

3381519

**COMMERCIAL UNION
CORPORATE MEMBER
LIMITED
2004**



Commercial Union Corporate Member Limited

Report and Accounts 2004

Contents

Page

- 1 Directors and Officer
- 2 Directors' Report
- 7 Independent Auditors' Report
- 8 Statement of Accounting Policies
- 11 Profit and Loss Account - Technical Account
- 12 Profit and Loss Account - Non-technical Account
- 13 Balance Sheet
- 15 Notes to the Accounts

Commercial Union Corporate Member Limited

Directors and Officer

Directors:

P J R Snowball
M S Hodges
P C Easter (appointed 9 June 2005)

Officer:

Company Secretary:
Aviva Company Secretarial Services Limited

Auditors:

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

Registered Office:

St Helen's
1 Undershaft
London
EC3P 3DQ

Registered in England: No. 3381519

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

Commercial Union Corporate Member Limited

Directors' Report

for the year ended 31 December 2004

The directors present their annual report and audited accounts for Commercial Union Corporate Member Limited (the Company) for the year ended 31 December 2004.

Principal activity and future developments

The principal activity of the Company during 2004 was that of a Corporate Underwriting Member of Lloyd's. Following a strategic review during 2000 by Aviva plc, the Company's ultimate parent undertaking, a decision was made to withdraw fully from the London Market. On 21 December 2000, Resolute Management Inc., a member of the Berkshire Hathaway Group, agreed to replace the Company and provide capacity for 2001 and subsequent years of account. In a separate agreement a Berkshire affiliated company agreed to provide Aviva plc with protection on the Company's results for underwriting years prior to 2001.

Profit and loss account

The profit and loss account of the Company is set out on pages 11 and 12.

Major events

At an extraordinary General Meeting held on 27 August 2004 the authorised share capital of the Company was increased to £30,000,000 by the creation of an additional 29,999,900 ordinary shares of £1 each.

On 27 August 2004 the Company allotted 29,999,900 ordinary shares of £1 each to CGU International Insurance plc.

Dividend

No interim dividend was paid during the year (2003: £ nil). The directors do not recommend the payment of a final dividend (2003: £ nil).

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.

Commercial Union Corporate Member Limited

Directors' Report (continued)

for the year ended 31 December 2004

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 2004 represented approximately 21 days of average daily purchases through the year (2003: 29 days).

Resolutions

On 26 August 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.

Directors

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

B F McIntyre resigned as director of the Company on 9 June 2005.

P C Easter was appointed a director of the Company on 9 June 2005.

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 4 and 5. All the disclosed interests are beneficial.

	At 1 January 2004	At 31 December 2004
	Number	Number
M S Hodges	11,694	4,710
B F McIntyre	2,324	3,175

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.

Commercial Union Corporate Member Limited

Directors' Report (continued)

for the year ended 31 December 2004

Directors' interests (continued)

Incentive plans

Details of the directors who held office at the end of the financial year, and hold or keep 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 2004	Options granted during the year	Options cancelled during the year	At 31 December 2004
	Number	Number	Number	Number
M S Hodges				
Savings related options	2,356	-	-	2,356
B F McIntyre				
Savings related options	2,356	-	-	2,356

Notes:

- (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 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.

Commercial Union Corporate Member Limited

Directors' Report (continued)

for the year ended 31 December 2004

Directors' interests (continued)

(ii) Share awards

	At 1 January 2004	Awards granted during the year	Awards vested during the year	Awards lapsed during the year	At 31 December 2004
	Number	Number	Number	Number	Number
M S Hodges					
Aviva Long Term Incentive Plan	81,619	39,347	1,638	5,914	113,414
Aviva Deferred Bonus Plan	53,942	36,986	7,552	-	83,376
B F McIntyre					
Aviva Long Term Incentive Plan	106,746	42,226	3,842	13,866	131,264
Aviva Deferred Bonus Plan	51,678	39,692	13,280	-	78,090

Notes:

- (1) The Aviva Long Term Incentive Plan; awards under the plan are made on an annual basis and the 2004 award was made in March. Awards are subject to the attainment of performance conditions over a three year period.
- (2) 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 2004 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.

Commercial Union Corporate Member Limited

Directors' Report (continued)

for the year ended 31 December 2004

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 a 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.

