Company Number: 3290130

Norwich Union plc

Report and accounts for the year ended 31 December 2002

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Norwich Union plc

Directors' report

The directors submit their Report and Accounts for the Company for the year ended 31 December 2002.

Principal activity

The Company is an intermediate holding company within the Aviva group of companies, which transacts via its subsidiaries insurance business of all classes, other than industrial life business, and provides a number of financial services complementary to its insurance operations.

Ultimate holding company

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

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Results

The Company's result for the year is shown in the profit and loss account on page 6.

Dividend

The directors have proposed a final dividend of £830 million *(2001: £600 million).*

Share capital

On 19 November, 2002 the Company increased its authorised share capital, from £300,000,000 to £500,000,000 by the creation of 2,000,000,000 ordinary shares of 10 pence each.

On the same day, the Company acquired a 99.99% shareholding in CGU International Insurance plc from General Accident plc ("GA"). The consideration of £4,350,484,658 was satisfied by the allotment of 2,019,181,604 ordinary shares of 10 pence each in the Company to GA.

Also on 19 November 2002, the Company transferred all these shares in CGU International Insurance plc to Norwich Union Holdings Limited ("NUH") for a consideration of £4,350,484,658, satisfied by an allotment to the Company of 124,005,239 ordinary shares of £1 each in NUH.

Directors' report (continued)

Directors

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

Mike Biggs
Richard Harvey
Philip Scott
Patrick Snowball
Philip Twyman
Tony Wyand

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

The directors who held office at 31 December 2002 are also all directors of the Company's ultimate holding company, Aviva plc, and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (S1 1985/802) are not required to disclose their share interests in Aviva plc in the Company's accounts. Their interests can be found in the Report and Accounts of Aviva plc. None of the directors who held office at 31 December 2002 had any interest in the Company's shares.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution to reappoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

By order of the Board

Richard Whitaker
Company Secretary
28 March 2003

Registered Office: 8 Surrey Street, Norwich,
Norfolk, NR1 3NG

Registered in England No. 3290130

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 disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and for ensuring that controls are in place for the prevention and detection of fraud and other irregularities.

Norwich Union plc

Independent auditors' report to the members of Norwich Union plc

We have audited the Company's accounts for the year ended 31 December 2002 which comprise the Profit and loss account, Statement of total recognised gains and losses, Reconciliation of movements in shareholders' funds, Balance sheet and the related notes 1 to 13. 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 auditor's 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

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.

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 have been 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 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 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 2002 and of its profit 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 March 2003

Norwich Union plc

Profit and loss account
For the year ended 31 December 2002

	2002 **£m**	2001 £m
Dividends receivable from subsidiary undertakings	**853**	605
Investment income (2)	**4**	3
Investment expenses and charges (2)	**(23)**	(16)
Profit on ordinary activities before tax	**834**	592
Tax on profit on ordinary activities (1d and 5)	**6**	5
Profit for the financial year	**840**	597
Ordinary dividends	**(830)**	(600)
Retained profit/(loss) transferred to/(from) reserves (9)	**10**	(3)

Statement of total recognised gains and losses
For the year ended 31 December 2002

	2002 **£m**	Restated 2001 £m
Profit for the financial year	840	597
Unrealised gains/(losses) (1b and 6)	509	(764)
Total recognised gains and losses arising in the year	1,349	(167)
Prior year adjustment (6b)	(12)	
Total recognised gains and losses since last annual report	1,337	

Reconciliation of movements in shareholders' funds
For the year ended 31 December 2002

	2002 **£m**	Restated 2001 £m
Balance at 1 January as previously reported		7,334
Prior year adjustment (6b)		(69)
As restated	6,498	7,265
Total recognised gains and losses arising in the year	1,349	(167)
Dividends	(830)	(600)
Increase in capital	4,350	-
Balance at 31 December	11,367	6,498

The notes on pages 8 to 12 are an integral part of these accounts. The auditors' report is on page 5.

Norwich Union plc

Balance sheet
At 31 December 2002

	£m	2002 £m	£m	Restated 2001 £m
Fixed assets				
Shares in subsidiary undertakings (1b and 6)		**11,704**		6,845
Current assets				
Amounts due from subsidiary undertakings	**1,745**		1,191	
Other debtors (7)	**1**		63	
Cash at bank and in hand	**114**		10	
	1,860		1,264	
Creditors: Amounts falling due within one year				
Amounts due to holding companies	**(1,186)**		(821)	
Amounts due to subsidiary undertakings	**-**		(27)	
Amounts due to credit institutions (10)	**(75)**		(75)	
Proposed ordinary dividend	**(830)**		(600)	
Bank overdraft	**(38)**		(28)	
Other creditors including taxation and social security	**(68)**		(60)	
	(2,197)		(1,611)	
Net current liabilities		**(337)**		(347)
Net assets		**11,367**		6,498

	2002 £m	Restated 2001 £m
Represented by:		
Capital and reserves		
Called up share capital (8)	**479**	277
Share premium account (9)	**8,369**	4,221
Revaluation reserve (9)	**2,499**	1,990
Profit and loss account (9)	**20**	10
Shareholders' funds	**11,367**	6,498

Approved by the Board on 28 March 2003

Mike Biggs
Director

The notes on pages 8 to 12 are an integral part of these accounts. The auditors' report is on page 5.

