2 August 2001

UNAUDITED RESULTS - 6 MONTHS ENDED 30 JUNE 2001

Strong set of results

- **Operating profit before tax from ongoing business* up 42% to £977 million (2000: £679 million).** On a modified statutory basis, operating profit before tax was £728 million (2000: £531 million)
- **Worldwide life achieved operating profit up 12% to £857 million**
- **Record half-year worldwide long-term savings new business sales at £7.1 billion**
- **New business contribution up to £272 million (2000: £236 million)**
- **General insurance operating profit up 124% to £427 million, benefiting from the actions to improve performance and lower weather related claims**
- **Interim dividend of 14.25 pence net per share (2000: 14.25 pence net per share)**

Executing strategy to create value

- **Leveraging multi-distribution capability worldwide**
- **Bancassurance agreements contributing to total sales in continental Europe of £2.6 billion, 36% of our total long-term savings sales**
- **Assets under management down to £204 billion, reflecting lower equity markets and disposals**
- **Group combined operating ratio improved to 103%, on track for our target of 102% by the end of 2001**
- **Exited value destroying businesses, including the sale of the US general insurance business**
- **Integration on track for completion by the end of 2001, and we are confident that we will exceed our merger savings target of £275 million a year**

* Including life achieved operating profit and excluding results from the discontinued US general insurance and London Market operations.
All growth rates quoted are at constant rates of exchange.

Richard Harvey, Group Chief Executive, commented:

"These are a strong set of results with operating profit up 42% to £977 million. The results included a 12% increase in life achieved operating profit and a significant improvement in the performance of the Group's general insurance businesses.

"We continue to capitalise on the substantial long-term savings opportunities in Europe. We are using strong market positions to grow our business organically and are extending our distribution capabilities, in particular by entering into new bancassurance agreements.

"We have taken our first significant step into long-term savings in South East Asia through our bancassurance partnership with the Development Bank of Singapore. We are confident of using our expertise in bancassurance to deliver value from this agreement.

"As the sixth-largest insurance group in the world, and the largest in the UK, we have the size, expertise, financial strength and brands to succeed."

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There will be a conference call today for wire services at 8.15 am on 020 8240 8240. This conference call will be hosted by Richard Harvey, Group Chief Executive.

A press conference will take place at 10.30 am at St Helen's, 1 Undershaft, London, EC3P 3DQ.
A presentation to analysts will take place at 12.30 pm at St Helen's, 1 Undershaft, London, EC3P 3DQ. The presentation slides will be available on the Group's website, **www.cgnu-group.com**
Photographs are available from www.newscast.co.uk

FINANCIAL HIGHLIGHTS

	6 months 2001 £m	6 months 2000 £m
Total premiums written (after reinsurance) and investment sales – ongoing business	13,842	13,546
Worldwide long-term savings new business sales		
Life and pensions	6,290	5,249
Retail investments	763	1,392
New business contribution (before effect of solvency margin)	272	236
Achieved operating profit before tax – ongoing business		
Life achieved operating profit	857	754
Health	32	34
Fund management	24	22
General insurance	427	193
Non-insurance operations	(7)	(19)
Corporate costs	(81)	(97)
Unallocated interest charges	(215)	(167)
	1,037	**720**
Wealth management	(60)	(41)
Achieved operating profit before tax – ongoing business	**977**	**679**
Modified statutory operating profit – ongoing business	728	531
Achieved operating earnings per share – ongoing business	27.5p	20.9p
Modified statutory earnings per share – ongoing business	20.6p	16.3p
Equity shareholders' funds	13,061	13,433 †
Total shareholders' funds	13,261	13,633 †
Dividend per ordinary share	14.25p	14.25p
Net asset value per ordinary share	590p	606p †
Assets under management	£204bn	£220bn †

Notes

Definitions of Group key performance indicators are set out on page 7
† Figures provided as at 31 December 2000

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GROUP CHIEF EXECUTIVE'S STATEMENT

As the UK's leading insurance company and one of the top-five life companies in Europe, we are pleased to report that the Group has produced a strong set of results. We have achieved record half-year long-term savings new business sales at £7.1 billion and increased operating profit before tax from ongoing business, including life achieved profit, up 42% to £977 million (2000: £679 million).

Long-term savings
Our life and pension sales grew strongly, up 19% to £6.3 billion, whilst retail investment sales were lower at £0.8 billion reflecting the effect of the weak equity markets. In the UK, we continue to see excellent growth in new business sales, up 12% to £4.1 billion, building on the outstanding results produced in 2000. Total pension sales grew by 38% to £1.3 billion and early indications are that stakeholder sales are performing well in this new and developing segment of the pensions market. We are continuing to develop our multi-distribution capability through both our partnership with The Royal Bank of Scotland Group, which has produced total sales of £178 million, and through the launch of norwichunion.com, our wealth management initiative.

We are developing strong businesses in continental Europe with top-five positions in the Netherlands, Ireland, Poland, Spain and Turkey. Our continental European businesses have produced life and pension sales up 29% to £2.4 billion, representing 39% of the total group life and pension sales. Our larger businesses in France and the Netherlands contributed £203 million of life achieved operating profit and the overall continental European margin improved benefiting from our bancassurance arrangements in Spain and Italy. Our bancassurance agreements in Spain with Unicaja and Caixa Galicia geographically complement our existing bancassurance arrangement with Bancaja giving us the second-largest savings bank distribution network and making us one of the top-five life companies in Spain.

We also recently announced an agreement with the Development Bank of Singapore (DBS), the number one bank in Singapore and largest in South East Asia, which is our first significant step into the Asian long-term savings market. DBS has access to just over 90% of the population in Singapore through its network of 100 branches. We will be using our expertise in bancassurance to deliver the benefits from this partnership in this new and exciting market for us, with significant growth potential.

Fund management
Morley, our UK fund management operation and a leading UK based fund manager, is the number one CAT-standard ISA provider and a top-five ISA provider based on funds under management. Our investment sales in the UK have continued to perform well against the backdrop of a weak equity market. Our business continues to improve its standing with the external consultant market, securing £1.3 billion of mandates in 2001.

In continental Europe, our Dutch fund management operations, Delta Lloyd Nuts Ohra, secured £238 million of investment mandates, despite weak investment markets. In Australia, our sales of Navigator were up 25% to £437 million reflecting a continued market trend towards multi-manager products, with Navigator maintaining a leading position in this market.

General insurance
Our general insurance business is seeing improvements in operating profit, up 124% to £427 million, benefiting from the steps we have taken to improve risk selection and rates, and lower weather-related claims. The combined operating ratio for both the UK and the Group is now at 103%. We remain fully committed to our target of a combined operating ratio of 102% by the end of this year.

We completed the sale of our US general insurance business on 1 June 2001, which concludes our involvement in this general insurance market. We further consolidated our top-five position in the Australian market with the acquisition of the Fortis general insurance business. We have continued to realign our smaller non-core overseas general insurance businesses and announced the sale of our operations in Belgium, Brazil and Pakistan and the sale of our non-core Australian mortgage indemnity business.

Integration
Integration continues rapidly and to date we have achieved £233 million of annualised cost savings. This represents 85% of our targeted cost savings and £89 million is included in the results for the first half of 2001. We will complete the integration by the end of 2001 and are confident that our annualised cost savings will exceed the £275 million target. We currently estimate that approximately £300 million of annualised cost savings will be achieved by the end of 2001 with no additional integration spend.

Dividend
At the time of the merger, the Group indicated that it expected to at least maintain its dividend whilst building its cover to a level appropriate for an international group focused on the long-term savings sector. Consistent with this aim, and whilst investing for the future growth of the business, the Board has decided to maintain the interim dividend paid in 2000 and has declared an interim dividend of 14.25 net pence per ordinary share payable on 15 November 2001 to shareholders on the register at 28 September 2001.

Over the last twelve months since completion of the merger, the Group has undergone significant transformation as we refocused the business in line with our strategy. With excellent integration progress we have delivered a strong set of first half results and are well placed to deliver further growth and shareholder value.

Richard Harvey
Group Chief Executive

OPERATING AND FINANCIAL REVIEW

Group operating profit

The Group operating profit before tax from ongoing business, including life achieved profit, was up 42% to £977 million (2000: £679 million), and is after our strategic investment of £60 million (2000: £41 million) for developing our on-line wealth management service. On a modified statutory basis, operating profit before tax from ongoing business was £728 million (2000: £531 million).

In calculating the Group operating profit from ongoing business, we have excluded the results from our US general insurance business, the sale of which was completed in June 2001, and the UK London Market operations following our withdrawal from this business last year. Other operations sold or announced to be sold in the year are included within the results from ongoing business as their results are not considered to be material in the context of the Group's total result.

Profit before tax on a modified statutory basis including short-term fluctuation in investment returns and other non-operating items was lower at £425 million (2000: £678 million). The negative short-term fluctuations of £446 million (2000: positive £123 million) represents a shortfall in the actual investment return compared to the Group's long-term investment assumptions. The shortfall primarily reflects investment valuation losses on equities held by the non-life operations of the Group, which reflects the decline during the first six months in equity markets worldwide.

Profit before tax on an achieved profit basis at £106 million (2000: £738 million) includes a further adverse investment return variance reflecting the impact of the fall in equity markets on the Group's life embedded value. The impact on embedded value is predominantly attributable to the UK where the FTSE All-Share index fell by 9% from 2,984 to 2,728 in the six months.

Long-term savings

Our long-term savings business achieved record half-year new business sales totalling £7.1 billion (2000: £6.6 billion) continuing to build on the success of 2000. Worldwide life and pension sales grew strongly, up 19% to £6.3 billion (2000: £5.2 billion) while retail investment sales were down at £763 million (2000: £1,392 million) reflecting the lack of consumer confidence in equity-backed products.

	6 months 2001			**Local currency growth**		
	Life and pensions	**Retail investments**	**Total**	**Life and pensions**	**Retail investments**	**Total**
	£m	**£m**	**£m**	**%**	**%**	**%**
Long-term savings sales						
United Kingdom	3,563	557	4,120	13%	7%	12%
Europe (excluding UK)	2,441	122	2,563	29%	(83%)	(2%)
International	286	84	370	13%	(46%)	(9%)
	6,290	**763**	**7,053**	**19%**	**(45%)**	**5%**
Navigator			437			25%

Life achieved operating profit

	6 months 2001 £m	**6 months 2000 £m**
New business contribution (after the effect of solvency margin)	227	194
Profit from existing business – expected return	417	417
– experience variances	(7)	(9)
– operating assumption changes	50	-
Development costs	-	(17)
Expected return on shareholders' net worth	162	155
	849	740
Other life and savings activities	8	14
Life achieved operating profit before tax	**857**	**754**

Group life achieved operating profit increased by 12% to £857 million, due to the higher sales volumes and the impact of favourable operating assumption changes. The expected returns on existing businesses and shareholders' net worth were largely unchanged at £579 million (2000: £572 million) due to the application of lower start of year economic assumptions to a higher opening embedded value. The most significant operating assumption change relates to our German operations where revised terms of business generated a profit of £28 million.

