

NORWICH UNION CENTRAL SERVICES LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2002



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Norwich Union Central Services Limited

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Norwich Union Central Services Limited

Directors and Officers

Directors

M N Biggs
I Butterworth
P C Easter
D Rowlinson
P J R Snowball

Secretary

Aviva Company Secretarial Services Limited

Auditor

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

Registered Office

8 Surrey Street
Norwich
NR1 3NG

Registered in England No 3259447

Directors' report

For the year ended 31 December 2002

The directors present their annual report and audited financial statements for Norwich Union Central Services Limited (the Company) for the year ended 31 December 2002.

Principal activity

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

Profit and loss account – salient features

Details of the results are given in the profit and loss account on page 9.

Ultimate holding company

On 1 July 2002, the ultimate holding company CGNU plc, changed its name to Aviva plc.

Major events

On 14 October 2002 the Company allotted 18,000,000 Ordinary Shares of £1 each to Norwich Union Holdings Limited for cash at par.

Dividends

No interim dividends were paid during the year (2001: £Nil). The directors do not recommend the payment of a final dividend (2001: £Nil).

Charitable donations and political contributions

During the year, the Company made no charitable donation (2001 £1,000).

Directors

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

P J R Snowball was appointed as a director of the Company on 22 October 2002.

C F Ramsay resigned as a director of the Company on 3 February 2003

D Rowlinson was appointed as a director of the Company on 3 February 2003

M N Biggs, I Butterworth, P C Easter and C F Ramsay 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 3 to 4. All the disclosed interests are beneficial.

	At 1 January 2002	At 31 December 2002
I Butterworth	373	10,151
P C Easter	9,687	33,275
C F Ramsay	494	3,103

Norwich Union Central Services Limited

M N Biggs and P J R Snowball are directors of the Company's ultimate parent undertaking, Aviva plc, and details of their interests are given in that company's accounts.

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 2002	Options Granted during the year	Options exercised or cancelled during the year	At 31 December 2002
	Number	Number	Number	Number
I Butterworth				
Savings related options	1,290	2,356	1,290	2,356
P C Easter				
Savings related options	3,185	4,096	3,185	4,096
C F Ramsay				
Savings related options	3,185	-	3,185	-
Executive options	16,666	36,337	-	53,003

- (1) *"Savings related options"* are options granted under the Inland Revenue-approved SAYE Share Option Scheme. Options granted from 1994 to 2002 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 Schemes, or predecessor schemes. Options, which have been granted on various dates from 1993 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.
- (3) During the year no directors exercised any share options and therefore no gains on such were made.

Norwich Union Central Services Limited

(ii) Share awards

	At 1 January 2002	Awards Granted during year	Awards vested during year	Awards lapsed during year	At 31 December 2002
	Number	Number	Number	Number	Number
I Butterworth					
CGNU Integration Incentive Plan	15,426	-	15,426	-	-
Aviva Long Term Incentive Plan	18,298	21,540	-	-	39,838
Aviva Deferred Bonus Plan	10,624	8,250	-	-	18,874
P C Easter					
CGNU Integration Incentive Plan	21,597	-	21,597	-	-
Aviva Long Term Incentive Plan	40,406	32,052	-	-	72,458
Aviva Deferred Bonus Plan	17,936	26,090	-	-	44,026
Aviva Restricted Share Plan	10,756	-	4,571	6,185	-
C F Ramsay					
Aviva Long Term Incentive Plan	2,468	-	-	-	2,468
Aviva Deferred Bonus Plan	-	4,954	-	-	4,954

- (1) *The CGNU Integration Incentive Plan*, awards were granted to directors in September 2000 subject to the condition that shareholders' approval was obtained. The performance conditions under the Plan have been met and the awards vested in March 2002. The Plan then closed.
- (2) *The Aviva Long Term Incentive Plan*, awards under the Plan are made on an annual basis and the 2002 award was made in March. Awards are subject to the attainment of performance conditions over a three year period.
- (3) *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 2002 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.
- (4) *The Aviva 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 2002. The Plan then closed.

Creditor payment policy and practice

It is the Company's policy to pay creditors when they fall due for payment. Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions.

The amounts due to trade creditors as 31 December 2002 represented approximately 29 days of average daily purchases through the year (2001: 19 days)

United Kingdom employees

The Group continues to place emphasis on communication and dialogue with employees. News about the Group is provided through a variety of channels, including the internet, circulars, in-house magazines, video presentations, "live" Group-wide television broadcasts and face-to-face briefings.