Notes to the accounts

1. Accounting policies

(a) Basis of accounts

These accounts have been prepared under the historical cost convention, except for investments in subsidiary undertakings, which are shown at net asset value. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2002.

(b) Subsidiary undertakings

Investments in subsidiary undertakings are stated at net asset value including the value of their in-force life business. 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 charge in the profit and loss account and the provision for corporation tax in the balance sheet are based on the taxable profits 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, 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, and whilst it has no impact on the tax change of the Company, it has impacted the valuation of its subsidiaries, the effects of which are detailed in note 6b on page 10.

(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 the 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 or loss account.

Notes to the accounts (continued)

2. Analysis of investment return

	2002 **£m**	2001 £m
Interest receivable:		
Intra-group	3	1
External	1	2
Investment income	4	3
Interest charges:		
Intra-group	(20)	(10)
External	(3)	(6)
Investment expenses and charges	(23)	(16)
Total investment return before tax	(19)	(13)

3. Auditors' remuneration

The auditor's remuneration in respect of the Company has been borne by Aviva plc in the current and prior year.

4. Directors' remuneration

All directors are remunerated by Aviva Employment Services Limited, a subsidiary undertaking of the Company, on behalf of the ultimate parent Company, Aviva plc. The emoluments of these directors are recharged, as part of a head office management charge under management service agreements, to all operating divisions of the Aviva Group and it is not practical to calculate the exact charge borne by the Company.

5. Tax

(a) Tax on profit on ordinary activities

The tax credit in the profit and loss account comprises:

	2002 **£m**	2001 £m
UK Corporation tax at 30% *(2001: 30%)*	(6)	(4)
Prior year adjustments (including deferred taxation)	-	(1)
	(6)	(5)

(b) Factors affecting current tax credit for the year

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

	2002 **£m**	2001 £m
Profit on ordinary activities before tax	834	592
Current tax at standard UK corporation tax rate of 30% *(2001: 30%)*	250	177
Prior year adjustments	-	(1)
Non-assessable dividends	(256)	(181)
	(6)	(5)

(c) Factors that may affect future tax changes

There are no unrecognised deferred tax assets.

Notes to the accounts (continued)

6. Shares in subsidiary undertakings

(a) The Company's investments in its subsidiary undertakings comprise:

	Restated 2002 £m
Cost at 1 January	4,855
Additions	4,350
Transfer from parent company	4,350
Transfer to subsidiary undertaking	(4,350)
	-
Cost at 31 December	**9,205**
Unrealised gains at 1 January (9)	1,990
Movement in year (9)	509
Unrealised gains at 31 December (9)	**2,499**
Net asset value at 31 December 2002	**11,704**
Net asset value at 31 December 2001	6,845

As explained in the Director's report on page 2, the Company acquired a 99.99% shareholding in CGU International Insurance plc from General Accident plc during the year, which it then transferred to Norwich Union Holdings Limited ("NUH") in exchange for additional shares in NUH.

(b) The net asset value of the Company's subsidiaries has been restated with a decrease of £12 million at 31 December 2001 *(2000: decrease of £69 million)* as a result of the adoption of Financial Reporting Standard 19 (FRS19) "Deferred Tax" by those companies. If FRS19 had not been adopted, then the net asset value of the Company's subsidiaries would be £49 million higher at 31 December 2002. The adoption of FRS19 has no impact on profit after tax for the years ended 31 December 2002 and 2001.

(c) The Company has two wholly owned subsidiary undertakings, Norwich Union Holdings Limited and Norwich Union Overseas Holdings Limited. Both are intermediate holding companies and their principal subsidiary undertakings at 31 December 2002 are listed on page 13.

7. Other debtors

	2002 £m	2001 £m
Tax recoverable	1	51
Other	-	12
	1	63

Notes to the accounts (continued)

8. Ordinary share capital

The ordinary share capital of the Company at 31 December 2002 was:

	2002 £m	2001 £m
Authorised		
100 *(2001: 100)* A ordinary shares of 10 pence each	-	-
5,000 million *(2001: 3,000 million)* ordinary shares of 10 pence each	500	300
Allotted, called up and fully paid		
100 *(2001: 100)* A ordinary shares of 10 pence each	-	-
4,788,679,402 *(2001: 2,769,497,798)* ordinary shares of 10 pence each	479	277

During the year, a total of 2,019,181,604 ordinary shares of 10 pence each, having an aggregate nominal value of £202 million, were allotted for a total consideration of £4,350 million, as explained in the directors' report on page 2.

9. Reserves

Movements in the Company's reserves comprise:

	Share premium account £m	Revaluation reserve £m	Profit and loss account £m	Total £m
At 1 January 2002 as previously reported	4,221	2,002	10	6,233
Prior year adjustment	-	(12)	-	(12)
Restated opening balance	**4,221**	**1,990**	**10**	**6,221**
Increase in value of subsidiary undertakings (6a)	-	**509**	-	**509**
Issue of capital	**4,148**	-	-	**4,148**
Retained profit for the year	-	-	**10**	**10**
At 31 December 2002	**8,369**	**2,499**	**20**	**10,888**

10. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2002 £m	2001 £m
Bank loans	75	75
The interest charge for the year on the above was:	3	4

The bank loans are all repayable in one year or less, or on demand.

Notes to the accounts (continued)

11. Holding company details

The immediate holding company is General Accident plc.

The 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.

12. 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.

13. 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.