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**CGU BONUS
LIMITED
2003**



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CGU Bonus Limited

Report and Accounts 2003

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CGU Bonus Limited

Directors and Officers

Directors

P J R Snowball
M S Hodges
B F McIntyre

Officer

Company Secretary:
Aviva Company Secretarial Services Limited

Auditor

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

Registered Office

Pitheavlis
Perth
Scotland
PH2 0NH

Registered in Scotland No SC8140

Members of the General Insurance Standards Council, the Association of British Insurers and the Financial Ombudsmen Service.

The Company is a member of the Aviva plc group of companies (the Group).

CGU Bonus Limited

Directors' Report

for the year ended 31 December 2003

The directors present their annual report and audited accounts for CGU Bonus Limited (the Company) for the year ended 31 December 2003.

Principal activity

The principal activity of the Company is the transaction of general insurance business in the United Kingdom. The directors consider that this will continue unchanged into the foreseeable future.

Profit and loss account

The profit and loss account of the Company is set out on pages 9 and 10.

Dividends

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

Payment policy

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 at 31 December 2003 represented approximately 29 days of average daily purchases through the year (2002: 29 days).

Employees

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

CGU Bonus Limited

Directors' Report - continued

Directors' interests

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

C F Ramsay was appointed alternate director to B F McIntyre on 23 January 2004 and resigned on 26 April 2004.

M S Hodges, B F McIntyre and P J R Snowball served as directors of the Company throughout the year.

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 and 4. All the disclosed interests are beneficial.

	At 1 January 2003 Number	At 31 December 2003 Number
M S Hodges	14,295	11,694
B F McIntyre	1,028	2,324

P J R Snowball is a director of the Company's ultimate parent undertaking, Aviva plc, and details of his 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 2003 Number	Options granted during the year Number	Options exercised or cancelled during the year Number	At 31 December 2003 Number
M S Hodges				
Savings related options	2,356	-	-	2,356
B F McIntyre				
Savings related options	2,356	-	-	2,356

CGU Bonus Limited

Directors' Report - continued

Directors' interests - continued

(1) "Savings related options" are options granted under the Inland Revenue approved SAYE Share Option Scheme. Options granted from 2002 to 2003 are normally exercisable during the six month period following either the third, fifth or seventh anniversary of the relevant savings contract.

(2) During the year no directors exercised any share options and therefore no gains on such were made.

(ii) Share awards

	At 1 January 2003	Awards granted during year	Awards vested during year	Awards lapsed during year	At 31 December 2003
	Number	Number	Number	Number	Number
M S Hodges					
Aviva Long Term Incentive Plan	35,369	46,250	-	-	81,619
Aviva Deferred Bonus Plan	26,678	27,264	-	-	53,942

B F McIntyre

Aviva Long Term Incentive Plan	56,746	50,000	-	-	106,746
Aviva Deferred Bonus Plan	32,028	19,650	-	-	51,678

(1) 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) 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.

CGU Bonus Limited

Directors' Report - continued

Resolutions

On 24 May 2002, 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 meetings 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 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;
- 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 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



Authorised signatory
Aviva Company Secretarial Services Limited
Secretary

AUTHORISED SIGNATORY
FOR AND ON BEHALF OF
AVIVA COMPANY
SECRETARIAL SERVICES LIMITED

25 OCTOBER 2004

CGU Bonus Limited

Independent Auditors' Report

To the members of CGU Bonus Limited

We have audited the Company's accounts for the year ended 31 December 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 22. These accounts have been prepared on the basis of the accounting policies set out on pages 7 and 8.

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 in the Directors' Report, 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.

Equalisation Reserve

Our evaluation of the presentation of information in the accounts had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of the equalisation reserves, the amount set aside at 31 December 2003 and the effect of the movement in those reserves during the year on the technical result and profit before tax are disclosed in note 15.

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

Ernst & Young LLP
Registered Auditor

28 October 2004

CGU Bonus Limited

Statement of Accounting Policies

(a) Basis of accounts

The accounts have been prepared on the basis of the 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) in November 2003. The practices recommended by the ABI SORP are applicable for accounting periods ending after 1 January 2004, but the Company has chosen to adopt such practices early. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2003, as considered appropriate for an insurance company.

The technical result is principally determined on an annual basis.

Comparative figures in the segmental analysis in notes 1 and 2 to the accounts have been restated to provide more detailed analysis by class of business. There is no impact on the reported profits or net assets for 2002.

(b) Premiums

Premiums are accounted for in the year in which the risk commences. Written premiums include an estimate of pipeline premiums less a provision for anticipated losses.

(c) Claims

Claims incurred include all losses occurring during the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date.

