tax	22,780,214	1,908,803
Other taxes and social security costs	145,103	329,877
Other creditors	98,337	513,499
Accruals	15 52,500,768	25,726,654
	<u>134,843,052</u>	<u>86,377,910</u>

The overdraft is part of a group pooling arrangement.

NORWICH UNION CENTRAL SERVICES LIMITED
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NOTES TO THE ACCOUNTS

at 31 December 2000

10. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Finance leases and hire purchase contracts analysis:	2000 £	1999 £
Payable within one year	5,918,000	2,357,780
Payable within two to five years	6,177,863	2,135,000
	<u>12,095,863</u>	<u>4,492,780</u>

Analysis of changes in finance leases and hire purchase contracts:	2000 £	1999 £
Balance at 1 January	4,492,780	4,344,412
Inception of finance lease contracts	11,313,277	2,365,622
Transfer of finance leases from group undertakings	403,679	-
Capital element of finance lease repayments	(4,113,873)	(2,217,254)
Balance at 31 December	<u>12,095,863</u>	<u>4,492,780</u>

11. SHARE CAPITAL

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
Allotted and fully paid:		
Ordinary shares of £1 each	<u>32,001,000</u>	<u>32,001,000</u>

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Capital reserve £	Profit and loss account £	Total shareholders' funds £
At 31 December 1999	32,001,000	3,000,000	(1,378,426)	33,622,574
Loss for the year	-	-	(20,712,274)	(20,712,274)
At 31 December 2000	<u>32,001,000</u>	<u>3,000,000</u>	<u>(22,090,700)</u>	<u>12,910,300</u>

The capital reserve comprises a non-refundable cash contribution from Norwich Union Holdings Limited.

13. CAPITAL COMMITMENTS

	2000 £	1999 £
Amounts contracted for but not provided in the accounts	<u>623,800</u>	<u>373,320</u>

NORWICH UNION CENTRAL SERVICES LIMITED
(formerly known as Norwich Union Group Services Limited)

NOTES TO THE ACCOUNTS

at 31 December 2000

14. PARENT UNDERTAKING

The ultimate parent undertaking is CGNU plc registered in England. The accounts of the ultimate parent undertaking are available from its Registered Office, St Helens, 1 Undershaft, EC3P 3DQ. The immediate parent undertaking is Norwich Union Holdings Limited registered in England.

15. FINANCIAL REPORTING STANDARD 12 "PROVISIONS AND CONTINGENCIES" (FRS12)

Included within accruals is a provision for onerous property leases.

	£
Balance at 1 January 2000	587,387
Additional provision made in the period	3,618,756
Amounts used during the period	(173,583)
Unused amounts reversed during the period	(380,831)
Balance at 31 December 2000	<u>3,651,729</u>

16. DIRECTORS' EMOLUMENTS

M.N. Biggs is also a director of CGNU plc and as such his emoluments are disclosed in the accounts of that Company. It is not possible to determine the proportion of his remuneration which relates to the Company.

Details of the aggregate remuneration of the other directors, including an allocation of P.C.Easter's emoluments relating to his services for the Company, are as follows:

	2000 £	1999 £
Emoluments of executive directors	<u>381,224</u>	<u>351,883</u>

	No.	No.
Number of directors to whom retirement benefits are accruing under a defined benefit scheme.	<u>3</u>	<u>3</u>

The amounts in respect of the highest paid director are as follows:

	£	£
Emoluments	<u>196,867</u>	<u>183,362</u>