On behalf of the Board



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

Aviva Company Secretarial Services Limited

Secretary

28 June 2005

Commercial Union Corporate Member Limited

Independent Auditors' Report

To the members of Commercial Union Corporate Member Limited

We have audited the Company's accounts for the year ended 31 December 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These accounts have been prepared on the basis of the accounting policies set out on pages 8 to 10.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Company's 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 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.

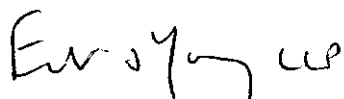
Basis of audit opinion

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 2004 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

28 June 2005

Commercial Union Corporate Member Limited

Statement of Accounting Policies

(a) Basis of accounts

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) in November 2003. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2004, as considered appropriate for an insurance company.

The results of the business are principally determined on a three year funded basis. Under this basis, premiums and claims are allocated to each underwriting year beginning 1 January, the results of which are determined and reported when the underwriting year is closed. In accordance with Lloyd's practice, the underwriting year is normally recognised as closed after three years of development, at which time any profits are recognised. However, losses on open years are provided in respect of any estimated net loss from a syndicate, except to the extent that such losses are offset by profits on syndicates which are managed together. Each underwriting year of account is considered separately for the purpose of determining any aggregate net loss.

(b) Recognition of insurance transactions

Preparing accounts in accordance with section 255 and Schedule 9A to the Companies Act 1985 has required the Company to recognise its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the syndicates").

For each syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's profit and loss account. Similarly, its proportion of the syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "syndicate"). The syndicate assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the syndicate's total capacity.

(c) Premiums

Premiums are accounted for in the year in which the risk commences. An adjustment has been made for the overall effect of new business premiums, mid term adjustments and lapses of renewal premiums not accounted for in the year of risk inception. Premiums may include 'reinsurance to close' receivable.

(d) 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.

Commercial Union Corporate Member Limited

Statement of Accounting Policies (continued)

(e) Acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are written.

(f) Investment income, expenses and charges

Investment income is accounted for on a receivable basis.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years proportionately to the funds contributed by the year.

All investment returns are allocated to the technical account.

(g) 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, 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.

(h) 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.

(i) Technical provisions

The excess of premiums written and syndicate investment income over the claims and operating and personal expenses of the syndicate paid in respect of business incepting in an underwriting year is normally carried forward in a fund until the end of the third year following the start of each underwriting year. The fund is included as part of the technical provision for claims outstanding. The adequacy of the outstanding claims provision is established using actuarial and statistical projections of the amounts which the Company expects the ultimate settlement will cost, based on the current facts and circumstances. However, it is inherent in the nature of the business written that the ultimate liabilities will vary as a result of subsequent development. The provision is increased as appropriate by the Company to the extent that deficits are foreseen on underwriting years before the end of the third year.

Any differences 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.

Commercial Union Corporate Member Limited

Statement of Accounting Policies (continued)

(j) Rates of exchange

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year end rates of exchange. The resulting exchange gains or losses are included in the profit and loss account.

(k) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through the syndicate and allocated to the closed year in consideration of:

(a) a premium; and

(b) either:

- (i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
- (ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account in the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

To the extent that the Company participates on successive years of account in the same syndicate and there is a reinsurance to close between those years, the Company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account the ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the Company's outstanding gross liabilities in respect of the business so reinsured.

The Company remains a member of two syndicates participating in certain years of account which are yet to close: Syndicate 62 (1999 and 2000 years of account) and Syndicate 1047 (2000 year of account). A reinsurance to close contract has yet to be agreed in respect of these syndicates for our participating years of account.

Commercial Union Corporate Member Limited

Profit and Loss Account - Technical Account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Gross premiums written	1	277	1,620
Outward reinsurance premiums		(206)	(55,285)
Net premiums written		71	(53,665)
Allocated investment return transferred from the non-technical account		598	1,513
Claims paid - gross amount	1	10,995	24,133
- reinsurers' share		(10,720)	(15,104)
		275	9,029
Change in the provision for claims - gross amount	1	(8,962)	(81,159)
- reinsurers' share		7,656	16,190
		(1,306)	(64,969)
Claims incurred - net of reinsurance		(1,031)	(55,940)
Net operating expenses - administrative	2	1,700	3,788
Balance on the technical account *		-	-

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

All the above results relate to discontinued operations.