	Annual premium equivalent [1]		**New business contribution [2]**		**New business margin [4]**		
	6 months 2001	**6 months 2000**	**6 months 2001**	**6 months 2000 [3]**	**6 months 2001**	**6 months 2000 [3]**	**Full year 2000 [3]**
	£m	**£m**	**£m**	**£m**	**%**	**%**	**%**
Life and pensions business							
United Kingdom	606	479	164	130	27.1%	27.1%	28.6%
Europe (excluding UK)	421	416	105	91	24.9%	21.9%	20.4%
International	57	45	3	5	5.3%	11.1%	6.0%
	1,084	**940**	**272**	**226**	**25.1%**	**24.0%**	**23.9%**

(1) Annual premium equivalent represents regular premiums plus 10% of single premiums.
(2) Before effect of solvency margin.
(3) Restated using 2001 economic assumptions and rates of exchange.
(4) New business margin represents the ratio of new business contribution to annual premium equivalent, expressed as a percentage.

UK

Our business in the UK is the leading life company with a market share of over 11% and achieved record half-year new business sales up 12% at £4.1 billion (2000: £3.7 billion) building upon the outstanding results produced in 2000. Total pension sales grew by 38% to £1.3 billion and include stakeholder sales of £43 million following the successful launch in April of our stakeholder proposition. Initial indications are that stakeholder sales are performing well in this new and developing segment of the pensions market. We have invested £8 million in the development of our infrastructure to support the stakeholder environment in the first six months of the year which has masked the emergence of merger savings in these results.

Our partnership with The Royal Bank of Scotland Group (RBSG) has produced total sales of £178 million in the six months to 30 June. A new range of life products was launched in June through National Westminster Life Assurance, which is supported by a new dedicated administration centre, and there are plans with this partnership to launch Royal Scottish Assurance branded life products at the end of August. In reporting our numbers we have included our 50% share of sales and operating profit from the RBSG partnership.

New business contribution increased to £164 million (2000: £130 million based on 2001 economic assumptions) and represents a new business margin (the ratio of new business contribution to sales measured on an annual premium equivalent basis) of 27.1% (full year 2000: 28.6%, at 2001 economic assumptions). This decline is attributable to product mix where, as expected, the increase of pension sales as a proportion of total UK sales has reduced the average margin in our UK business. Life achieved profit at £473 million (2000: £462 million) reflected the growth in new business contribution with flat expected returns on net assets and shareholders' net worth.

Europe (excluding UK)

Our French life business outperformed the market in the first half of the year, with sales up 3% to £1,035 million (2000: £989 million) against a contraction in the French market as a whole. Market statistics indicate a decline of some 15% over the first five months of this year. AFER "French Franc" single premium sales distributed through the largest savings organisation in France, grew by 27% to £472 million (2000: £363 million), as French investors moved away from unit-linked to fixed interest products. New business contribution was £35 million (2000: £35 million, at 2001 assumptions and rates of exchange) with a margin of 28.9% in line with last year. Life achieved operating profit was lower at £110 million (2000: £124 million) as the comparative period result benefited from a favourable one-off tax experience variance.

Our top-five business in Ireland increased sales by 14% to £257 million (2000: £223 million). Strong sales of single premium with-profit Celebration Bonds, were up 38% to £99 million (2000: £71 million) as investors recognised the strength of our with-profit products against the backdrop of volatile investment markets. Our strong IFA links and a competitive product will allow us to perform strongly as the Special Savings Incentive Account (SSIA) becomes an established part of the savings market in Ireland. New business contribution increased to £14 million (2000: £11 million, at 2001 assumptions and rates of exchange) reflecting the increase in sales. Life achieved operating profit was up 12% to £37 million.

In Italy, new business sales increased significantly to £387 million, principally due to our bancassurance agreement with UniCredito Italiano, which contributed £226 million in sales. New business contribution increased to £15 million (2000: £6 million, at 2001 assumptions and rates of exchange) and life achieved operating profit increased to £24 million (2000: £11 million). Development of new individual pension products designed to take advantage of the new Italian fiscal incentives for retirement savings, enacted earlier this year, are well advanced and will be introduced with our various distribution partners starting in the third quarter of 2001. This will offer further opportunities in a market with excellent long-term growth potential. The sale of our small life business, NU Vita, to Helvetia completed on 23 July.

Our business in the Netherlands, which includes the smaller businesses of Belgium and Luxembourg, reported new life and pension sales up 28% at £324 million (2000: £250 million). New tax reforms effective from 1 January this year were expected to hold back sales of life products, however investors favoured more traditional deposit-based savings over equity-backed products. Investment sales at £40 million (2000: £584 million) continue to reflect the volatility in investment markets. In May, Delta Lloyd-branded and internet-enabled Euro funds were launched in Germany, and this was followed in June by the launch of a worldwide investment fund into Belgium. The launch of the funds and the Delta Lloyd brand into Germany prepares the way to benefit from the "Riester" pension reforms, expected to take effect in January 2002, which are likely to increase demand for mutual funds and equity-linked savings products. New business contribution at £11 million (2000: £5 million, at 2001 assumptions and rates of exchange) resulted in improved margins and life achieved operating profit grew £18 million to £93 million (2000: £75 million). The recently announced agreement to acquire Bank Nagelmackers for £82 million is an important step in the development of an asset accumulation proposition in Belgium, enabling Delta Lloyd to compete effectively in a market dominated by integrated financial services.

Our Polish business, CU Polska, is the market leader for private pensions and individual life assurance. Lower sales at £33 million (2000: £136 million) primarily reflect that pension sales are now restricted to new entrants in the Polish employment market, following the one-off pensions privatisation in 1999, which flowed through into 2000. Lower new business contribution at £5 million (2000: £32 million, at 2001 assumptions and rates of exchange) followed the lower level of sales while life achieved operating profit was down 15% at £44 million.

Total sales in Spain increased by 583% to £294 million (2000: £42 million), with sales of £269 million (2000: £nil) from our partnership with Bancaja. Our new partnerships with Unicaja and Caixa Galicia will extend our distribution network in Spain to provide access to approximately 6.7 million customers through some 2,500 branches. This gives us the second-largest savings bank distribution network and the fourth among all banking networks in Spain. Margins improved significantly to 46.0% (full year 2000: 38.6%, at 2001 economic assumptions and rates of exchange) and increased new business contribution boosted life achieved operating profit in excess of 340% to £31 million (2000: £7 million).

International

Total new life and pensions sales increased by 13% to £286 million (2000: £251 million), predominantly reflecting growth in our business in the United States through good annuity sales. Life achieved operating profit was £17 million (2000: £15 million). We have completed the disposal of our life businesses in Canada for a loss of £5 million.

We recently announced a new 10-year bancassurance arrangement with the Development Bank of Singapore (DBS), the number one bank in Singapore and largest bank in South East Asia. The partnership, our first major move into the Asian long-term savings market, gives us exclusive access to DBS's approximately 4 million customers in Singapore, representing over 90% of the population. Singapore is an exciting market that has significant long-term growth potential. We will leverage our bancassurance experience to maximise the potential of the partnership and expect the agreement to complete in the second half of the year.

Health

Premium income from our health business grew by 17% to £509 million and total operating profit was £32 million. Our business in the Netherlands continued to be the main driver of the total health result with profits at £24 million (2000: £26 million). In the UK, we have seen the benefits of rating increases and strong demand for our products.

Fund management

Operating profit from our worldwide fund management business was £24 million (2000: £22 million).

In the UK, the fund management operating profit was £5 million (2000: £6 million) and includes £3 million (2000: £6 million) of profit from the private client investment business Quilter Holdings Limited (Quilters) disposed in March 2001. The result from the continuing UK fund management business includes the benefit arising from merger savings, which is more than offset by our continuing investment in retail investment business of £15 million (2000: £13 million) and our strategy of building a world-class fund management business, where we have commenced a number of strategic initiatives. In addition, the result has been impacted by the lower portfolio value, as a result of falling stock markets, upon which investment fees are calculated. Morley, our UK fund management operation, is a top-five ISA provider, based on funds under management and the leading CAT-standard ISA provider. On 18 July we reported strong retail investment sales, up 7% to £557 million (2000: £521 million) against a declining market, while continuing to develop our institutional capabilities where we obtained £1.3 billion of new mandates. The sale of Quilters generated a profit on disposal of £70 million.

In Australia, sales from our Navigator business, which are not included in the new business sales, grew by 25% to £437 million, reflecting the strength of the product in the local marketplace. The operating result of the Navigator business is included within fund management results on a statutory basis. On an achieved profits basis, new business contribution was £6 million (2000: £7 million) and operating profit £9 million (2000: £10 million). The business is investing heavily in new systems and its industry-leading technology will, in due course, be applied in South East Asia.

Our principal European businesses, Victoire Asset Management in France and Delta Lloyd Nuts Ohra in the Netherlands, saw an increased operating profit to £10 million (2000: £6 million) primarily due to significant volumes of external retail funds procured during 2000.

Assets under management at 30 June 2001 amounted to £204 billion, down from £220 billion reported at 31 December 2000. The reduction is largely attributable to the sale of Quilters in the first quarter, the completion of the sale of the US general insurance business in the second quarter, which together had combined assets of some £11 billion, and the impact of the fall in the worldwide equity markets.

General insurance

Operating profit from our worldwide general insurance business grew 124% to £427 million (2000: £193 million), aided by an improved result in France which last year suffered storm-related claims of £90 million. The Group's combined operating ratio was 103% (2000: 109%) and we remain fully committed to our target of 102% by the end of the year. The total expense ratio for the Group has improved to 11.9% (2000: 12.1%).

	Underwriting result*		Operating profit*	
	6 months 2001 £m	**6 months 2000 £m**	**6 months 2001 £m**	**6 months 2000 £m**
United Kingdom	(69)	(126)	254	196
Europe (excluding UK)	(57)	(234)	71	(104)
International	(26)	(47)	102	101
Ongoing business	**(152)**	**(407)**	**427**	**193**
Businesses discontinued				
United States	(173)	(96)	(21)	115
London Market	-	(31)	-	6

* Excludes the change in the equalisation provision of £22 million (2000: £12 million).

UK

Our UK general insurance business recorded a 30% increase in operating profit to £254 million (2000: £196 million), with a stronger underwriting result across our major classes of business and an improved combined operating ratio of 103%. As the UK's leading general insurer, with a 19% market share, our strategy is to move away from large commercial risks and to concentrate upon leadership in personal lines and the needs of small businesses. We continue to reposition our portfolio by adopting a rigorous approach to the risks that we accept and by taking strong rating action. In July we introduced a new 'Common Pricing Platform' for private motor, which is a significant move towards tailored pricing at an individual customer level. This pricing platform will be extended to homeowners later in the year. Annualised rating increases for personal motor and homeowners were 16% and 4% respectively. In the commercial motor and property businesses, rating actions of 20% and 8% respectively, continue to be applied while retaining core business at profitable levels. In our commercial liability business we are continuing to reduce our exposure to improve the profitability of the business and annualised rating increases were 19%.