(d) Technical provisions

- (i) Unearned premiums are those proportions of the premiums written in the year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.
- (ii) Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with the related claims handling costs. Any estimate represents a point within a range of possible outcomes. Further details of estimating techniques are given in note 14.
- (iii) Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

Any difference between the provisions at the balance sheet date and settlements and provisions in the following year are included in the technical account for that year.

(e) Equalisation provision

Equalisation provisions are established in accordance with the requirements of the Financial Services and Markets Act 2000. These provisions, which are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, are required by Schedule 9A of the Companies Act 1985 to be included within technical provisions in the balance sheet, notwithstanding that they do not represent liabilities at the balance sheet date.

CGU Bonus Limited

Statement of Accounting Policies - continued

(f) Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned.

(g) Investment income and unrealised investment gains and losses

Investment income consists of interest, dividends and rents for the year together with realised investment gains. Income from 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 receivable is 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.

(h) 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.

(i) 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 tax liabilities, or credit taken for deferred tax assets, 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.

(j) Valuation of investments

Listed securities are shown in the balance sheet at middle market value less accrued interest where applicable.

CGU Bonus Limited

Profit and Loss Account: Technical Account for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Gross premiums written	1	327,040	254,731
Outward reinsurance premiums		(16,244)	(14,628)
Net premiums written		310,796	240,103
Change in the provision for unearned premiums			
- gross amount		(33,998)	(35,331)
- reinsurers' share		(473)	(277)
Earned premiums - net of reinsurance		276,325	204,495
Claims paid			
- gross amount		(118,603)	(110,791)
- reinsurers' share		84	(974)
		(118,519)	(111,765)
Change in the provision for claims			
- gross amount	2	(47,860)	(11,557)
- reinsurers' share		(390)	837
		(48,250)	(10,720)
Claims incurred, net of reinsurance		(166,769)	(122,485)
Change in the equalisation provision	15	(4,620)	(4,105)
Net operating expenses	3	(82,528)	(66,701)
Balance on the technical account *		22,408	11,204

* The balance on the technical account is otherwise referred to as the underwriting result.

The accounting policies on pages 7 and 8 and the notes on pages 13 to 19 form an integral part of these accounts.

CGU Bonus Limited

Profit and Loss Account: Non-technical Account for the year ended 31 December 2003

	Notes	2003 £000	2002 £000
Balance on the technical account		22,408	11,204
Investment income		24,846	23,512
Unrealised gains on investments		-	7,033
		<u>47,254</u>	<u>41,749</u>
Investment expenses and charges	4	(4,697)	(3,724)
Unrealised losses on investments		(7,860)	-
		<u>(12,557)</u>	<u>(3,724)</u>
Profit on ordinary activities before tax		34,697	38,025
Tax on profit on ordinary activities	7	(7,155)	(11,278)
Retained profit for the financial year	13	<u>27,542</u>	<u>26,747</u>

All activities of the Company are continuing.

The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

The accounting policies on pages 7 and 8 and the notes on pages 13 to 19 form an integral part of these accounts.

CGU Bonus Limited

Balance Sheet

at 31 December 2003

	Notes	2003 £000	2002 £000
ASSETS			
Investments	8	<u>415,772</u>	<u>346,962</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums		790	1,263
Claims outstanding		<u>686</u>	<u>1,076</u>
		<u>1,476</u>	<u>2,339</u>
Debtors			
Debtors arising out of direct insurance operations	9	121,499	101,710
Debtors arising out of reinsurance operations	10	134	3,741
Other debtors	11	<u>17,092</u>	<u>23,112</u>
		<u>138,725</u>	<u>128,563</u>
Other assets			
Cash at bank and in hand		<u>15,589</u>	<u>1,848</u>
Prepayments and accrued income			
Accrued interest		3,679	2,749
Deferred acquisition costs		<u>36,972</u>	<u>30,256</u>
		<u>40,651</u>	<u>33,005</u>
Total assets		<u><u>612,213</u></u>	<u><u>512,717</u></u>

The accounting policies on pages 7 and 8 and the notes on pages 13 to 19 form an integral part of these accounts.