The accounting policies on pages 8 to 10 and the notes on pages 15 to 21 form an integral part of these accounts.

Commercial Union Corporate Member Limited

Profit and Loss Account - Non-technical Account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Balance on the technical account		-	-
Investment income	3	598	1,513
Investment expenses and charges	4	-	(1)
Allocated investment return transferred to the technical account		(598)	(1,513)
Loss on ordinary activities before tax		-	(1)
Tax credit / (charge) on loss on ordinary activities	5	3,182	(3,170)
Retained profit / (loss) for the financial year		3,182	(3,171)

All the above results related to discontinued operations although it should be noted that whilst there are no further underwriting contractual agreements being entered into, contractual agreements entered into prior to the 2000 year end may give rise to future underwriting activities and associated liabilities.

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 8 to 10 and the notes on pages 15 to 21 form an integral part of these accounts.

Commercial Union Corporate Member Limited

Balance Sheet

at 31 December 2004

	Note	Syndicate £'000	2004 Other £'000	Total £'000	Syndicate £'000	2003 Other £'000	Total £'000
ASSETS							
Investments							
Other financial investments	6	10,299	-	10,299	34,396	-	34,396
Deposits with ceding undertakings		10	-	10	3	-	3
		<u>10,309</u>	<u>-</u>	<u>10,309</u>	<u>34,399</u>	<u>-</u>	<u>34,399</u>
Reinsurers' share of technical provisions							
Claims outstanding	12	18,595	-	18,595	26,251	-	26,251
Debtors							
Debtors arising out of direct insurance operations	7	796	-	796	425	-	425
Debtors arising out of reinsurance operations		70,278	66	70,344	99,908	-	99,908
Other debtors	8	1,781	-	1,781	2,223	300	2,523
		<u>72,855</u>	<u>66</u>	<u>72,921</u>	<u>102,556</u>	<u>300</u>	<u>102,856</u>
Other assets							
Cash at bank and in hand	9	2,227	-	2,227	6,257	-	6,257
Prepayments and accrued income							
Accrued interest and rent		63	-	63	42	-	42
Total assets		<u>104,049</u>	<u>66</u>	<u>104,115</u>	<u>169,505</u>	<u>300</u>	<u>169,805</u>

The accounting policies on pages 8 to 10 and the notes on pages 15 to 21 form an integral part of these accounts.

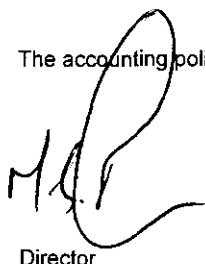
Commercial Union Corporate Member Limited

Balance Sheet

at 31 December 2004

	Note	Syndicate £'000	2004 Other £'000	Total £'000	Syndicate £'000	2003 Other £'000	Total £'000
LIABILITIES							
Capital and reserves							
Called up share capital	10	-	30,000	30,000	-	-	-
Profit and loss account	11	32,337	(58,747)	(26,410)	32,337	(61,929)	(29,592)
Equity shareholder's funds	11	<u>32,337</u>	<u>(28,747)</u>	<u>3,590</u>	<u>32,337</u>	<u>(61,929)</u>	<u>(29,592)</u>
Technical provisions							
Claims outstanding - gross amount	12	<u>51,670</u>	<u>-</u>	<u>51,670</u>	<u>60,632</u>	<u>-</u>	<u>60,632</u>
Provisions for other risks and charges	5(d)	<u>-</u>	<u>16,859</u>	<u>16,859</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deposits received from reinsurers		<u>251</u>	<u>-</u>	<u>251</u>	<u>-</u>	<u>-</u>	<u>-</u>
Creditors							
Creditors arising out of direct insurance operations	13	763	-	763	305	-	305
Creditors arising out of reinsurance operations		17,404	-	17,404	71,952	-	71,952
Other creditors including taxation and social security	14	<u>1,420</u>	<u>11,954</u>	<u>13,374</u>	<u>4,129</u>	<u>62,229</u>	<u>66,358</u>
		<u>19,587</u>	<u>11,954</u>	<u>31,541</u>	<u>76,386</u>	<u>62,229</u>	<u>138,615</u>
Accruals and deferred income		<u>204</u>	<u>-</u>	<u>204</u>	<u>150</u>	<u>-</u>	<u>150</u>
Total liabilities		<u>104,049</u>	<u>66</u>	<u>104,115</u>	<u>169,505</u>	<u>300</u>	<u>169,805</u>

The accounting policies on pages 8 to 10 and the notes on pages 15 to 21 form an integral part of these accounts.