We are currently undertaking strategic initiatives to further improve our already efficient processes, most notably in Total Incident Management, our market-leading claims service, and the Partner Self Service programme, which connect us directly with intermediaries and corporate partners through the deployment of web-based technology. These processes are integral to achieving and sustaining our target combined operating ratio of 102% by the end of the year. Our expense ratio has fallen to 10.6% (2000: 10.8%), reflecting the cost of these initiatives.

Following the recently announced reduction to the Ogden rates from 3% to 2.5%, we have assessed the impact of this change and estimate the retrospective impact to be approximately £35 million and an ongoing cost of 0.5% per annum on motor rates. We have factored the potential for adverse events, such as the revised ruling, into our pricing and reserving. Our prudent approach means we have absorbed the retrospective cost and therefore there is no impact on the current year results or our reserving strength.

In addition, following recent market developments we have considered the likelihood of a call for funding from the Policyholders' Protection Board. As a result, we considered it prudent to hold a specific provision and have charged £14 million (6 months and full year 2000: £nil) as at the end of June. Given the nature of this item, the charge is shown separately in the profit and loss account and accordingly is excluded from the general business operating profit, underwriting result and combined operating ratio to ensure meaningful period on period comparisons.

Europe (excluding UK)

Our European general insurance businesses produced operating profit of £71 million (2000: loss of £104 million) and saw improvements in performance across all of our major businesses. In France, operating profit at £34 million (2000: loss of £120 million) improved by £154 million, driven by lower weather-related costs following storm losses of £90 million in 2000, the impact of more disciplined underwriting and rate increases. Our Irish business increased operating profit by 55% to £17 million (2000: £11 million) following strong underwriting and rating actions and exiting unprofitable lines of business.

International

Our Australian and New Zealand general insurance businesses reported reduced underwriting losses of £8 million (2000: loss of £12 million). The operating profit was lower at £26 million (2000: £33 million) primarily reflecting the sale of State Insurance Limited in New Zealand that contributed £5 million to the 2000 result. We recently announced the acquisition of Fortis Australia Limited from the Fortis Group for £111 million, which completed on 3 July. The acquisition reinforces our top-five position in the Australian general insurance market and establishes us as the market leader in both the motor dealer and financial institution distribution channels. We also announced the withdrawal from the mortgage indemnity market in Australia with the sale of CGU Lenders Mortgage Insurance Limited for £39 million, expected to complete in the second half of the year. Operating profit from our Canadian business was £50 million (2000: £44 million) and other international businesses returned a small increase in operating profit at £26 million (2000: £24 million).

We continue to withdraw from those businesses that we believe do not offer us the potential for market-leading positions and recently announced the sale of our general insurance operations in Belgium, Brazil and Pakistan, which are expected to complete in the second half of the year.

On 1 June we announced the successful completion of the sale of our US general insurance business thereby completing our exit from this general insurance market. In accordance with the sale agreement the Group did not bear any continuing operating risk from 31 August 2000, nor provide any guarantees in respect of its claims reserves or balance sheet beyond that date, except for the pre-closing adjustments announced in February 2001 and charged in the year ended 31 December 2000. Despite the Group retaining no economic interest beyond this date, accounting standards require that we consolidate the results up to the date of completion of the transaction. The results of the US business for the period to 1 June include an operating loss of £21 million (2000: profit of £115 million) and a post-tax loss, including a short-term fluctuation in investment returns, of £125 million (2000: profit of £12 million). The post-tax loss was offset by a compensating reduction in the final loss on sale of £125 million, resulting in no net profit or loss to the Group in the first six months of 2001. Further details are included in note 4 on page 21 of this announcement.

Non-insurance operations

The result of the Group's non-insurance businesses improved to a loss of £7 million (2000: loss of £19 million) primarily driven by reduced losses from our estate agency business, Your Move, following the significant expenditure last year on advertising and the development of new technology. Reduced profits from our European non-insurance businesses at £1 million (2000: £12 million) reflected lower levels of commission in our banking operations in the Netherlands.

Corporate costs

Corporate costs are lower at £81 million (2000: £97 million) benefiting from the emergence of merger cost savings.

Unallocated interest charges

Unallocated interest charges include intra-group loans with the centre and external borrowings not allocated to local business operations. The increase in unallocated interest charges over the equivalent period last year to £215 million (2000: £167 million) principally reflects the impact of corporate activity during the course of 2000 and the first half of 2001. The £1.4 billion proceeds from the sale of the US general insurance business have primarily been used to reduce borrowings.

Shareholders' funds

Equity shareholders' funds decreased to £13.1 billion (31 December 2000: £13.4 billion) reflecting the fall in worldwide investment markets. Following this change, net assets per ordinary share, based on equity shareholders' funds, fell to 590 pence per share (31 December 2000: 606 pence per share) after adding back the equalisation provision of £237 million (31 December 2000: £216 million). The Group's "normalised" annualised 2001 pre-tax return on equity was 14%. The normalised return is based on the pre-tax operating profit, including life achieved profit, before amortisation of goodwill and exceptional items, expressed as a percentage of the opening equity capital.

The Group seeks to maintain an efficient capital structure using a combination of equity shareholders' funds, preference capital and borrowings. The Group has appointed a small group of leading investment banks to raise up to £1 billion of subordinated debt in the sterling and euro capital markets. This will further enhance the Group's capital position and support future growth opportunities. Although discussions are at an early stage it is anticipated that the bond issue will be launched within the next three months.

Integration update

We have made considerable progress in realising our integration targets in each of our business units. Rationalisation of IT structures is on track and we have begun to consolidate our UK multiple data centres into a single data centre based in Norwich. Further progress has been achieved in the move to common operational platforms in our UK and overseas general insurance businesses and we have fully integrated our systems in Morley. The integration of business unit support infrastructures is now largely complete. We will complete our integration by the end of 2001 and are confident that we will exceed the £275 million annualised cost savings target announced last year. Annualised cost savings were £233 million by the end of June 2001 with £89 million of savings included in the results for the first half of 2001.

Integration savings	**Profit and loss account impact 6 months 2001 £m**	**Annualised cost savings achieved to date £m**	**Total projected integration savings £m**
Life insurance	22	59	91
General insurance	32	106	116
Other operations	35	68	68
	89	**233**	**275**

On-line developments and wealth management

With norwichunion.com we have set out to create a long-term strategic initiative that brings on-line wealth management to a mass market in the UK. The first step of this business vision - a comprehensive range of interactive planning tools and impartial information designed for those who want to take greater control of their finances - was delivered on 24 May. Using the strength of the Norwich Union brand has allowed us to launch this initial proposition, using modest levels of media investment in order to prove the quality and robustness of our operational capability before adding further product functionality. Costs incurred in the first six months of 2001 were £50 million (2000: £31 million).

Our leading national home buying portal, www.assertahome.com, has recently acquired www.propertyfinder.co.uk through its holding company, asserta holdings Limited, with consideration being 20% of asserta holdings shares. Together these two websites will give homebuyers access to the largest choice of properties available on-line, and will be the biggest single source of on-line referrals to estate agents in the UK.

Notes to editors

- CGU plc and Norwich Union plc merged on 30 May 2000 to create CGNU plc, the UK's largest insurance group and one of the top-five life insurers in Europe with substantial positions in other markets around the world, making it the world's sixth-largest insurer based on gross worldwide premiums.
- CGNU's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income and retail investment sales from ongoing business of over £27 billion and assets under management of more than £200 billion.
- From October 2000, the combined life and pensions, general insurance and retail fund management businesses in the UK operate under the Norwich Union brand, while the institutional investment business operates under the Morley Fund Management brand.
- Overseas currency results are translated at average exchange rates.
- All growth rates are quoted in local currency.
- CGNU's corporate press releases and results presentations are available on the internet: www.cgnu-group.com
- The 2000 new business contribution quoted in the financial highlights and the operating and financial review has been shown using the application of 2001 economic assumptions and foreign exchange rates.
- Photographs are available from www.newscast.co.uk

Life profits reporting

In reporting the headline operating profit, life profits have been included using the achieved profit basis. This is used throughout the CGNU Group and by many in the investment community to assess performance. We have focused on the achieved profit basis, as we believe life achieved operating profit is a more realistic measure of the performance of life businesses than the modified statutory basis. The modified statutory basis is used in our financial statements and, on this basis, the life operating profit before tax amounted to £608 million. The basis used for reporting achieved profit is consistent with the draft guidance circulated by the Association of British Insurers.

Definitions of Group key performance indicators

Achieved operating profit	- excludes the operating result of businesses discontinued, and is stated before amortisation of goodwill and Policyholders' Protection Board levy.
Achieved operating earnings per share	- operating profit on an achieved profit basis before amortisation of goodwill and Policyholders' Protection Board levy, after taxation, attributable to equity shareholders in respect of ongoing business.
Modified statutory operating profit	- excludes the operating result of businesses discontinued, and is stated before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and Policyholders' Protection Board levy.
Ongoing business	- total business operations excluding the discontinued London Market operations and US general insurance operations.
Net asset value per ordinary share	- is calculated based on equity shareholders' funds, adding back the equalisation provision of £237 million (31 December 2000: £216 million).
Assets under management	- represents all assets managed by the Group including funds held on behalf of third parties.
New business contribution	- is calculated using the same assumptions as those used to determine the embedded values at the beginning of each year and is stated before tax and the effect of the solvency margin.

Summarised consolidated profit and loss account – achieved profit basis

For the six months ended 30 June 2001

Page	6 months 2001 €m		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
		Operating profit			
9	1,382	Life achieved operating profit	857	754	1,569
25	52	Health	32	34	68
30	39	Fund management	24	22	61
26	689	General insurance	427	193	412
31	(11)	Non-insurance operations	(7)	(19)	(24)
31	(131)	Corporate costs	(81)	(97)	(185)
30	(347)	Unallocated interest charges	(215)	(167)	(361)
	1,673		**1,037**	**720**	**1,540**
31	(97)	Wealth management	(60)	(41)	(133)
	1,576	**Operating profit – ongoing business before tax, amortisation of goodwill and exceptional items**	**977**	**679**	**1,407**
26	(34)	Businesses discontinued	(21)	121	(554)
	1,542		956	800	853
	(48)	Amortisation of goodwill	(30)	(18)	(92)
	(23)	Policyholders' Protection Board levy	(14)	-	-
24	-	Exceptional items	-	-	(425)
	1,471	Operating profit before tax	912	782	336
	(1,893)	Variation from longer-term investment return	(1,174)	57	213
	231	Effect of economic assumption changes	143	(32)	(269)
	(36)	Change in the equalisation provision	(22)	(12)	(27)
21	398	Profit/(loss) on sale of subsidiary undertakings	247	-	(1,058)
	-	Loss on withdrawal from London Market operations	-	-	(448)
	-	Merger transaction costs	-	(57)	(59)
	171	**Profit/(loss) on ordinary activities before tax**	**106**	**738**	**(1,312)**
	(505)	Tax on operating profit – ongoing business before amortisation of goodwill and exceptional items	(313)	(183)	(437)
	224	Tax on profit on other ordinary activities	139	(97)	174
	(110)	**(Loss)/profit on ordinary activities after tax**	**(68)**	**458**	**(1,575)**
	(48)	Minority interests	(30)	(24)	(65)
	(158)	**(Loss)/profit for the financial period**	**(98)**	**434**	**(1,640)**
27	(15)	Preference dividends	(9)	(9)	(17)
	(173)	**(Loss)/profit for the financial period attributable to equity shareholders**	**(107)**	**425**	**(1,657)**
27	(517)	Ordinary dividends	(321)	(320)	(855)
	(690)	**Retained (loss)/profit for the financial period**	**(428)**	**105**	**(2,512)**

	Earnings per share			
44.4 c	Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after taxation, attributable to equity shareholders in respect of ongoing business	27.5 p	20.9p	39.7 p
(7.7)c	(Loss)/profit attributable to equity shareholders	(4.8)p	18.9p	(73.8)p
(7.6)c	(Loss)/profit attributable to equity shareholders – diluted	(4.7)p	18.9p	(73.7)p

Basis of preparation

The achieved profit statement on page 8 includes the results of the Group's life operations reported under the achieved profit basis combined with the modified statutory basis results of the Group's non-life operations set out on pages 16 to 29. In the directors' opinion, the achieved profit basis provides a more accurate reflection of the performance of the Group's life operations year on year than results under the modified statutory basis. The achieved profit methodology used is in accordance with the latest draft 'Guidance on accounting in Group accounts for proprietary companies long-term insurance business', circulated by the Association of British Insurers. Further details on the methodology and assumptions are set out on pages 13 to 15.

