

The Lancashire and Yorkshire Reversionary Interest Company Limited

Report & Accounts 2003



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The Lancashire and Yorkshire Reversionary Interest Company Limited

Registered in England No. 19770

Registered Office: 2 Rougier Street, York, England, YO90 1UU

Directors and Officers

Directors

A D Graham
S P Harry
A E Spiers

Secretary

Aviva Company Secretarial Services Limited

Auditor

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

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Directors' report

The directors present their annual report and audited accounts for The Lancashire and Yorkshire Reversionary Interest Company Limited (the Company) for the year ended 31 December 2003.

Principal activity

The principal activity of the Company is the purchase of, and secured lending on, life interests and reversions. The directors consider that this will continue unchanged into the foreseeable future.

Operational review

Details of the results are given in the profit and loss account on page 8.

Dividends

No interim dividend was paid during the year (2002: £nil). The directors recommend the payment of a final dividend for the year of £300,000 (2002: £300,000).

Directors

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

M J Scrowston resigned as a director of the Company on 23 July 2003.

S P Harry was appointed as a director of the Company on 20 November 2003.

A D Graham and A E Spiers 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 4 and 5. All the disclosed interests are beneficial.

| | At 1 January 2003 (or appointment if later) | At 31 December 2003 |
|------------|--|---------------------|
| | Number | Number |
| A D Graham | 4,741 | 4,797 |
| S P Harry | 954 | 954 |
| A E Spiers | 2,214 | 3,181 |

Directors' report

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 (or appointment if later) | Options granted during year | Options exercised or lapsed during year | At 31 December 2003 |
|-------------------------|--|-----------------------------------|--|------------------------|
| | Number | Number | Number | Number |
| A D Graham | | | | |
| Savings related options | 2,851 | 991 | - | 3,842 |
| Executive options | 33,747 | - | - | 33,747 |
| S P Harry | | | | |
| Savings related options | 2,356 | - | - | 2,356 |
| Executive options | 13,067 | 4,504 | - | 17,571 |
| A E Spiers | | | | |
| Savings related options | 2,356 | - | - | 2,356 |

- (1) "*Savings related options*" are options granted under the Inland Revenue-approved SAYE Share Option Scheme. Options granted from 1998 to 2003 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 1994 to 2003, 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.

During the year no directors exercised share options.

Directors' report**Incentive plans (continued)****(ii) Share awards**

| | At 1 January 2003 (or appointment if later) | Awards granted during year | Awards vested during year | Awards lapsed during year | At 31 December 2003 |
|---------------------------|--|-------------------------------------|------------------------------------|------------------------------------|------------------------|
| | Number | Number | Number | Number | Number |
| A D Graham | | | | | |
| Aviva Deferred Bonus Plan | 548 | 1,208 | - | - | 1,756 |
| S P Harry | | | | | |
| Aviva Deferred Bonus Plan | 1,000 | - | - | - | 1,000 |
| A E Spiers | | | | | |
| Aviva Deferred Bonus Plan | 1,206 | 1,576 | - | - | 2,782 |

- (1) *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 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.

A E Spiers has an interest in 3,800 General Accident cumulative preference shares.

Other than as disclosed above, none of the directors who held office at 31 December 2003 had any beneficial interests in the Company's shares or the shares of any other company within the Aviva plc Group.

Directors' report

Resolutions

On 27 May 1999, 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 meeting 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 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 to 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



Aviva Company Secretarial Services Limited

Secretary

26 August 2004

Auditors' report

Independent auditors' report to the members of The Lancashire and Yorkshire Reversionary Interest Company Limited

We have audited the Company's accounts for the year ended 31 December 2003 which comprise 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 15. 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 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 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

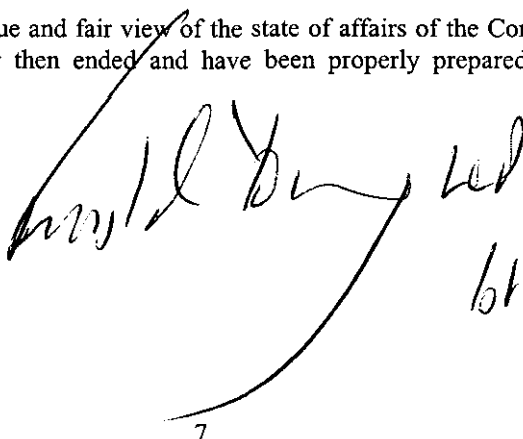
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements 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.