CGU Bonus Limited

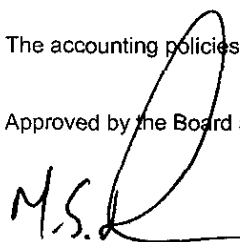
Balance Sheet - continued

at 31 December 2003

	Notes	2003 £000	2002 £000
LIABILITIES			
Capital and reserves			
Called up share capital	12	77,000	77,000
Profit and loss account	13	74,988	47,446
Shareholder's funds attributable to equity interests	13	<u>151,988</u>	<u>124,446</u>
Technical provisions			
Provision for unearned premiums - gross amount		159,277	125,279
Claims outstanding - gross amount	14	257,490	209,630
Equalisation provision	15	22,438	17,818
		<u>439,205</u>	<u>352,727</u>
Creditors			
Creditors arising out of direct insurance operations	16	1,756	2,057
Creditors arising out of reinsurance operations	17	427	998
Other creditors including taxation and social security	18	18,837	32,489
		<u>21,020</u>	<u>35,544</u>
Total liabilities		<u>612,213</u>	<u>512,717</u>

The accounting policies on pages 7 and 8 and the notes on pages 13 to 19 form an integral part of these accounts.

Approved by the Board and signed on its behalf by:



Director

25 OCTOBER 2004

CGU Bonus Limited

Notes to the Accounts

1 Segmental information

- (i) For the purposes of the Statement of Standard Accounting Practice 25 "Segmental Reporting", the directors consider that the Company operates in only one geographical segment, that of the United Kingdom.
- (ii) The directors consider that turnover on the destination basis is not materially different from turnover on an origin basis.

	2003 £000	2002 restated £000
(iii) (a) Gross premiums written		
Accident and health	1,595	1,599
Motor third party	25,287	26,848
Motor other classes	19,633	18,200
Transport	1,267	1,097
Fire and other damage to property	174,895	133,640
Third party liability	86,132	59,255
Miscellaneous	18,231	14,092
	327,040	254,731
(b) Gross premiums earned		
Accident and health	1,584	1,504
Motor third party	25,433	25,366
Motor other classes	19,755	17,224
Transport	1,204	1,131
Fire and other damage to property	156,008	112,994
Third party liability	73,038	49,444
Miscellaneous	16,020	11,737
	293,042	219,400
(c) Gross claims incurred, including claims equalisation		
Accident and health	1,226	415
Motor third party	26,953	16,303
Motor other classes	20,998	10,421
Transport	176	(2)
Fire and other damage to property	81,363	54,288
Third party liability	38,322	48,131
Miscellaneous	2,045	(3,103)
	171,083	126,453
(d) Gross operating expenses		
Accident and health	542	373
Motor third party	6,571	5,108
Motor other classes	5,120	3,638
Transport	482	486
Fire and other damage to property	47,357	37,182
Third party liability	18,427	17,125
Miscellaneous	4,434	3,259
	82,933	67,171

CGU Bonus Limited

Notes to the Accounts - continued

1 Segmental information - continued

	2003 £000	2002 restated £000
(e) Reinsurance balance		
Accident and health	60	12
Motor third party	255	255
Motor other classes	199	205
Transport	87	3
Fire and other damage to property	10,896	8,331
Third party liability	3,308	3,286
Miscellaneous	1,813	2,480
	16,618	14,572
(f) Net underwriting result		
Accident and health	(244)	704
Motor third party	(8,346)	3,700
Motor other classes	(6,562)	2,960
Transport	459	644
Fire and other damage to property	16,392	13,193
Third party liability	12,981	(19,098)
Miscellaneous	7,728	9,101
	22,408	11,204
(g) Net technical provisions		
Accident and health	1,473	905
Motor third party	38,289	31,901
Motor other classes	30,041	22,027
Transport	683	756
Fire and other damage to property	181,017	130,855
Third party liability	176,088	153,999
Miscellaneous	10,138	9,945
	437,729	350,388

CGU Bonus Limited

Notes to the Accounts - continued

2 Prior years' claims provisions

Material (under)/over provision, in respect of prior years' claims, are as follows:

	2003 £000	2002 restated £000
Accident and health	(374)	(48)
Motor third party	(6,289)	(1,908)
Motor other classes	(4,893)	(1,193)
Transport	(50)	61
Fire and other damage to property	(8,783)	(1,077)
Third party liability	(3,143)	(24,860)
Miscellaneous	38	5,283
	<u>(23,494)</u>	<u>(23,742)</u>

3 Net operating expenses

	2003 £000	2002 £000
Gross written commission	61,244	49,199
Other acquisition costs	18,035	14,662
Change in deferred acquisition costs	(6,716)	(7,343)
Administrative expenses	10,370	10,653
Reinsurance commission and profit participation	(405)	(470)
	<u>82,528</u>	<u>66,701</u>

4 Investment expenses and charges

	2003 £000	2002 £000
Investment management expenses, including interest	535	526
Net realised losses on investments	4,162	3,198
	<u>4,697</u>	<u>3,724</u>

5 Auditors' remuneration

The remuneration of the auditors has been borne in 2002 and 2003 by the parent undertaking, CGU Insurance plc.