The results of the Group's life operations under the modified statutory basis, which is the basis used in the annual statutory accounts, can be found on pages 16 to 29.

The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group plc (RBSG) is incorporated within the achieved operating profit. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the `Amortisation of goodwill' on page 8.

The results for the six-month periods 30 June 2001 and 30 June 2000 are unaudited but have been reviewed by the auditors, Ernst & Young. Their review report in respect of 30 June 2001 is included in the Interim Report and Accounts. The interim accounts do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

Components of total life achieved profit

Total life achieved profit, including the Group's share from the alliance with RBSG, comprises the following components, the first four of which in aggregate are referred to as life achieved operating profit:

- new business contribution written during the year including value added between the point of sale and end of year;
- the profit from existing business equal to:
  - the expected return on the value of the in-force business at the beginning of the period,
  - experience variances caused by the differences between the actual experience during the period and expected experience based on the operating assumptions used to calculate the start of year value,
  - the impact of changes in operating assumptions including risk margins;
- development costs incurred in establishing new life businesses;
- the expected investment return on the shareholders' net worth, based upon assumptions applying at the start of the year;
- investment return variances caused by differences between the actual return in the period and the expected experience based on economic assumptions used to calculate the start of year value; and
- the impact of changes in economic assumptions in the period.

		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
New business contribution		227	194	392
Profit from existing business	– expected return	417	417	839
	– experience variances	(7)	(9)	10
	– operating assumption changes	50	-	(7)
Development costs		-	(17)	(20)
Expected return on shareholders' net worth		162	155	319
		849	740	1,533
Other life and savings activities*		8	14	36
Life achieved operating profit before tax and exceptional items		**857**	**754**	**1,569**
Exceptional items **		-	-	(106)
Investment return variances		(742)	(69)	(43)
Effect of economic assumption changes		143	(32)	(269)
Total life achieved profit before tax		258	653	1,151
Tax on operating profit		(264)	(234)	(485)
Tax on other ordinary activities		183	13	110
Total life achieved profit after tax		**177**	**432**	**776**

* Profits from other life and savings activities, which include service companies, have been calculated on a statutory basis.
** Exceptional items in 2000 comprise one-off integration costs.

New business contribution

The following table sets out the contribution from new business written by the long-term business operations. The contribution generated by new business written during the period is the present value of the projected stream of after-tax distributable profit from that business. Contribution before tax is calculated by grossing up the contribution after-tax at the full corporation tax rate for UK business and at appropriate rates of tax for other countries.

	Annual premium equivalent *			New business contribution		
	6 months 2001	**6 months 2000**	**Local currency growth**	**6 months 2001**	**6 months 2000 at 2001 assumptions ****	**6 months 2000**
	£m	**£m**	**%**	**£m**	**£m**	**£m**
United Kingdom	606	479	27%	164	130	137
Europe (excluding UK)						
France	121	118	1%	35	35	39
Ireland	51	45	12%	14	11	12
Italy	55	18	203%	15	6	6
Netherlands (including Belgium and Luxembourg)	75	57	28%	11	5	8
Poland – Life	17	23	(32%)	4	6	5
– Pensions	13	109	(90%)	1	26	22
Spain	50	9	464%	23	1	1
Other	39	37	10%	2	1	1
International	57	45	21%	3	5	5
Total annualised premiums	**1,084**	**940**	**13%**			
Total new business contribution before effect of solvency margin***				**272**	**226**	**236**
Effect of solvency margin				(45)	(42)	(42)
Total new business contribution including effect of solvency margin				**227**	**184**	**194**

* Annual premium equivalent represents regular premiums plus 10% of single premiums.
** 2000 new business contribution has been shown using the application of 2001 economic assumptions and exchange rates.
*** New business contribution before effect of solvency margin includes minority interests in 2001 of £21 million (six months to 30 June 2000: £10 million). This comprises minority interests in France of £2 million (six months to 30 June 2000: £2 million), Italy £6 million (six months to 30 June 2000: £2 million), Poland £1 million (six months to 30 June 2000: £6 million), Spain £12 million (six months to 30 June 2000: £nil).

New business contributions have been calculated using the same economic assumptions as those used to determine the embedded values as at the beginning of each year. The effect of solvency margin represents the impact of holding the minimum European Union (EU) solvency margin (or equivalent for non-EU operations) and discounting to present value the projected future releases from the solvency margin to shareholders.

Analysis of life achieved operating profit

Life achieved operating profit is calculated on an after-tax basis and then grossed up at the full rate of corporation tax for UK business and at appropriate rates of tax for other countries.

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom*	465	449	903
Europe (excluding UK)			
France	110	124	204
Ireland	37	33	68
Italy	24	11	29
Netherlands (including Belgium and Luxembourg)	93	75	179
Poland – Life	23	20	58
– Pensions *	21	24	36
Spain	31	7	42
Other	28	(18)	(15)
International	17	15	29
Total life achieved operating profit before tax, and exceptional items**	**849**	**740**	**1,533**

* Excludes other life and savings activities.

** Life achieved operating profit includes minority interests in 2001 of £35 million (six months to 30 June 2000: £15 million, full year 2000: £42 million). This comprises minority interests in France of £4 million (six months to 30 June 2000: £2 million, full year 2000: £6 million), Italy £10 million (six months to 30 June 2000: £4 million, full year 2000: £12 million), Poland £8 million (six months to 30 June 2000: £9 million, full year 2000: £15 million), Spain £13 million (six months to 30 June 2000: £nil, full year 2000: £10 million) and International £nil (six months to 30 June 2000: £nil, full year 2000: loss of £1 million).

Embedded value of life business

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Embedded value at the beginning of the period	**11,234**	**10,518**	**10,518**
Total life achieved profit after tax *	172	422	813
Exchange rate movements	(46)	98	81
Embedded value of businesses (disposed)/acquired **	(109)	57	437
Amounts injected into life operations	106	78	167
Amounts released from life operations	(220)	(205)	(782)
Embedded value at the end of the period ***	**11,137**	**10,968**	**11,234**

* Excluding profits from other life and savings activities after tax.

** Embedded value from business acquired in 2001 comprises Hungary (£11 million). Embedded value from businesses disposed of in 2001 comprises Greece Life (£3 million) and Canada (£117 million).
Embedded value from businesses acquired in 2000 comprises Hibernian Group in Ireland (£57 million), Aseval in Spain (£94 million), and the Group's share of the associated partnership in RBS Life Investments Limited (£343 million). Hibernian Group was acquired in the first six months of 2000. Embedded value from business disposed of comprises the Norwich Union Poland life and pensions operations (£57 million).

*** Embedded value at the end of the period includes minority interests in 2001 of £224 million (30 June 2000: £137 million, 31 December 2000: £208 million). This comprises minority interests in France of £35 million (30 June 2000: £33 million, 31 December 2000: £34 million), Italy £71 million (30 June 2000: £65 million, 31 December 2000: £70 million), Poland £52 million (30 June 2000: £33 million, 31 December 2000: £42 million), Spain £62 million (30 June 2000: £nil, 31 December 2000: £57 million) and Other Europe £4 million (30 June 2000: £6 million, 31 December 2000: £5 million).

Segmental analysis of embedded value of life business

	Net worth * at 30 June		Valuation of in-force at 30 June		Embedded value at 30 June	
	2001 £m	2000 £m	2001** £m	2000 £m	2001 £m	2000 £m
United Kingdom	1,754	1,887	4,275	4,291	6,029	6,178
Europe (excluding UK)						
France	875	849	409	423	1,284	1,272
Ireland	202	221	277	243	479	464
Italy	98	94	76	68	174	162
Netherlands (including Belgium and Luxembourg)	1,371	1,245	748	714	2,119	1,959
Poland	109	87	241	188	350	275
Spain	65	36	151	49	216	85
Other	57	57	67	54	124	111
International	293	383	69	79	362	462
	4,824	**4,859**	**6,313**	**6,109**	**11,137**	**10,968**

* The shareholders' net worth comprises the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds determined on a statutory solvency basis and adjusted to add back any non-admissible assets.

** The effect of holding the minimum statutory solvency margin and allowing for projected future releases was £660 million.

Minority interest in life achieved profit

	6 months 2001			6 months 2000	Full year 2000
	Shareholders' interest £m	Minority interest £m	Group £m	Group £m	Group £m
New business contribution before effect of solvency margin	251	21	272	236	483
Effect of solvency margin	(40)	(5)	(45)	(42)	(91)
New business contribution including effect of solvency margin	**211**	**16**	**227**	**194**	**392**
Life achieved operating profit	814	35	849	740	1,533
Other life and savings activities	8	-	8	14	36
Life achieved operating profit before tax and exceptional items	**822**	**35**	**857**	**754**	**1,569**
Total life achieved profit before tax	233	25	258	653	1,151
Attributed tax	(72)	(9)	(81)	(221)	(375)
Total life achieved profit after tax	**161**	**16**	**177**	**432**	**776**
Closing life embedded value	**10,913**	**224**	**11,137**	**10,968**	**11,234**

Methodology

(a) Life achieved profit
The achieved profit method of financial reporting is designed to recognise profit as it is earned over the life of an insurance policy. The total profit recognised over the lifetime of a policy is the same as under the modified statutory basis of reporting, but the timing of recognition is different.

Distributable profits from long-term businesses arise when they are released to shareholders following actuarial valuations. These are carried out in accordance with statutory requirements designed to ensure and demonstrate solvency in long-term business funds.

Future distributable profits will depend on experience in a number of areas such as investment return, discontinuance rates, mortality and administration costs. Using realistic assumptions of future experience, we can project releases to shareholders arising in future years from the business in-force and associated minimum statutory solvency margin.

The life achieved profit reflects current performance by measuring the movement, from the beginning to the end of the year, in the present value of projected releases to shareholders, together with the movement in the net assets of the long-term operations held in excess of the minimum statutory solvency margin, adjusted for any amounts released from or invested in life operations.