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
Registered Auditor
London



61 September 2004

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Profit and loss account

for the year ended 31 December 2003

| | Note | 2003 £'000 | 2002 £'000 |
|--|------|---------------|---------------|
| Turnover | 1 | 586 | 702 |
| Cost of sales | | (181) | (118) |
| Gross profit | | 405 | 584 |
| Operating expenses | 2 | (37) | (59) |
| Operating profit | | 368 | 525 |
| Other interest receivable and similar income | | 3 | 4 |
| Interest payable and similar charges | 3 | (39) | (48) |
| Profit on ordinary activities before taxation | 4 | 332 | 481 |
| Tax on profit on ordinary activities | 6 | (100) | (152) |
| Profit for the financial year | | 232 | 329 |
| Dividends | 7 | (300) | (300) |
| Retained (loss)/profit for the financial year | 12 | (68) | 29 |

There were no acquisitions or discontinued operations during the current or previous financial year.

A statement of movement in reserves can be found in note 12.

Statement of total recognised gains and losses

for the year ended 31 December 2003

The Company has no recognised gains or losses other than those included in the results above. Accordingly, a statement of total recognised gains and losses is not given.

Reconciliation of movements in shareholders' funds

for the year ended 31 December 2003

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Profit for the financial year | 232 | 329 |
| Dividends | (300) | (300) |
| Net (reduction in)/addition to shareholders' funds | (68) | 29 |
| Opening shareholders' funds | 571 | 542 |
| Closing shareholders' funds | 503 | 571 |

The notes on pages 10 to 13 are an integral part of these accounts. The auditors' report is on page 7.

Balance sheet

as at 31 December 2003

| | Note | 2003 £'000 | 2002 £'000 |
|---|------|---------------|---------------|
| Fixed assets | | | |
| Investments | 8 | 2,306 | 2,393 |
| Current assets | | | |
| Debtors | 9 | 114 | 83 |
| Cash at bank and in hand | | 1 | 2 |
| | | 115 | 85 |
| Creditors: amounts falling due within one year | 10 | 1,918 | 1,907 |
| Net current liabilities | | (1,803) | (1,822) |
| Net assets | | 503 | 571 |
| Capital and reserves | | | |
| Called up share capital | 11 | 462 | 462 |
| Profit and loss account | 12 | 41 | 109 |
| Equity shareholders' funds | | 503 | 571 |

The accounts on pages 8 to 13 were approved by the Board on 26 August 2004 and were signed on its behalf by



S P Harry Director

Notes to the accounts

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards.

Turnover

Turnover represents gross receipts from life interests, reversions and property, including realisations and interest on loans. The basis of recognition of turnover is as follows:

Life interests

- purchased outright - as received
- purchased first charges - when they become receivable

Absolute and contingent reversions

- as received

Interest on loans

- on an accruals basis

Property

- as received

All turnover arises within the United Kingdom.

Investments

Fixed asset investments are included in the accounts at the lower of historical cost or net realisable value. The carrying value of life interests and absolute and contingent reversions is tested annually for impairment identified from an actuarial valuation of these assets.

Tax

The tax charge in the profit and loss account 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.

2 Operating expenses

Under a management agreement Norwich Union Life Services Limited, a fellow group undertaking, supplies and makes charges for the provision of operational assets and staff to the Company. The agreement specifies the amounts payable in respect of these expenses.

