

**SCOTTISH UNION and
NATIONAL INSURANCE COMPANY
2000**

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Scottish Union and National Insurance Company

Report and Accounts 2000

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Scottish Union and National Insurance Company

Directors and Officer

Directors:

M Biggs (appointed 1 November 2000)
M Hodges (resigned 1 November 2000, re-appointed 31 March 2001)
I Mayer (appointed 1 November 2000, resigned 31 March 2001)
B McIntyre (resigned 1 November 2000)
D Plummer (resigned 1 November 2000)
P Snowball (appointed 1 November 2000)

Officer:

Secretary:
CGNU Company Secretarial Services Limited

Auditors:

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

Registered Office:

32 - 34 St Andrew Square
Edinburgh
EH2 2AE

Head Office:

8 Surrey Street
Norwich
NR1 3NG

Registered in Scotland: No. Z11

Scottish Union and National Insurance Company

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 and future developments

The Company ceased its general insurance business during 1996. It has now surrendered its authorisation to write new insurance business and will apply to be wound up in due course.

Dividend

The directors do not recommend the payment of a dividend (1999 - nil).

Charitable donations and political contributions

No charitable or political contributions were made during the year (1999 - nil).

European monetary union

CGNU plc 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 - £16 million). The expected total cost of preparing the Group's systems for the euro is some £74 million, excluding the United Kingdom.

Directors' interests

The interests of the directors who held office at 31 December 2000 are as follows:

	Ordinary shares of 25p each				At 31 December 2000	
	At 1 January 2000 or at appointment if later		Options granted during the year	Options exercised during the year		
	Shares	Share options			Shares	Share options
M Biggs	20,673	3,185	-	-	20,673	3,185
I Mayer	9,826	44,083	-	-	9,826	44,083
P Snowball	9,275	3,185	-	-	2,275	3,185

M Biggs and P Snowball 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 plc shares held. In order to show actual movement in share holdings during the year, these shareholdings are stated as if the conversion had been applied at the start of the year.

On 29 September 2000, M Biggs, I Mayer and P Snowball were granted restricted awards over 37,333, 17,998 and 28,282 CGNU plc shares respectively under the CGNU Integration Incentive Plan. Awards under the Plan become capable of vesting in year 2002, subject to the achievement of specific performance criteria.

On 29 September 2000, M Biggs and P Snowball were granted restricted awards over 34,453 and 24,682 CGNU plc shares respectively under the CGNU Long Term Incentive Plan. Awards under the Plan become capable of vesting in year 2003, subject to the achievement of specific performance criteria.

Scottish Union and National Insurance Company

Directors' Report

for the year ended 31 December 2000 (continued)

Directors' interests (continued)

On 2 September 1998, I Mayer was granted restricted awards over 10,880 CGU shares under the CGU Intergration Incentive Plan. Under the Plan awards will vest on 27 February 2001, the performance criteria having been met.

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 plc shares (which, under the terms of the said Scheme, were exchanged for shares in CGNU plc at the rate of 48 CGNU plc shares for every 100 shares in Norwich Union plc) as follows:

	Number of shares
M Biggs	24,280
P Snowball	24,150

On 8 July 1999, I Mayer was granted awards over 2,938 shares under the CGU plc Deferred Bonus Plan. On 14 May 2000, I Mayer was granted awards over 6,888 respectively under the CGNU Deferred Bonus Plan (formerly CGU plc Deferred Bonus Plan).

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 plc group.

Financial Reporting Standard 8 "Related Party Disclosures"

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 plc group.

Auditors

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



Authorised Signatory
CGNU Company Secretarial Services Limited
Secretary

31 AUGUST 2001

Scottish Union and National Insurance Company

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 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; 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 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 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.

Scottish Union and National Insurance Company

Auditors' Report

To the members of Scottish Union and National Insurance Company

We have audited the accounts on pages 7 to 12 which have been prepared on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 5 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.

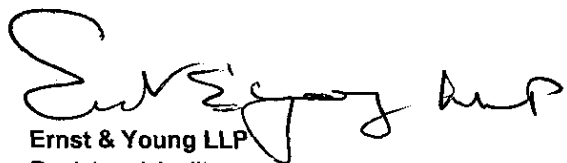
Basis of opinion

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 at 31 December 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

31 August 2001

Scottish Union and National Insurance Company

Statement of Accounting Policies

(a) Basis of preparation

The accounts have been prepared on the basis of accounting policies set out below. They have been prepared in accordance with section 255 of, and Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers (the ABI SORP). The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2000, as considered appropriate for an insurance company.

The results of the business are principally determined on an annual basis.

(b) Valuation of investments

Investments are shown in the balance sheet as follows:

- (i) Listed securities at middle market value less accrued interest where applicable.
- (ii) Unlisted securities at market value estimated by the directors.

(c) Taxation

The taxation charge in the non-technical account is based on taxable profits for the year. Provision is only made for deferred taxation where it is expected that the liability will crystallise in the foreseeable future.