Director

28 June 2005

Commercial Union Corporate Member Limited

Notes to the Accounts

1 Segmental information

	Gross premiums written and earned 2004 £'000	Gross claims incurred 2004 £'000	Gross operating expenses 2004 £'000	Reinsurance balance 2004 £'000
Direct insurance				
Accident and health	-	(3)	(4)	5
Motor	7	(114)	(98)	168
Marine, aviation and transport	78	1,043	(434)	(870)
Fire and other damage to property	7	120	(49)	(101)
Third party liability	113	(1,218)	(1,077)	1,775
Miscellaneous	4	(57)	(31)	74
	<u>209</u>	<u>(229)</u>	<u>(1,693)</u>	<u>1,051</u>
Reinsurance inwards	68	(1,804)	(7)	1,807
	<u>277</u>	<u>(2,033)</u>	<u>(1,700)</u>	<u>2,858</u>

	Gross premiums written and earned 2003 £'000	Gross claims incurred 2003 £'000	Gross operating expenses 2003 £'000	Reinsurance balance 2003 £'000
Direct insurance				
Accident and health	258	8,849	(248)	(9,322)
Motor	150	4,632	(143)	(4,914)
Marine, aviation and transport	36	316	(1,014)	228
Fire and other damage to property	533	20,324	68	(20,034)
Third party liability	558	(2,004)	(706)	1,694
Miscellaneous	112	4,196	(128)	(4,468)
	<u>1,647</u>	<u>36,313</u>	<u>(2,171)</u>	<u>(36,816)</u>
Reinsurance inwards	(27)	20,713	(1,617)	(19,555)
	<u>1,620</u>	<u>57,026</u>	<u>(3,788)</u>	<u>(56,371)</u>

Commercial Union Corporate Member Limited

Notes to the Accounts (continued)

2 Net operating expenses

No directors' emoluments or auditors' remuneration are payable in respect of 2004 or 2003. These costs are borne by the parent undertaking, CGU International Insurance plc.

3 Investment income

Investment income arises on investments held by the Lloyd's syndicates in which the Company has a participating interest. However, since the Company's result from syndicate operations is reinsured with the Berkshire Hathaway Group, the benefit of this investment income is also passed to the reinsurer. Therefore, one of the impacts of this arrangement is that all investment income is allocated to the technical account.

4 Investment expenses and charges

	2004 £'000	2003 £'000
Investment management expenses	-	1

5 Taxation

(a) Tax on loss on ordinary activities

Tax (credited) / charged in the non-technical account comprises:

	2004 £'000	2003 £'000
Current tax:		
UK corporation tax	8,441	300
Prior year adjustments	(28,782)	9,699
Total current tax	(20,341)	9,999
Deferred tax:		
Origination and reversal of timing differences	(8,441)	(300)
Prior year adjustments	25,600	(6,529)
Total deferred tax	17,159	(6,829)
Total tax (credited) / charged in the non-technical account	(3,182)	3,170

Commercial Union Corporate Member Limited

Notes to the Accounts (continued)

5 Taxation (continued)

(b) Factors affecting current tax charge for the year

The tax assessed in the non-technical account is higher than (2003: lower than) the standard UK corporation tax rate, because of the following factors:

	2004 £'000	2003 £'000
Profit / (loss) on ordinary activities before tax	-	(1)
Current tax credit at standard UK corporation tax rate of 30% (2003: 30%)	-	-
Adjustment to tax charge in respect of prior years	(28,782)	9,699
Other deferred tax movement	8,441	-
Other timing differences	-	300
Current tax (credit) / charge for the year	(20,341)	9,999

(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:

Deferred tax assets not provided:

	2004 £'000	2003 £'000
Losses	-	2,850

(d) Balance sheet

(i) The discounted provision for deferred tax, included within the provision for other risks and charges, comprises:

	2004 £'000	2003 £'000
Provisions and other timing differences	16,859	-
Undiscounted provision for deferred tax	16,859	-
Discount	-	-
Discounted provision for deferred tax	16,859	-