3 Interest payable and similar charges

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Interest on loans payable within five years | | |
| Payable to fellow group undertakings | 39 | 48 |

Notes to the accounts

4 Profit on ordinary activities before taxation

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
|--|---------------|---------------|

Profit on ordinary activities before taxation is stated after charging:

Total remuneration payable by the Company, including VAT, to its principal auditor Ernst & Young, in respect of the audit of these accounts is shown below, together with fees payable in respect of other work.

| | | |
|----------------------------------|---|---|
| Audit services - statutory audit | 3 | 2 |
|----------------------------------|---|---|

Audit fees are included in the management charge from Norwich Union Life Services Limited.

5 Directors and employees

Directors' emoluments

None of the directors received any emoluments in respect of services as a director of the Company.

Employees

As stated in note 2, a management charge in respect of staff costs has been made by Norwich Union Life Services Limited. Details of UK employees who provide services to the Company are included in the accounts of that company.

6 Tax

(a) Tax on profit on ordinary activities

Tax charged in the profit and loss account comprises:

| | 2003 £'000 | 2002 £'000 |
|--------------------------|---------------|---------------|
| Current tax | | |
| UK corporation tax | 100 | 144 |
| Prior year adjustments | - | 8 |
| Total current tax | 100 | 152 |

(b) Factors affecting current tax charge for the year

The tax assessed in the profit and loss account is at (2002: higher than) the standard UK corporation tax rate, because of the following factors:

| | 2003 £'000 | 2002 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | 332 | 481 |
| Current tax charge at standard UK corporation tax rate of 30% (2002: 30%) | 100 | 144 |
| Adjustment to tax charge in respect of prior years | - | 8 |
| Current tax charge for the year (note 6(a)) | 100 | 152 |

Notes to the accounts**7 Dividends**

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Final dividend proposed of £6 per share (2002: £6 per share) | 300 | 300 |

8 Investments

| | Life interests £'000 | Absolute reversions £'000 | Contingent reversions £'000 | Loans and interest outstanding £'000 | Total £'000 |
|----------------------------|----------------------------|---------------------------------|-----------------------------------|---|----------------|
| At 1 January 2003 | 1,861 | 361 | 39 | 132 | 2,393 |
| Additions/(realisations) | (90) | (47) | - | 50 | (87) |
| At 31 December 2003 | 1,771 | 314 | 39 | 182 | 2,306 |

The valuation of life interests, absolute reversions and contingent reversions as at 31 December 2003 was carried out by a director of the Company, Mr A E Spiers, a fellow of the Institute of Actuaries, in order to assess whether any write-downs were required. In his opinion, no such write-downs were required.

9 Debtors

| | 2003 £'000 | 2002 £'000 |
|--------------------------------|---------------|---------------|
| Prepayments and accrued income | 114 | 83 |

10 Creditors: amounts falling due within one year

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Amounts owed to group undertakings | 1,550 | 1,512 |
| Corporation tax payable | 66 | 62 |
| Other creditors including taxation and social security | 2 | 33 |
| Proposed dividend | 300 | 300 |
| | 1,918 | 1,907 |

11 Share capital

| | 2003 £'000 | 2002 £'000 |
|--|---------------|---------------|
| Authorised: | | |
| 50,000 Ordinary shares of £9.25 each | 462 | 462 |
| Allotted, called up and fully paid: | | |
| 50,000 Ordinary shares of £9.25 each | 462 | 462 |

Notes to the accounts

12 Reserves

| | Profit and loss account £'000 |
|--------------------------------------|-------------------------------------|
| Balance at 1 January 2003 | 109 |
| Retained loss for the financial year | (68) |
| Balance at 31 December 2003 | 41 |

13 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement, as it is a wholly owned subsidiary undertaking of Aviva plc whose consolidated accounts are publicly available.

14 Related party transactions

Advantage has been taken of the exemption available not to disclose intra-group related party transactions in respect of 90% subsidiaries.

There were no related party transactions with directors.

15 Parent undertaking

The Company's immediate parent undertaking is CGNU Life Assurance Limited, a company registered in England.

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