(d) Investment income and unrealised investment gains and losses

Investment income consists of interest, dividends and rents receivable for the year together with realised investment gains and losses. Income from the stocks and shares is included in the accounts when the security becomes ex-dividend, except for income from certain overseas stocks and shares which is accounted for when received. Income is credited to the profit and loss account at the amount receivable, with no associated tax credit for income from the United Kingdom. Interest and rents receivable are accounted for on an accruals basis.

Net realised gains on investments are calculated as the difference between net sales proceeds and the cost of acquisition.

Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year. Net movements in the year are taken to the profit and loss account and disclosed either as net unrealised gains or net unrealised losses.

(e) Investment expenses and charges

Investment expenses and charges include net realised losses on the disposal of investments. These are calculated as the difference between net sales proceeds and the cost of acquisition.

Scottish Union and National Insurance Company

Profit and Loss Account - Non-technical Account

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Investment income	4	20	-
Unrealised loss on investments		(9)	-
		<u>11</u>	<u>-</u>
Profit on ordinary activities before tax		11	-
Tax on profit on ordinary activities	6	(2)	-
Profit for the financial year		<u>9</u>	<u>-</u>
Dividend		-	-
Retained profit for the year		<u>9</u>	<u>-</u>

The notes on pages 9 to 12 form an integral part of these accounts.

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2000

All recognised gains and losses are dealt with in the profit and loss account.

Scottish Union and National Insurance Company

Balance Sheet

at 31 December 2000

	Notes	2000 £000	1999 £000
ASSETS			
Investments			
Other financial investments	8	495	-
Debtors			
Other debtors	9	3,009	3,432
Prepayments and accrued income			
Accrued interest and rent		2	-
Total assets		<u>3,506</u>	<u>3,432</u>
LIABILITIES			
Capital and reserves			
Called up share capital	10	1,200	1,200
Profit and loss account		1,143	1,134
Shareholder's funds attributable to equity interests	11	<u>2,343</u>	<u>2,334</u>
Creditors			
Other creditors including taxation and social security	12	<u>1,163</u>	<u>1,098</u>
Total liabilities		<u>3,506</u>	<u>3,432</u>

The notes on pages 10 to 12 form an integral part of these accounts

On behalf of the Board



Director

31 AUGUST 2001

Scottish Union and National Insurance Company

Notes to the Accounts

1 Segmental information

For the purposes of Statement of Standard Accounting Practice 25, "Segmental Reporting", the directors consider that the Company operated in only one geographical segment, that of the European Union.

2 Directors' emoluments

No directors' emoluments are payable in respect of 2000 (1999 - nil). These costs are borne by the immediate parent undertaking.

3 Auditors' remuneration

Auditors' remuneration has been borne by the immediate parent undertaking.

4 Investment Income

	2000 £000	1999 £000
Income from listed investments	20	-

5 Investment expenses and charges

In 2000, investment expenses and charges have been borne by the immediate parent undertaking (1999 - nil).

6 Taxation

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

	2000 £000	1999 £000
UK corporation tax	2	-
Charge to profit and loss account	2	-

Scottish Union and National Insurance Company

Notes to the Accounts - continued

7 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 CGNU plc Group. The consolidated cash flow statement which includes the Company can be found in the Group consolidated accounts of CGNU plc.

8 Other financial investments

Debt and fixed income securities listed in the United Kingdom	2000 £000	1999 £000
Cost	505	-
Market value	495	-

9 Other debtors

	2000 £000	1999 £000
Amounts due from fellow Group undertakings	3,009	3,432

10 Share capital

	2000 £000	1999 £000
Authorised:		
'A' shares of £5 each	5,205	5,205
Ordinary shares of £1 each	795	795
	6,000	6,000
Allotted:		
'A' shares of £5 each (50p paid)	521	521
Ordinary shares of £1 each (fully paid)	679	679
	1,200	1,200

11 Reconciliation of movements in shareholder's funds

	Share Capital	Profit And Loss Account	Total Shareholder's Funds	
	£000	£000	2000 £000	1999 £000
Balance at 1 January	1,200	1,134	2,334	2,334
Non-technical account retained profit for the year	-	9	9	-
Balance at 31 December	1,200	1,143	2,343	2,334

Scottish Union and National Insurance Company

Notes to the Accounts - continued

12 Other creditors

	2000 £000	1999 £000
Amounts due to fellow Group undertakings	480	480
UK corporation taxation	683	618
	<u>1,163</u>	<u>1,098</u>

13 Contingent liabilities

As a result of an order made under section 68 of the Insurance Companies Act 1982, the Company, Norwich Union Insurance Limited, Haven Insurance Policies Limited and Security Insurance Limited were granted a concession to deposit consolidated annual returns with the Financial Services Authority. As a condition of this concession the above companies had mutually guaranteed their respective liabilities in a manner approved by the Financial Services Authority. Until 1 January 1998 they also continued to guarantee the liabilities of a Group undertaking, Maritime Insurance Company Limited. However, with effect from that date the Company was released from the guarantees given by it but without prejudice to any liability accruing but unsettled prior to that date.

14 Parent undertaking

On 30 May 2000 the Company became a member of the CGNU group of companies (the Group).

The ultimate parent undertaking is CGNU plc which is registered in England. The accounts of the ultimate immediate parent undertaking are available from the Registered Office, St Helen's, 1 Undershaft, London EC3P 3DQ.

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