Employees are encouraged to have their say on how they view the Company and their employment through confidential staff opinion surveys. Survey results are fed back to staff and, where appropriate, action plans are put in place to address key issues. Through their participation staff can help to shape future employment developments. In addition, regular discussions take place with the staff representative bodies, who are themselves combining to become part of AMICUS (effective from 1 January 2002 following the amalgamation of the MSF and AEE Unions).

The Company is also supportive of employee development. This support includes the building of relevant competencies, gaining appropriate professional qualifications and assistance with wide personal development.

The Group's UK operations have established their own employee career and recognition frameworks, which draw together the formal competencies, target setting and review systems and links them to appropriate rewards and benefits.

Shareholders approved at the 2001 Annual General Meeting the establishment of an All Employee Share Ownership Plan as a way for employees to participate in the Group's success through share ownership. Two elements of the Plan are now in operation with an encouraging level of take up from eligible staff. The partnership element allows employees to purchase Aviva shares at market price from pre-tax income, while the more established save as you earn element provides an opportunity to acquire share options and to save over fixed periods. All eligible staff have participated in the third element of the plan when they have received free shares, at the discretion of the Board, in April 2002.

Group companies are committed to providing equal opportunities to all employees irrespective of sex, sexual orientation, marital status, creed, colour, race, ethnic origin or disability. The commitment extends to recruitment and selection, training, career development, flexible working arrangements, promotion and performance appraisal. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and to provide specialised training where this is appropriate.

The health and safety of staff is a priority, with both internal reviews and external reports on the health and safety provision being received at regular intervals. Each business unit has an appointed health and safety representative whose role is to bring to the attention of senior management any areas of concern that should be addressed within the health and safety programme. Information of health and safety matters is communicated to staff through the normal communication channels.

Details of UK employees who provide services to the Company are included in the financial statements of Aviva Employment Services Limited.

Resolutions

On 6 June 2001, 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 & 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.

Norwich Union Central Services Limited

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 period. 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 confirm that the accounts comply 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 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



Date 17 October 2003

Aviva Company Secretarial Services Limited
Secretary

AUTHORISED SIGNATORY

**Independent Auditors' report
to the members of Norwich Union Central Services Limited**

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds 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 company's 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.

Independent Auditors' report (continued)

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 2002 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

28 October 2003

Norwich Union Central Services Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover	2	536,773	599,167
Cost of sales		535,453	(597,161)
Gross and Operating profit	3,4	1,320	2,006
Interest payable and similar charges	5	(1,116)	(1,476)
Income from investments		302	-
Profit on ordinary activities before taxation		506	530
Tax on profit on ordinary activities	6	(4,601)	(6,563)
Loss retained for the financial year		(4,095)	(6,033)

All amounts relate to continuing operations.

A statement of movement in reserves can be found in note 14.

Statement of total recognised gains and losses for the year ended 31 December 2001

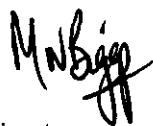
There are no recognised gains/losses other than the loss for the year of £4,095k (2001 loss: £6,033k).

Norwich Union Central Services Limited

Balance sheet as at 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	7	67,471	72,281
Investments	8	133	133
		<u>67,604</u>	<u>72,414</u>
Current assets			
Debtors	9	157,626	119,582
Cash at hand and in bank		4,915	-
Creditors: amounts falling due within one year	10	(201,126)	(173,420)
Net current liabilities		<u>(38,585)</u>	<u>(53,838)</u>
Total assets less current liabilities		<u>29,019</u>	<u>18,576</u>
Creditors: amounts falling due after more than one year			
Obligations under finance leases and hire purchase contracts	11	(8,237)	(11,699)
	2	<u>20,782</u>	<u>6,877</u>
Capital and reserves			
Called up share capital	13, 14	50,001	32,001
Capital reserve	14	3,000	3,000
Profit and loss account	14	(32,219)	(28,124)
Equity shareholder's funds	14	<u>20,782</u>	<u>6,877</u>

The notes on pages 11 to 17 form an integral part of these financial statements, which have been approved by the Board and signed on its behalf by



Director

17 October 2003

**Notes to the accounts
for the year ended 31 December 2002**

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. As the Company is a wholly owned subsidiary of another company registered in England, no group consolidated accounts have been prepared. Accordingly, the accounts show the results of the individual company only, as permitted by Section 228 of the Companies Act 1985.

b) Turnover

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

c) Fixed assets and depreciation

All fixed assets are recorded at historical cost less accumulated 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 and machinery	-	3 years

d) 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 to the profit and loss account on a straight line basis over the lease term.

e) 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 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 FRS19. There is no effect of this change on these accounts.

f) Cash flow statement

The Company is exempt under Financial Reporting Standard 1 (revised) from the requirement to prepare a cash flow statement as it is 100% owned within the Aviva plc Group. The consolidated cash flow statement, which includes the Company, can be found in the Group consolidated accounts of Aviva plc.