The present value of the projected releases to shareholders is calculated by discounting back to the current time using a risk discount rate. The risk discount rate is a combination of a discount rate to reflect the time value of money and a risk margin to make prudent allowance for the risk that experience in future years may differ from the assumptions referred to above.

The calculations are carried out on an after-tax basis and the profits are then grossed up for tax at the full rate of corporation tax for the United Kingdom and at an appropriate rate for each of the other countries.

(b) Embedded value
The shareholders' interest in the long-term business operations is represented by the embedded value. The embedded value is the total of the net assets of the long-term operations and the present value at risk discount rates (which incorporate a risk margin) of the projected releases to shareholders arising from the business in force, less a deduction for the effect of holding the minimum statutory solvency margin. This effect of solvency margin is the difference between the nominal value of the solvency margin and the present value at risk discount rates of the projected release of the solvency margin and investment earnings on the assets deemed to back the solvency margin.

For with-profit funds in the United Kingdom, for the purpose of recognising the value of the estate, it is assumed that terminal bonuses are increased to exhaust all of the free assets over the future lifetime of the in-force with-profit policies.

Principal economic assumptions

The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2001	31 December 2000	30 June 2000	31 December 1999	30 June 2001	31 December 2000	30 June 2000	31 December 1999
Risk discount rate	7.9%	7.4%	7.6%	7.8%	8.5%	8.5%	8.7%	8.7%
Pre-tax investment returns:								
Base government fixed interest	5.3%	4.7%	5.0%	5.2%	5.0%	5.0%	5.5%	5.5%
Ordinary shares	7.8%	7.2%	7.5%	7.7%	7.0%	7.0%	7.5%	7.5%
Property	6.8%	6.2%	6.5%	6.7%	6.5%	6.5%	7.0%	7.0%
Future expense inflation	3.7%	3.7%	3.8%	4.1%	2.5%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	30.0%	37.8%	37.8%	40.0%	40.0%

	Ireland				Italy			
	30 June 2001	31 December 2000	30 June 2000	31 December 1999	30 June 2001	31 December 2000	30 June 2000	31 December 1999
Risk discount rate	9.4%	9.1%	9.1%	9.0%	7.5%	7.5%	7.7%	7.7%
Pre-tax investment returns:								
Base government fixed interest	5.6%	5.3%	5.5%	5.6%	5.3%	5.3%	5.6%	5.6%
Ordinary shares	8.6%	8.3%	8.5%	8.6%	8.3%	8.3%	8.6%	8.6%
Property	7.1%	6.8%	7.0%	7.1%	6.8%	6.8%	7.1%	7.1%
Future expense inflation	5.0%	5.0%	5.9%	4.0%	3.3%	3.3%	2.5%	2.5%
Tax rate	18.0%	20.0%	22.0%	28.0%	43.0%	43.0%	43.0%	43.0%

	Netherlands				Poland – Life			
	30 June 2001	31 December 2000	30 June 2000	31 December 1999	30 June 2001	31 December 2000	30 June 2000	31 December 1999
Risk discount rate	8.0%	8.0%	8.2%	8.3%	20.0%	20.0%	19.8%	19.8%
Pre-tax investment returns:								
Base government fixed interest	5.0%	5.0%	5.3%	5.5%	12.5%	12.5%	12.5%	12.5%
Ordinary shares	7.9%	7.9%	8.2%	8.4%	12.5%	12.5%	12.5%	12.5%
Property	6.5%	6.5%	6.8%	7.0%	n/a	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	2.5%	9.2%	9.2%	9.2%	9.2%
Tax rate	25.0%	25.0%	25.0%	25.0%	28.0%	28.0%	30.0%	33.0%

	Poland – Pensions				Spain			
	30 June 2001	31 December 2000	30 June 2000	31 December 1999	30 June 2001	31 December 2000	30 June 2000	31 December 1999
Risk discount rate	17.3%	17.3%	17.1%	17.1%	8.4%	8.4%	9.1%	9.1%
Pre-tax investment returns:								
Base government fixed interest	12.5%	12.5%	12.5%	12.5%	5.4%	5.4%	5.5%	5.6%
Ordinary shares	12.5%	12.5%	12.5%	12.5%	8.4%	8.4%	8.5%	8.6%
Property	n/a	n/a	n/a	n/a	6.9%	6.9%	7.0%	7.1%
Future expense inflation	9.2%	9.2%	9.2%	9.2%	4.0%	4.0%	3.0%	3.0%
Tax rate	28.0%	28.0%	30.0%	33.0%	35.0%	35.0%	35.0%	35.0%

Other assumptions

- Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates have been announced.
- Assumed future mortality, morbidity and lapse rates have been derived from an analysis of CGNU's recent operating experience.
- The management expenses of CGNU attributable to long-term business operations have been split between expenses relating to the acquisition of new business and to the maintenance of business in-force. Certain expenses of an exceptional nature have been identified separately and the discounted value of projected exceptional costs has been deducted from the value of in-force business.
- It has been assumed that there will be no changes to the methods and bases used to calculate the statutory technical provisions and current surrender values.
- The value of in-force business does not allow for future premiums under recurring single premium business or non-contractual increments. The value arising therefrom is included in the value of new business when the premium is received. Department of Social Security (DSS) rebate premiums have been treated as recurring single premiums.
- The value of the in-force business has been determined after allowing for the effect of holding solvency margins equal to the minimum EU solvency requirement (or equivalent for non-EU operations). Solvency margins relating to with-profit business are assumed to be covered by the surplus within the with-profit funds and no effect has been attributed to shareholders.
- Bonus rates on with-profit business have been set at levels consistent with the economic assumptions and CGNU's medium-term bonus plans. The distribution of profit between policyholders and shareholders within the with-profit funds assumes that the shareholder interest in conventional with-profit business in the United Kingdom and Ireland continues at the current rate of one-ninth of the cost of bonus.

Summarised consolidated profit and loss account – modified statutory basis

For the six months to 30 June 2001

Page	6 months 2001 €m	Premium income (after reinsurance) and investment sales	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
		Ongoing business			
24	13,254	Life premiums	8,218	7,130	14,848
24	1,231	Investment sales	763	1,392	2,501
25	821	Health premiums	509	428	687
	15,306		9,490	8,950	18,036
26	7,020	General insurance premiums	4,352	4,596	8,990
	22,326	**Total ongoing business**	**13,842**	**13,546**	**27,026**
26	1,779	Businesses discontinued – general insurance premiums	1,103	1,587	3,213
	24,105	**Total**	**14,945**	**15,133**	**30,239**
		Operating profit			
25	980	Modified statutory life profit	608	606	1,190
25	52	Health	32	34	68
30	39	Fund management	24	22	61
26	689	General insurance	427	193	412
31	(11)	Non-insurance operations	(7)	(19)	(24)
31	(131)	Corporate costs	(81)	(97)	(185)
30	(347)	Unallocated interest charges	(215)	(167)	(361)
	1,271		788	572	1,161
31	(97)	Wealth management	(60)	(41)	(133)
	1,174	**Operating profit – ongoing business before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items**	**728**	**531**	**1,028**
26	(34)	Businesses discontinued	(21)	121	(554)
	1,140		707	652	474
	(48)	Amortisation of goodwill	(30)	(18)	(92)
	(27)	Amortisation of acquired additional value of in-force long-term business	(17)	(10)	(29)
	(23)	Policyholders' Protection Board levy	(14)	-	-
24	-	Exceptional items	-	-	(425)
	1,042	Operating profit/(loss) before tax	646	624	(72)
	(719)	Short-term fluctuation in investment returns	(446)	123	258
	(36)	Change in the equalisation provision	(22)	(12)	(27)
21	398	Profit/(loss) arising on the sale of subsidiary undertakings	247	-	(1,058)
	-	Loss on withdrawal from London Market operations	-	-	(448)
	-	Merger transaction costs	-	(57)	(59)
	685	**Profit/(loss) on ordinary activities before tax**	**425**	**678**	**(1,406)**
27	(435)	Tax on profit on ordinary activities	(270)	(251)	(255)
	250	**Profit/(loss) on ordinary activities after tax**	**155**	**427**	**(1,661)**
	(40)	Minority interests	(25)	(21)	(52)
	210	**Profit/(loss) for the financial period**	**130**	**406**	**(1,713)**
27	(15)	Preference dividends	(9)	(9)	(17)
	195	**Profit/(loss) for the financial period attributable to equity shareholders**	**121**	**397**	**(1,730)**
27	(517)	Ordinary dividends	(321)	(320)	(855)
	(322)	**Retained (loss)/profit transferred to reserves**	**(200)**	**77**	**(2,585)**

Earnings per share – modified statutory basis
For the six months to 30 June 2001

Page		6 months 2001	6 months 2000	Full year 2000
28	Operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after taxation, attributable to equity shareholders in respect of ongoing business	20.6p	16.3p	28.3 p
28	Profit/(loss) attributable to equity shareholders	5.4p	17.7p	(77.0)p
28	Profit/(loss) attributable to equity shareholders – diluted	5.4p	17.6p	(76.9)p
27	Dividends per share	14.25p	14.25p	38.0p

Consolidated statement of total recognised gains and losses
For the six months to 30 June 2001

Page		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
16	Profit/(loss) for the financial period	130	406	(1,713)
	Movement in internally-generated additional value of in-force long-term business *	(228)	66	73
	Foreign exchange gains	35	359	303
	Total recognised gains and losses arising in the period	**(63)**	**831**	**(1,337)**

* Stated before the effect of foreign exchange movements which are reported within the foreign exchange gains line.

Reconciliation of movements in consolidated shareholders' funds
For the six months to 30 June 2001

Page		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
	Shareholders' funds at the beginning of the period	**13,633**	**15,673**	**15,673**
	Total recognised gains and losses arising in the period	(63)	831	(1,337)
27	Dividends	(330)	(329)	(872)
	Increase in capital	16	21	54
	Merger reserve arising during the period	-	5	5
	Other movements	5	(8)	110
	Shareholders' funds at the end of the period	**13,261**	**16,193**	**13,633**

Summarised consolidated balance sheet

	30 June 2001 £m	30 June 2000 £m	31 December 2000 £m
Assets			
Goodwill	750	544	747
Investments			
Land and buildings	768	805	820
Investments in Group undertakings and participating interests	284	231	264
Variable yield securities	5,016	7,416	5,868
Fixed interest securities	8,300	13,531	13,813
Mortgages and loans, net of non-recourse funding	1,139	1,305	1,233
Deposits	1,839	1,077	1,112
Additional value of in-force long-term business	6,321	6,554	6,605
	23,667	30,919	29,715
Reinsurers' share of technical provisions	2,924	2,684	3,709
Assets of the long-term business	144,399	144,894	148,551
Other assets	9,241	9,897	10,596
Total assets	**180,981**	**188,938**	**193,318**
Liabilities			
Shareholders' funds			
Equity	13,061	15,993	13,433
Non-equity	200	200	200
Minority interests	560	588	584
Total capital and reserves	**13,821**	**16,781**	**14,217**
Liabilities of the long-term business	139,951	140,447	144,301
General insurance liabilities	18,014	23,206	23,786
Borrowings	2,686	2,834	2,592
Other creditors and provisions	6,509	5,670	8,422
Total liabilities	**180,981**	**188,938**	**193,318**

Approved by the Board on 1 August 2001

Consolidated cash flow statement

For the six months to 30 June 2001

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Net cash inflow from operating activities excluding exceptional items and merger transaction costs	(17)	215	738
Exceptional items and merger transaction costs paid	(97)	(83)	(251)
Net cash outflow from servicing of finance	(82)	(119)	(257)
Corporation tax paid (including advance corporation tax)	(77)	(92)	(210)
Net purchases of tangible fixed assets	(76)	(39)	(119)
Acquisitions and disposals of subsidiary and associated undertakings	1,261	(235)	(277)
Equity dividends paid	(535)	(496)	(816)
Net cash inflow from financing activities	84	691	493
Net cash flows	**461**	**(158)**	**(699)**
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	(114)	(146)	119
Net portfolio investment			
Net purchases/(sales) of investments	481	52	(1,541)
Non-trading cash outflow to/(inflow from) long-term business operations	94	(64)	723
Net investment of cash flows	**461**	**(158)**	**(699)**

The cash flows presented in this statement relate to non-life transactions only.