6 Directors' emoluments

The emoluments of the directors have been borne in 2002 and 2003 by the parent undertaking, CGU Insurance plc.

CGU Bonus Limited

Notes to the Accounts - continued

7 Taxation

(a) Profit and loss account

Taxation charge in the profit and loss account comprises:

	2003 £000	2002 £000
Current tax:		
UK corporation tax	10,295	11,278
Prior year adjustments	(3,140)	-
Total current tax charge for the year	<u>7,155</u>	<u>11,278</u>

(b) Factors affecting current tax charge for the year:

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

	2003 £000	2002 £000
Profit on ordinary activities before tax	<u>34,697</u>	<u>38,025</u>
Current tax charge at standard UK corporation tax rate of 30% (2002: 30%)	10,409	11,407
Adjustment to tax charge in respect of prior years	(3,140)	-
Other disallowable expenses	-	1
Deferred tax assets not recognised	(114)	(130)
Current tax charge for the year (see note 7(a))	<u>7,155</u>	<u>11,278</u>

(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:

	2003 £000	2002 £000
Accelerated capital allowances	292	390
Provisions and other timing differences	<u>262</u>	<u>278</u>
	<u>554</u>	<u>668</u>

CGU Bonus Limited

Notes to the Accounts - continued

8 Investments

	Carrying value 2003 £000	Cost 2003 £000	Carrying value 2002 £000	Cost 2002 £000
Debt securities and other fixed income securities listed in the United Kingdom	<u>415,772</u>	<u>421,471</u>	<u>346,962</u>	<u>345,468</u>

9 Debtors arising out of direct insurance operations

	2003 £000	2002 £000
Amounts due from intermediaries - third parties	<u>121,499</u>	<u>101,710</u>

10 Debtors arising out of reinsurance operations

	2003 £000	2002 £000
Amounts due from third parties	<u>134</u>	<u>3,741</u>

11 Other debtors

	2003 £000	2002 £000
Due within one year:		
Amounts due from fellow Group undertakings	17,076	23,050
Other debtors	16	62
	<u>17,092</u>	<u>23,112</u>

CGU Bonus Limited

Notes to the Accounts - continued

12 Share capital

	2003 £000	2002 £000
Authorised:		
Ordinary shares of £1 each	<u>77,000</u>	<u>77,000</u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>77,000</u>	<u>77,000</u>

13 Reconciliation of movements in shareholder's funds

	Share capital	Profit and loss account	Total shareholder's funds	
	£000	£000	2003 £000	2002 £000
At 1 January 2003	77,000	47,446	124,446	97,699
Retained profit for the year	-	27,542	27,542	26,747
At 31 December 2003	<u>77,000</u>	<u>74,988</u>	<u>151,988</u>	<u>124,446</u>

14 Provision for outstanding claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter - Ferguson methods. Such methods extrapolate the developments of the paid and incurred claims, average costs per claim and ultimate claim numbers for each accident year, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs.

Judgement is used to assess the extent to which past trends may not apply in the future, for example to reflect public attitudes to claiming or varying levels of claims inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

15 Equalisation provision

An equalisation provision, which is in addition to the provision required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date, is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet notwithstanding that it does not represent liabilities at the year end. This has had the effect of reducing net assets at 31 December 2003 by £22,438,000 (2002: £17,818,000). The movement in the provision during the year resulted in a reduction in the underwriting profit and profit before tax of £4,620,000 (2002: £4,105,000).

CGU Bonus Limited

Notes to the Accounts - continued

16 Creditors arising out of direct insurance operations

	2003 £000	2002 £000
Amounts due to third parties	<u>1,756</u>	<u>2,057</u>

17 Creditors arising out of reinsurance operations

	2003 £000	2002 £000
Amounts due to third parties	<u>427</u>	<u>998</u>

18 Other creditors including taxation and social security

	2003 £000	2002 £000
Due within one year:		
UK corporation tax	10,295	14,393
Insurance premium taxation	4,381	3,627
Amounts due to fellow Group undertakings	3,515	14,286
Other creditors	646	184
	<u>18,837</u>	<u>32,489</u>

19 Contingent liabilities

With the approval of the Financial Services Authority, CGU International Insurance plc. and each of its United Kingdom insurance subsidiaries transacting general insurance business, of which CGU Bonus Limited is one, have mutually guaranteed to discharge all liabilities attaching to their respective policies.

20 Related party transactions

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

21 Cash flow statement

The Company is exempt under Financial Reporting Standard 1 (Revised) from the requirement to prepare a cash flow statement as, at 31 December 2003, it was 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.

22 Parent undertaking

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

The Company's immediate parent undertaking is CGU Insurance plc, registered in Scotland