Notes to the accounts (continued)
for the year ended 31 December 2002

2. Segmental analysis

An analysis of turnover by geographical destination is given below.

	2002 £'000	2001 £'000
United Kingdom	533,924	597,874
European Community	2,849	1,258
Poland	-	35
	536,773	599,167

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

	2002 £'000	2001 £'000
United Kingdom	18,517	5,908
European Community	2,266	969
	20,783	6,877

3. Operating profit

Operating profit on ordinary activities before tax is stated after charging:

	2002 £'000	2001 £'000
Loss on disposal of fixed assets	1,467	13,958
Depreciation of assets held under finance leases and hire purchase contracts	8,678	7,790
Depreciation of other assets	32,097	35,279
Property rental income	(26,162)	(25,555)

The audit fee for 2002 has been borne by the group and has not been recharged to Norwich Union Central Services Limited. It is included within the disclosed auditors' remuneration in the Aviva plc group consolidated accounts.

Notes to the accounts (continued)
for the year ended 31 December 2002

4. Directors' emoluments

M N Biggs and P J R Snowball are also directors of Aviva plc and as such their emoluments are disclosed in the accounts of that company. It is not possible to determine the proportion of their remuneration which relates to the Company.

Details of the aggregate remuneration of the other directors are as follows:

	2002 £'000	2001 £'000
Emoluments of executive directors	873	819
	No.	No.
Number of directors to whom retirement benefits are accruing under a defined benefit scheme.	5	3

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

	£'000	£'000
Emoluments	435	462

5. Interest payable and similar charges

	2002 £'000	2001 £'000
Finance charges payable under finance leases and hire purchase contracts	1,116	1,476

6. Taxation

(a) Tax on Profit on ordinary activities

Tax charged in the profit and loss account comprises:

Current tax:

UK corporation tax

Prior year adjustments

Total current tax

	2002 £'000	2001 £'000
UK corporation tax	4,278	12,581
Prior year adjustments	322	(6,018)
Total current tax	4,601	6,563

(b) Factors affecting current charge for the year

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

Profit on ordinary activities before tax	506	530
Current tax charge at standard UK Corporation tax rate of 30%	152	159
Adjustment to tax in respect of prior years	322	(6,018)
Non-Assessable dividends	(90)	-
Other disallowable expenses	5,039	2,746
Deferred tax assets not recognised	(822)	9,676
	4,601	6,563

Norwich Union Central Services Limited

Notes to the accounts (continued)
for the year ended 31 December 2002

(c) Factors that may affect future tax charges

The deferred tax assets, which have not been recognised due to the uncertainty of their recoverability in the foreseeable future, comprise:

Accelerated capital allowances

Short term timing differences

	2002 £'000	2001 £'000
Accelerated capital allowances	20,385	22,971
Short term timing differences	1,788	1,722
	22,173	24,693

7. Tangible fixed assets

	Motor vehicles £'000	Computer equipment £'000	Other £'000	Total £'000
Cost				
At 31 December 2001	20,770	143,833	10,967	175,570
Additions	6,377	34,656	604	41,637
Disposals	(10,022)	(2,181)	(11)	(12,214)
Transfer from other group companies Jan-02			(1,724)	(1,724)
At 31 December 2002	17,125	176,308	9,837	203,269

Depreciation

At 31 December 2001	7,664	88,947	6,678	103,289
Charged in the year	3,396	36,288	1,091	40,775
Eliminated on disposals	(4,641)	(2,144)	(11)	(6,796)
Transfer from other group companies Jan-02			(1,470)	(1,470)
At 31 December 2002	6,419	123,091	6,288	135,798

Net book value

At 31 December 2002	10,706	53,217	3,549	67,471
At 31 December 2001	13,106	54,886	4,289	72,281

Assets held under finance leases (included in the figures above)