1. Basis of preparation

(a) On 21 February 2000, CGU plc and Norwich Union plc announced plans to merge their respective businesses to form CGNU plc. The merger was effected by way of a scheme of arrangement of Norwich Union plc under section 425 of the Companies Act 1985. Under the terms of the scheme, Norwich Union shareholders had their existing shares replaced by new shares in CGNU plc. CGU shareholders' rights were unaffected. The merger became effective on 30 May 2000 and on that date 931 million new shares in CGNU plc, with a total market value of £9,528 million, were issued to Norwich Union plc shareholders in return for Norwich Union plc shares in a ratio of 48 CGNU plc shares for every 100 Norwich Union plc shares.

The merger has been accounted for using the merger accounting principles set out in Financial Reporting Standard 6 "Acquisitions and Mergers". Accordingly, the financial information for 2000 has been presented as if CGU plc and Norwich Union plc had been combined throughout the year. Merger accounting principles have given rise to a merger reserve.

Costs of integrating and reorganising the business are included within operating profit. Merger transaction costs of £59 million were incurred in 2000 and are shown after operating profit within the profit on ordinary activities before taxation.

(b) The results for the six months to 30 June 2001 have been prepared on the basis of the accounting policies set out in CGNU plc's 2000 Annual Report and Accounts.

(c) The results for the six months to 30 June 2001 and 30 June 2000 are unaudited but have been reviewed by the auditors. The interim accounts do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 2000 have been taken from the Group's 2000 Report and Accounts. The auditors have reported on the 2000 accounts and their reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The CGNU plc 2000 Report and Accounts have been filed with the Registrar of Companies.

(d) 'Business discontinued' disclosures relate to the exit from London Market business in 2000 and the sale of the general insurance business in the United States which completed on 1 June 2001. The results of all other operations are entitled 'Ongoing business'.

(e) The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group plc (RBSG) is incorporated within modified statutory life profit. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the 'Amortisation of goodwill' on page 16.

2. Exchange rates

The principal rates of exchange used for translation are:

Average rates

		6 months 2001	6 months 2000	Full year 2000
Canada	– dollars	2.20	2.30	2.25
United States	– dollars	1.43	1.57	1.51

Closing rates

		30 June 2001	30 June 2000	31 December 2000
Canada	– dollars	2.13	2.24	2.24
United States	– dollars	1.41	1.51	1.49

The euro rates employed in this announcement are an average rate of 1 euro = £0.62 (six months to 30 June 2000: 1 euro = £0.61, full year 2000: 1 euro = £0.61) and a closing rate of 1 euro = £0.60 (30 June 2000: 1 euro = £0.64, 31 December 2000: 1 euro = £0.63).

3. Acquisitions

On 28 June 2001, the Group completed the acquisition of ABN AMRO Magyar Elet es Nyugdijbiztosito Reszvenytarsasag (Mébit), the sixth-largest life insurance business in Hungary, from ABN AMRO Bank N.V. for a cash consideration of £63 million. The embedded value amounted to £11 million, giving rise to goodwill of £51 million after transaction costs. The transaction has been accounted for as an acquisition.

4. Disposals

The net profit/(loss) on the disposal of subsidiary undertakings comprises:

		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Long-term savings businesses				
Poland		-	-	65
Canada	(a)	(5)	-	-
General insurance businesses				
Germany		-	-	(43)
South Africa		-	-	(11)
New Zealand	(b)	52	-	-
United States	(d)	125	-	(1,070)
Other businesses				
Australia		-	-	4
UK	(c)	70	-	-
Other small operations		5	-	(3)
		247	**-**	**(1,058)**

(a) In the first six months of 2001, the Group completed the disposal of its wholly-owned Canadian subsidiaries, Commercial Union Life Holdings Limited and Norwich Union Holdings (Canada) Limited, for a combined consideration of £120 million. The embedded value of both businesses at disposal amounted to £118 million and the loss on disposal, after transaction costs, was £5 million.

(b) In February 2001, the Group completed the disposal of its wholly-owned New Zealand subsidiary, State Insurance Limited, for a cash consideration of £125 million. The net assets disposed of amounted to £69 million and the profit on disposal, after transaction costs, was £52 million.

(c) In March 2001, the Group completed the disposal of its holding in Quilter Holdings Limited for a cash consideration of £102 million. The cash consideration reflected the value of the Group's 56.7% interest in Quilter Holdings Limited following the exercise of management options immediately before the change of ownership. The Group's share of the net assets disposed of amounted to £24 million and the profit on disposal, after transaction costs and writing back £6 million of goodwill previously charged to reserves, was £70 million.

(d) On 1 June, the Group completed the sale of the US general insurance operations for US$2,023 million (net of transaction costs of US$40 million), and settlement of an inter-company loan of US$1,100 million, in total being US$3,123 (£2,200 million at 1 June 2001 exchange rates). The settlement comprised cash, the transfer of businesses and subordinated loan notes of US$260 million. The total proceeds for the sale of the US general business were fixed by reference to the operation's net assets as at 31 August 2000 and were not adjusted to reflect the business' results in the period from 1 September 2000 to completion. In addition the Group did not bear any continuing operating risk from 31 August 2000 nor provide any guarantees in respect of its claims reserves or balance sheet beyond this date. Prior to completion US$200 million (£141 million) was injected into the business as a pre-closing adjustment.

Financial Reporting Standard 2 "Accounting for subsidiary undertakings" required the results of the US general business to be consolidated with those of the Group's ongoing operations until completion on 1 June. However, given that the Group retained no economic interest in the operations of this business beyond 31 August 2000, the US general business' post-tax operating loss and investment gains incorporated in the Group's consolidated profit and loss account from 1 September 2000 to completion on 1 June has been offset by a corresponding change to the loss on sale calculated at 31 August 2000. The loss on sale also reflects goodwill previously written off against reserves but which needs to be reinstated and charged to the profit and loss account.

The pre-tax loss on sale recorded in the Group's consolidated profit and loss account reserves at 30 June 2001 is £996 million retranslated at the exchange rate prevailing at 1 June 2001.

Impact of disposal of United States general insurance business

The impact of the disposal of the United States general insurance business and how this has been reported in the accounts of the Group is as follows:

	Reported in profit and loss account		Reported within statement of total recognised gains and losses	Total loss on disposal
	Full year 2000* £m	**6 months 2001 £m**	**Exchange rate movements £m**	**Total £m**
Proceeds, net of transaction costs	**2,092**	**-**	**108**	**2,200**
Net assets to which proceeds apply, including capital injection	3,092	(125)	159	3,126
Goodwill write back	70	-	-	70
	3,162	(125)	159	3,196
(Loss)/profit on sale after tax and goodwill write back *	(989)	125	(47)	(911)
Tax attributed to loss on sale	(81)	-	(4)	(85)
Pre-tax (loss)/profit on sale	**(1,070)**	**125**	**(51)**	**(996)**

* In the Group accounts for the full year 2000, the loss on sale was disclosed under 'provision for loss on sale of US general business' reflecting the fact that the transaction had not completed in that period.

The Group hedged an element of its exposure to the sale proceeds, which reduced the exchange gain from £108 million disclosed above by £24 million to £84 million.

(i) Abridged statement of operating and investment gains

The Group's consolidated profit and loss account incorporates the following financial information in respect of the US general insurance business:

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Underwriting result	(173)	(96)	(967)
Longer-term investment return	152	211	417
General insurance operating (loss)/profit	(21)	115	(550)
Unallocated interest charges *	(21)	(23)	(42)
Operating (loss)/profit	**(42)**	**92**	**(592)**
Amortisation of goodwill	(1)	(1)	(3)
Short-term fluctuation in investment returns	13	(64)	66
(Loss)/profit on ordinary activities before tax	**(30)**	**27**	**(529)**
Tax on (loss)/profit on ordinary activities	(93)	(15)	110
(Loss)/profit for the financial period	**(123)**	**12**	**(419)**
Retranslation to closing rate	(2)	-	(4)
Retained (loss)/profit	**(125)**	**12**	**(423)**

* Unallocated interest charges are eliminated at Group level.

(ii) Analysis of sale proceeds

An analysis of the sale proceeds is as follows:

	US$m	£m
Proceeds, net of transaction costs, including repayment of inter-company loan	**3,123**	**2,200**
Comprising:		
Loan notes	260	183
Value of businesses and investments retained	630	443
Cash proceeds	2,233	1,574
	3,123	**2,200**

The net cash received on completion by the Group was US$2,033 million (£1,433 million) comprising the cash proceeds identified above less the pre-closing adjustment (capital injection) of US$200 million (£141 million).

5. Exceptional items

Exceptional items in 2000 comprise merger integration costs and reflect the costs of integrating and reorganising the businesses of the former CGU plc and Norwich Union plc.

6. Geographical analysis of life and pensions and investment sales - new business and total income

	New business sales				Premium income (after reinsurance) and investment sales		
	New single premiums		New regular premiums				
	6 months 2001 £m	6 months 2000 £m	6 months 2001 £m	6 months 2000 £m	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Life and pensions sales							
United Kingdom	3,286	2,966	277	182	4,370	4,138	8,548
Europe (excluding UK)							
France	1,015	968	20	21	1,127	1,100	2,124
Ireland	229	198	28	25	321	279	539
Italy	369	119	18	6	440	204	378
Netherlands (including Belgium and Luxembourg)	277	214	47	36	670	536	1,078
Poland – Life	3	5	17	22	145	120	247
– Pensions	-	-	13	109	231	182	371
Spain	271	37	23	5	351	66	428
Other	80	53	31	32	218	181	464
International	254	228	32	23	345	324	671
Total life and pensions	**5,784**	**4,788**	**506**	**461**	**8,218**	**7,130**	**14,848**
Investment sales							
United Kingdom	550	510	7	11	557	521	897
Netherlands	40	584	-	-	40	584	1,025
Europe (excluding UK)	82	121	-	-	82	121	284
International	84	166	-	-	84	166	295
Total long-term savings	**6,540**	**6,169**	**513**	**472**	**8,981**	**8,522**	**17,349**

Single premiums are those relating to products issued by the Group, which provide for the payment of one premium only. Regular premiums are those where there is a contractual obligation to pay on an ongoing basis.