(ii) Movements in the deferred tax balances are analysed below:

	2004 £'000	2003 £'000
Provision at 1 January	(300)	6,529
Amounts charged / (credited) to the profit and loss account	17,159	(6,829)
Net provision / (asset) at 31 December	16,859	(300)

Commercial Union Corporate Member Limited

Notes to the Accounts (continued)

6 Investments - other financial investments

(a)	2004		2003	
	Market value £'000	Cost £'000	Market value £'000	Cost £'000
Debt securities and other fixed income securities	5,285	4,804	12,018	13,269
Other - mutual funds	1,166	1,218	14,831	14,259
Overseas deposits	3,848	3,848	7,547	7,547
	<u>10,299</u>	<u>9,870</u>	<u>34,396</u>	<u>35,075</u>
(b) Included in the above were:				
Listed investments	<u>5,284</u>	<u>4,804</u>	<u>12,018</u>	<u>13,269</u>

Overseas deposits are held under Lloyd's Premium Trust Deed arrangements where applicable. The syndicates are required to lodge deposits in various overseas insurance markets as a condition of conducting underwriting business in those markets.

The Company has met its funds at Lloyd's requirements to support its underwriting capacity by way of letters of credit to the value of £95 million (2003: £74 million). The current letters of credit have been arranged by Aviva plc.

7 Debtors arising out of direct insurance operations

	2004 £'000	2003 £'000
Amounts owed by intermediaries - third parties	<u>796</u>	<u>425</u>

Commercial Union Corporate Member Limited

Notes to the Accounts (continued)

8 Other debtors

	2004 £'000	2003 £'000
Deferred tax asset (note 5d)	-	300
Other debtors	1,781	2,223
	<u>1,781</u>	<u>2,523</u>

9 Cash at bank and in hand

	2004 £'000	2003 £'000
Syndicate premium trust funds	2,227	6,257
	<u>2,227</u>	<u>6,257</u>

10 Share capital

	2004 £'000	2003 £'000
Authorised:		
30,000,000 (2003: 100) ordinary shares of £1 each	30,000	-
Allotted, called up and fully paid:		
30,000,000 (2003: 100) ordinary shares of £1 each	30,000	-

On 27 August 2004 the authorised share capital of the Company was increased to 30,000,000 by the creation of 29,999,900 ordinary shares of £1 each. On the same date 29,999,900 ordinary shares were allotted to the Company's parent undertaking for consideration of £29,999,900 to provide additional share capital for the Company.

11 Reconciliation of movements in shareholder's funds

	Share capital	Profit and loss account	Total shareholder's funds	Total shareholder's funds
	2004 £'000	2004 £'000	2004 £'000	2003 £'000
Balance at 1 January	-	(29,592)	(29,592)	(26,421)
Issue of share capital	30,000	-	30,000	-
Retained profit / (loss) for the year	-	3,182	3,182	(3,171)
Balance at 31 December	<u>30,000</u>	<u>(26,410)</u>	<u>3,590</u>	<u>(29,592)</u>

Commercial Union Corporate Member Limited

Notes to the Accounts (continued)

12 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 development of paid and incurred claims, average costs per claim and ultimate claim numbers for each underwriting 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 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.

13 Creditors arising out of direct insurance operations

	2004 £'000	2003 £'000
Amounts owed to intermediaries - third parties	<u>763</u>	<u>305</u>

14 Other creditors including taxation and social security

	Syndicate £'000	2004 Other £'000	Total £'000	Syndicate £'000	2003 Other £'000	Total £'000
Due to fellow Group undertakings	-	3,513	3,513	-	61,929	61,929
Corporation tax	-	8,441	8,441	-	300	300
Other	1,420	-	1,420	4,129	-	4,129
	<u>1,420</u>	<u>11,954</u>	<u>13,374</u>	<u>4,129</u>	<u>62,229</u>	<u>66,358</u>

Commercial Union Corporate Member Limited

Notes to the Accounts (continued)

15 Capital commitments

The Company has no capital commitments at 31 December 2004.

16 Contingent liabilities

The Company has no contingent liabilities at 31 December 2004.

17 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.

18 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.

19 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 International Insurance plc, registered in England.