Gross amount	46,957	5,407	52,364
Accumulated depreciation	30,312	2,670	32,982
Net book value at 31 December 2002	16,645	2,737	19,382
Net book value at 31 December 2001	13,912	3,624	17,536

Norwich Union Central Services Limited

Notes to the accounts (continued) for the year ended 31 December 2001

8. Investments

	2002 £'000	2001 £'000
Cost		
At 1 January	133	2
Additions	-	131
At 31 December 2001	133	133

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

<u>Name of company</u>	<u>% held</u>	<u>Nature of Business</u>
Print to Post Limited	100%	Print and mail services in the United Kingdom.
Norwich Union Software Services Limited	100%	Rental and sub-letting of a property in the Republic of Ireland.
Norwich Union Asset Services Limited	100%	Leasing of fixed assets to other Aviva plc group companies. Now dormant.
Aviva Employment Services Limited	100%	Employment of majority of Aviva plc group's United Kingdom based staff.
Union Contract Company Limited	51%	Cleaning and associated management services for Aviva plc group occupied properties in the United Kingdom.
GA Leisure Limited	100%	The provision of an exercise facility and social venue.

9. Debtors

	2002 £'000	2001 £'000
Trade debtors	2,600	1,981
Amounts owed by subsidiary undertakings	3,866	11,200
Amounts owed by parent and group undertakings	111,053	71,296
Other debtors	3,107	1,815
Prepayments and accrued income	37,000	33,290
	157,626	119,582

All amounts are due within one year.

**Notes to the accounts (continued)
for the year ended 31 December 2002**

10. Creditors: amounts falling due within one year

	Note	2002 £'000	2001 £'000
Bank loans and overdrafts		-	205
Obligations under finance leases and hire purchase contracts	11	12,800	9,283
Trade creditors		4,463	10,580
Amounts owed to subsidiary undertakings		519	300
Amounts owed to group undertakings		16,867	365
UK corporation tax		33,929	29,344
Other taxes and social security costs		653	371
Other creditors		6,900	6,711
Accruals	12	124,994	116,261
		201,126	173,420

11. Obligations under finance leases and hire purchase contracts

	Note	2002 £'000	2001 £'000
Payable within one year	10	12,800	9,283
Payable within two to five years		8,237	11,699
		21,037	20,982

Analysis of changes in finance leases and hire purchase contracts:

	2002 £'000	2001 £'000
At 1 January	20,982	12,096
Inception of finance lease contracts	11,505	20,886
Transfer of finance leases from group undertakings	-	32
Capital element of finance lease repayments	(11,450)	(12,032)
At 31 December	21,037	20,982

12. Provisions and contingencies

Included within accruals is a provision for onerous property leases, in accordance with Financial Reporting Standard 12 ("FRS12").

	2002 £'000	2001 £'000
At 1 January	15,495	3,652
Additional provision	13,780	16,426
Amounts used	(5,188)	(1,201)
Unused amounts reversed	(1,770)	(3,382)
At 31 December	22,317	15,495

Norwich Union Central Services Limited

Notes to the accounts (continued) for the year ended 31 December 2002

13. Share capital

	2002 £'000	2001 £'000
Authorised:		
100,000,000 ordinary shares at £1 each	100,000	100,000
Allotted, called up and fully paid:		
50,001,000 ordinary shares at £1 each	50,001	32,001

14. Reconciliation of movement in shareholder's funds

	Share capital £'000	Capital reserve £'000	Profit and loss account £'000	Total shareholder' s funds £'000
At 1 January 2002	32,001	3,000	(28,124)	6,877
Loss for the year			(4,095)	
Capital injection	18,000			
At 31 December 2002	50,001	3,000	(32,219)	20,782

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

15. Other Financial Commitments

	2002 £'000	2001 £'000
Amounts contracted for but not provided in the accounts	52,800	872

The company has commitments principally in respect of software licences of £52.8m, which have not been provided but will be expensed in the profit and loss account through the life of the agreements. The agreements are due to expire between two and five years.

16. Related Party Transactions

As permitted under Financial Reporting Standard 8, Related Party Disclosures, transactions with entities, which are part of the Aviva plc group of companies, have not been disclosed.

17. Parent undertaking

The Company's ultimate parent undertaking is Aviva plc (formerly CGNU plc), registered in England. Its Group accounts are available on application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, EC3P 3DQ. No other group accounts include the results of the Company.

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