7. Geographical analysis of modified statutory life profit

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom			
With-profit	146	127	275
Non-profit	256	286	497
Europe (excluding UK)			
France	75	69	143
Ireland	15	19	45
Italy	5	9	21
Netherlands (including Belgium and Luxembourg)	68	73	162
Poland – Life	19	13	31
– Pensions	7	(5)	(9)
Spain	12	5	14
Other *	(9)	(10)	(25)
International *	14	20	36
Total modified statutory life profit	**608**	**606**	**1,190**

* The modified statutory life profit for Turkey of £3 million in the six months to 30 June 2000 has been re-classified from International to Other Europe, consistent with current and full year disclosure.

8. Geographical analysis of health premiums after reinsurance and operating result

a) Premiums after reinsurance:

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom	128	103	204
France	53	47	92
Netherlands	328	278	391
	509	**428**	**687**

b) Operating result:

	Operating profit			Underwriting result		
	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom	4	2	6	2	-	2
France	4	6	12	(1)	-	-
Netherlands *	24	26	50	(11)	(10)	(22)
	32	**34**	**68**	**(10)**	**(10)**	**(20)**

* The basis for allocating the longer-term investment return between general business and health business was refined at the end of 2000 and is based on underlying technical and associated solvency assets. The effect of this refinement on the six months to 30 June 2000 was to re-classify £13 million of longer-term investment return from general insurance into health.

9. Geographical analysis of general insurance premiums after reinsurance and operating result

a) General insurance premiums after reinsurance:

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom	2,454	2,488	4,937
Europe (excluding UK)			
France	389	353	640
Ireland	236	184	382
Netherlands	227	226	465
Other ***	301	343	625
International			
Australia and New Zealand	256	313	634
Canada	436	454	940
Other ***	53	235	367
Ongoing business	**4,352**	**4,596**	**8,990**
United States	1,103	1,425	3,021
London Market	-	162	192
Businesses discontinued	**1,103**	**1,587**	**3,213**
	5,455	**6,183**	**12,203**

b) Operating result:

	Operating profit *			Underwriting result *		
	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom	254	196	296	(69)	(126)	(387)
Europe (excluding UK)						
France	34	(120)	(115)	(15)	(167)	(208)
Ireland	17	11	21	(10)	(13)	(30)
Netherlands **	5	(3)	(4)	(12)	(21)	(40)
Other ***	15	8	20	(20)	(33)	(55)
International						
Australia and New Zealand	26	33	82	(8)	(12)	(7)
Canada	50	44	78	(16)	(18)	(53)
Other ***	26	24	34	(2)	(17)	(41)
Ongoing business	**427**	**193**	**412**	**(152)**	**(407)**	**(821)**
United States	(21)	115	(550)	(173)	(96)	(967)
London Market	-	6	(4)	-	(31)	(59)
Businesses discontinued	**(21)**	**121**	**(554)**	**(173)**	**(127)**	**(1,026)**
	406	**314**	**(142)**	**(325)**	**(534)**	**(1,847)**

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £22 million (six months to 30 June 2000: £12 million, full year 2000: £27 million) and the Policyholders' Protection Board levy of £14 million (six months to 30 June 2000 and full year 2000: £nil).

** The basis for allocating the longer-term investment return between general business and health business was refined in 2000 and is based on underlying technical and associated solvency assets. The effect of this refinement on the six months to 30 June 2000 was to re-classify £13 million of longer-term investment return from general insurance into health.

*** The premium, operating profit and underwriting result for Turkey of £14 million, £7 million and £1 million respectively in the six months to 30 June 2000 has been re-classified from International to Other Europe, consistent with current and full year disclosure.

10. Taxation

The tax charge in the profit and loss account comprises:

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
UK corporation tax	(18)	16	(65)
Overseas tax	90	134	49
Other	16	(85)	(103)
Total taxation charge for the period	**88**	**65**	**(119)**
Tax attributable to the long-term business technical result	182	186	374
Charge to profit and loss account	**270**	**251**	**255**
Tax charge analysed between:			
Operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items			
– ongoing business	231	140	326
– businesses discontinued	(7)	36	(130)
Profit on other ordinary activities	46	75	59
	270	**251**	**255**

11. Dividends

a) The preference dividends in the profit and loss account comprise:

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Preference dividends	**9**	**9**	**17**

The preference dividends are in respect of the cumulative irredeemable preference shares of £1 each in issue, payable on 31 March and 30 June 2001.

b) The ordinary dividends in the profit and loss account comprise:

		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Ordinary dividends				
Interim	– 14.25 pence (2000: 14.25 pence)	321	320	320
Final	– (2000: 23.75 pence)	-	-	535
Total ordinary dividends		**321**	**320**	**855**

The directors declare an interim dividend for the period of £321 million, representing 14.25 pence net per share of the company, payable on 15 November 2001 to members on the register at 28 September 2001. Irish shareholders who are due to be paid a dividend denominated in Irish punts will receive a payment at the exchange rate prevailing on 1 August 2001.

12. Earnings per share

a) Basic earnings per share

	6 months 2001			6 months 2000		Full year 2000	
	Before tax £m	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p
Operating profit – ongoing business before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	728	463	20.6	365	16.3	636	28.3
Adjusted for the following items:							
– Operating (loss)/profit on discontinued businesses	(21)	(14)	(0.6)	85	3.8	(423)	(18.8)
– Amortisation of goodwill	(30)	(30)	(1.3)	(18)	(0.8)	(92)	(4.1)
– Amortisation of acquired additional value of in-force long-term business	(17)	(12)	(0.5)	(9)	(0.4)	(22)	(1.0)
– Exceptional items	-	-	-	-	-	(352)	(15.7)
– Short-term fluctuation in investment returns	(446)	(507)	(22.6)	32	1.4	(117)	(5.2)
– Change in the equalisation provision	(22)	(16)	(0.7)	(9)	(0.4)	(19)	(0.8)
– Policyholders' Protection Board levy	(14)	(10)	(0.5)	-	-	-	-
– Net profit/(provision for loss) arising on the sale of subsidiary undertakings	247	247	11.0	-	-	(977)	(43.5)
– Loss on withdrawal from London Market operations	-	-	-	-	-	(314)	(14.0)
– Merger transaction costs	-	-	-	(49)	(2.2)	(50)	(2.2)
Profit/(loss) attributable to equity shareholders	**425**	**121**	**5.4**	**397**	**17.7**	**(1,730)**	**(77.0)**

Earnings per share has been calculated based on the operating profit from ongoing business before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after taxation, attributable to equity shareholders, as well as on the profit attributable to equity shareholders, as the directors believe the former earnings per share figure provides a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,252 million (six months to 30 June 2000: 2,244 million, full year 2000: 2,247 million) ordinary shares in issue.

The actual number of shares in issue at 30 June 2001 was 2,253 million (30 June 2000: 2,246 million, 31 December 2000: 2,251 million).

b) Diluted earnings per share

	6 months 2001			6 months 2000		Full year 2000	
	Total £m	Weighted average number of shares m	Per share p	Weighted average number of shares m	Per share p	Weighted average number of shares m	Per share p
Profit/(loss) attributable to equity shareholders	121	2,252	5.4	2,244	17.7	2,247	(77.0)
Dilutive effect of options	-	2	-	6	(0.1)	4	0.1
Diluted earnings	**121**	**2,254**	**5.4**	**2,250**	**17.6**	**2,251**	**(76.9)**

13. Longer-term investment return

The longer-term investment return is calculated separately for each principal general insurance business and certain long-term operations. In respect of equities and properties, the return is calculated by multiplying the opening market value of the investments, adjusted for sales and purchases during the period, by the longer-term rate of investment return. The longer-term rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return. The allocated longer-term return for other investments is the actual interest income receivable for the period.

The principal assumptions underlying the calculation of the longer-term investment return are:

	Longer-term rates of return			
	Equities		**Properties**	
	2001 %	**2000 %**	**2001 %**	**2000 %**
United Kingdom	8.1%	8.1%	6.6%	6.6%
France	7.5%	7.5%	6.5%	6.5%
Ireland	8.7%	8.7%	6.7%	6.7%
Netherlands	8.4%	8.4%	6.5%	6.5%
Australia and New Zealand	10.0%	10.0%	8.0%	8.0%
Canada	9.3%	9.3%	7.3%	7.3%
United States	9.3%	9.3%	7.3%	7.3%

Statistical supplement

Segmental analysis of Group operating profit* at constant currency - achieved profit basis

Ongoing business		6 months 2001 £m	6 months 2000 at 2001 exchange rates £m	6 months 2000 £m
Life achieved operating profit				
United Kingdom		473	462	462
France		110	127	124
Ireland		37	33	33
Italy		24	11	11
Netherlands (including Belgium and Luxembourg)		93	77	75
Poland life and pensions		44	52	45
Spain		31	7	7
Other Europe		28	(19)	(18)
International		17	14	15
		857	**764**	**754**
Health				
United Kingdom		4	2	2
France		4	6	6
Netherlands		24	26	26
		32	**34**	**34**
Fund management				
United Kingdom		5	6	6
France		6	5	5
Netherlands		4	1	1
Other Europe		1	1	1
Australia and New Zealand		5	7	7
United States		3	2	2
		24	**22**	**22**
General insurance				
United Kingdom		254	196	196
France		34	(122)	(120)
Ireland		17	11	11
Netherlands		5	(3)	(3)
Other Europe		15	6	8
Australia and New Zealand		26	31	33
Canada		50	46	44
Other		26	26	24
		427	**191**	**193**
Non-insurance operations		(7)	(19)	(19)
Corporate costs		(81)	(97)	(97)
Unallocated interest charges	– external	(90)	(65)	(65)
	– intra-group	(125)	(102)	(102)
		1,037	**728**	**720**
Wealth management		(60)	(41)	(41)
Group operating profit before tax* - ongoing business		**977**	**687**	**679**

* Group operating profit before tax, amortisation of goodwill and exceptional items

Restating 2000 modified statutory life profits to account for the impact of exchange rate movements in 2001 would result in modified statutory life profits increasing from £606 million to £611 million for the six months to 30 June 2000.

Supplementary analyses

a) New business contribution – including effect of solvency margin

	6 months 2001 £m	6 months 2000 at 2001 assumptions* £m	6 months 2000 £m
United Kingdom	158	123	130
Europe (excluding UK)			
France	20	21	25
Ireland	14	10	11
Italy	11	5	5
Netherlands (including Belgium and Luxembourg)	1	(1)	2
Poland – Life	2	3	2
– Pensions	1	21	17
Spain	19	1	1
Other	2	1	1
International	(1)	-	-
	227	**184**	**194**

* 2000 new business contribution has been shown using the application of 2001 economic assumptions and exchange rates.

b) Non-insurance operations – operating result

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom			
Hill House Hammond	5	7	12
Norwich Union Direct Financial Services	-	(5)	(7)
Norwich Union Equity Release and other personal finance subsidiaries	(5)	(6)	(7)
Your Move	(10)	(27)	(39)
Other	2	-	(3)
Europe (excluding UK)	1	12	20
	(7)	**(19)**	**(24)**

c) Corporate costs

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Staff profit share scheme costs	(32)	(28)	(57)
Other corporate costs	(49)	(69)	(128)
	(81)	**(97)**	**(185)**

d) Wealth management – operating result

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom			
assertahome	(10)	(10)	(23)
Other wealth management	(50)	(31)	(110)
	(60)	**(41)**	**(133)**

Supplementary analyses (continued)

e) General business – investment return information

	Actual investment return			Longer-term investment return		
	6 months 2001 £m	**6 months 2000 £m**	**Full year 2000 £m**	**6 months 2001 £m**	**6 months 2000 £m**	**Full year 2000 £m**
United Kingdom	255	257	489	323	322	683
Europe (excluding UK)						
France	35	31	52	49	47	93
Ireland	24	21	41	27	24	51
Netherlands	16	13	14	17	18	36
Other *	32	39	53	35	41	75
International						
Australia and New Zealand	30	37	73	34	45	89
Canada	54	53	110	66	62	131
Other *	23	29	61	28	41	75
Total longer-term investment return – ongoing business				**579**	**600**	**1,233**
Total actual investment income	**469**	**480**	**893**			
Realised gains	43	307	507			
Unrealised (losses)/gains	(345)	43	82			
Total actual investment return – ongoing business	**167**	**830**	**1,482**			
Businesses discontinued						
United States	165	147	483	152	211	417
London Market	-	22	45	-	37	55
	332	**999**	**2,010**	**731**	**848**	**1,705**

* The actual investment income and longer-term investment return for Turkey of £5 million and £6 million respectively in the six months to 30 June 2000 has been re-classified from International to Other Europe, consistent with current and full year disclosure.

Reconciliation between general business investment return information and short-term fluctuation in investment returns incorporated in the summarised consolidated profit and loss account – modified statutory basis.
For the six months to 30 June 2001

	Actual investment return £m	**Longer-term investment return £m**	**Short-term fluctuation in investment returns £m**
General business	332	731	(399)
Health business	9	42	(33)
	341	**773**	**(432)**
Life business			(14)
Total short-term fluctuation in investment returns			**(446)**

Supplementary analyses (continued)

f) General business information on ongoing business – adverse weather/catastrophe claims costs

	6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
United Kingdom *	-	-	195
Europe (excluding UK)			
France	4	90	95
Ireland	-	-	4
International			
Australia and New Zealand	3	3	4
Canada	5	4	15
Other	-	16	18
	12	**113**	**331**

* Adverse weather/catastrophe claims costs are the costs above the 10-year average weather pattern.

g) Disposals – impact on operating profit

The Group's operating profit in 2001 and 2000 from ongoing business excludes the result from the United States general insurance business and London Market operations. All other disposals and businesses in the process of being sold are not considered sufficiently material to merit separate disclosure in the Group results or do not meet the Financial Reporting Standard 3, "Reporting Financial Performance", definition of discontinued business. A summary of the contribution to the Group's operating profit from these operations is as follows:

		6 months 2001 £m	6 months 2000 £m	Full year 2000 £m
Disposals				
United Kingdom	- fund management	3	6	11
Poland	- life *	-	(7)	(6)
Other Europe	- life *	-	(3)	(10)
Other Europe	- general	-	1	5
New Zealand	- general	-	5	10
Other International	- life *	3	6	19
Other International	- general	-	(4)	8
Businesses being disposed of				
Italy	- life *	1	1	2
Other Europe	- general	(3)	(2)	(6)
		4	**3**	**33**

* Impact on operating profit is stated on an achieved profit basis.

The longer-term investment return component of the general insurance business results included in the table above was £6 million (six months to 30 June 2000: £26 million, full year 2000: £43 million).

General insurance – geographical ratio analysis

	Claims ratio		Expense ratio		Combined operating ratio	
	6 months 2001 %	6 months 2000 %	6 months 2001 %	6 months 2000 %	6 months 2001 %	6 months 2000 %
United Kingdom	71.5%	75.3%	10.6%	10.8%	103%	105%
France	72.1%	121.5%	11.8%	13.5%	103%	154%
Ireland	85.0%	85.0%	8.3%	10.5%	104%	107%
Netherlands	64.6%	77.4%	18.4%	11.8%	104%	109%
Australia and New Zealand	73.9%	74.0%	13.9%	17.6%	103%	105%
Canada	74.7%	74.0%	13.3%	12.2%	104%	104%
Group - ongoing business	**71.8%**	**78.9%**	**11.9%**	**12.1%**	**103%**	**109%**

Ratios are measured in local currency.

The total Group ratios are based on average exchange rates applying to the respective periods.

Definitions:

Claims ratio – Incurred claims expressed as a percentage of net earned premiums.
Expense ratio – Written expenses excluding commissions expressed as a percentage of net written premiums.
Commission ratio – Written commissions expressed as a percentage of net written premiums.
Combined ratio – Aggregate of claims ratio, expense ratio and commission ratio.

General insurance – class of business analyses

a) United Kingdom – ongoing business

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2001 £m	**6 months 2000 £m**	**6 months 2001 £m**	**6 months 2000 £m**	**6 months 2001 %**	**6 months 2000 %**
Personal						
Motor	750	706	(29)	(37)	104%	107%
Homeowner	531	618	29	20	95%	97%
Creditor	288	227	14	12	98%	97%
Other	49	54	-	(3)	95%	109%
	1,618	1,605	14	(8)	100%	101%
Commercial						
Motor	354	365	(34)	(56)	107%	116%
Property	297	350	(19)	(33)	106%	108%
Liability	117	117	(33)	(41)	128%	133%
Other	68	51	3	12	96%	75%
	836	883	(83)	(118)	109%	113%
	2,454	**2,488**	**(69)**	**(126)**	**103%**	**105%**

During the six months to 30 June 2001, annualised rating increases for commercial motor have been 20%, with 16% for personal motor and 19% for commercial liability, while homeowners and commercial property have seen increases of 4% and 8% respectively.

b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2001 €m	**6 months 2000 €m**	**6 months 2001 €m**	**6 months 2000 €m**	**6 months 2001 %**	**6 months 2000 %**
Motor	232	231	(31)	(46)	114%	121%
Property	263	244	11	(215)	91%	207%
Other	132	106	(4)	(13)	102%	113%
	627	**581**	**(24)**	**(274)**	**103%**	**154%**

General insurance – class of business analyses (continued)

c) Netherlands

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2001 €m	**6 months 2000 €m**	**6 months 2001 €m**	**6 months 2000 €m**	**6 months 2001 %**	**6 months 2000 %**
Personal property	17	20	2	(2)	86%	114%
Commercial property	128	97	3	(6)	93%	103%
Motor	139	121	(21)	(12)	115%	110%
Liability	35	35	(6)	(9)	123%	137%
Inward reinsurance	-	4	-	(2)	-	143%
Other	47	95	3	(4)	90%	103%
	366	**372**	**(19)**	**(35)**	**104%**	**109%**

d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2001 C$m	**6 months 2000 C$m**	**6 months 2001 C$m**	**6 months 2000 C$m**	**6 months 2001 %**	**6 months 2000 %**
Automobile	594	643	(1)	(20)	99%	103%
Property	282	311	(31)	(27)	113%	109%
Liability	70	80	(13)	-	118%	100%
Other	14	14	10	4	66%	70%
	960	**1,048**	**(35)**	**(43)**	**104%**	**104%**

Assets under management

	Long-term business 30 June 2001 £m	General business and other 30 June 2001 £m	Group 30 June 2001 £m	Group 31 December 2000 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	40,940	5,016	45,956	50,910
Debt and fixed income securities at market value	12,897	8,300	21,197	25,273
Debt and fixed income securities at amortised cost	34,773	-	34,773	35,095
Loans secured by mortgages and other loans, net of non-recourse funding	10,990	1,139	12,129	12,311
Deposits with credit institutions	1,809	1,839	3,648	2,841
Total financial investments	**101,409**	**16,294**	**117,703**	**126,430**
Investments in Group undertakings and participating interests	749	284	1,033	992
Land and buildings	8,330	768	9,098	8,826
Total investments	**110,488**	**17,346**	**127,834**	**136,248**
Assets held to cover linked liabilities	24,843	-	24,843	27,255
Other assets included in the balance sheet	9,068	19,237	28,305	29,815
Total assets included in the balance sheet	**144,399**	**36,583**	**180,982**	**193,318**
Third party funds under management:				
Unit trusts, Oeics, Peps and Isas			4,524	5,295
Segregated funds			18,961	21,302
Total assets under management			**204,467**	**219,915**

General insurance and other investments mix

	United Kingdom £m	Continental Europe £m	International £m	Total 30 June 2001 £m
Shares, other variable yield securities and units in unit trusts	2,356	1,991	669	5,016
Debt and fixed income securities at market value	3,387	2,634	2,279	8,300
Land and buildings	277	447	44	768
Other	2,345	605	312	3,262
Total investments	**8,365**	**5,677**	**3,304**	**17,346**

Shareholder information

Financial calendar 2001/2002

Ex-dividend date for 2001 interim dividend	26 September 2001
Record date for 2001 interim dividend	28 September 2001
Payment of interim 2001 dividend	15 November 2001
Announcement of long-term savings new business for 9 months to 30 September	25 October 2001
Preliminary announcement of 2001 results	27 February 2002

Dividend reinvestment plan

Shareholders are offered the opportunity to participate in the Company's Dividend Reinvestment Plan (the "Plan") which enables dividends to be reinvested in the Company's shares at reduced dealing costs.

Shareholders who have previously elected to join the Plan need take no further action as their cash dividend will automatically be used to purchase CGNU's shares, on or around the dividend payment date, in accordance with the terms of the Plan.

Shareholders who have not already joined the Plan and wish to do so should contact the Company's Registrar, at the address below, in order to obtain full details and a mandate form. Completed mandate forms must be returned to the Registrar by no later than **26 October 2001** in order to participate in the Plan for the 2001 interim dividend.

The Plan is available to ordinary shareholders, members of the CGNU Share Account and members of the Group's employee profit sharing schemes.

Interim report and accounts

In an effort to minimise waste and eliminate unnecessary cost, the Company has decided not to mail interim reports automatically to all shareholders each year. However, shareholders who would like a copy of the report, now and in future years, should contact the Company's Registrar at the address below.

Shareholder enquiries

Shareholders who have any administrative enquiries about their shareholding in CGNU plc should contact the Company's Registrar:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

0870 600 3952

Internet addresses

There are various internet sites within the Group, most of which inter-link to enable quick reference direct to specific sites. Principal UK internet sites are as follows:

CGNU Group	www.cgnu-group.com
UK long-term savings and general insurance	www.norwichunion.co.uk
Fund management	www.morleyfm.com
Wealth management	www.norwichunion.com
Buying a home	www.your-move.co.uk
	www.assertahome.com

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