UNAUDITED RESULTS - 6 MONTHS ENDED 30 JUNE 2000

- **Operating profit before tax, including life achieved profit, of £800 million (1999: £853 million) is after a £41 million charge for developing our e-enabled UK wealth management service.** On a modified statutory basis operating profit before tax was £652 million (1999: £796 million).

- **Life achieved operating profit up 24% to £754 million, with improvements in all our major European businesses.**

- **General insurance operating profit of £327 million was disappointing reflecting late notified claims from the December 1999 storms in France of £90 million and an increase in large claims.**

- **Worldwide new business sales rose to £6.1 billion, up 18%.**

- **Increasing distribution strength through alliances in the UK with Royal Bank of Scotland and Tesco and with Bancaja in Spain and Banca Popolare di Lodi in Italy.**

- **Merger integration proceeding rapidly, increased estimate of pre-tax annualised savings from £250 million to £275 million.**

- **Interim dividend 14.25 pence net per share.**

Bob Scott, Group Chief Executive, commented:

"Following the merger of CGU and Norwich Union completed in May this year, integration of the business is moving ahead rapidly. CGNU is the world's sixth largest insurance group, a top-five European life insurer and the UK's largest insurance group. Our general insurance business results were disappointing and we continue to take the necessary steps to improve profitability. Our life and savings business in the UK and Continental Europe made excellent progress in the half year as well as achieving a number of significant new distribution agreements."

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Financial Highlights

		Unaudited 6 months to 30 June 2000 £m	Restated Unaudited 6 months to 30 June 1999 £m	Local currency growth %
Long-term savings new business	: life & pensions premiums	5,249	4,628	18%
	: investment sales	808	673	21%
Total premiums written after reinsurance and investment sales		14,549	13,348	12%
Operating profit before tax[(i)]		800	853	(5%)
Operating earnings per ordinary share[(i)]		24.6p	27.4p	
Dividend per share[(ii)]		14.25p	14.25p	
Shareholders' funds[(iii)]		16,193	15,673 †	
Net asset value per ordinary share[(iv)]		722p	700p †	

Basis of preparation **-** the CGNU interim 2000 results have been prepared according to the principles of merger accounting, using common accounting policies. The 1999 results have been restated to this same basis and in addition have been revised to comply with FRS16 "Current Tax".

(i) Operating profit/earnings before tax shown above include life achieved operating profit and exclude amortisation of goodwill £18 million (30 June 1999: £17 million) and exceptional items £nil (30 June 1999: £70 million).

(ii) The dividend at 30 June 1999 of 14.25 pence net per share represents the CGU plc 1999 interim dividend. The 1999 pro-forma dividend based on the weighted average interim dividends of CGU plc and Norwich Union plc was 12.34 pence net per share.

(iii) Based on equity and non-equity shareholders' funds which have been reduced by the equalisation provision of £224 million (31 December 1999: £212 million).

(iv) Based on equity shareholders' funds, adding back the equalisation provision.

† Denotes amount at 31 December 1999.

Life profits reporting

In reporting the CGNU plc headline operating profit, life profits using the achieved profit basis have been included. This is used throughout the CGNU Group and by many in the investment community to assess performance. The modified statutory basis which is used in our financial statements, is also identified in the headline figures. We have focused on the achieved profit basis, as we believe life achieved operating profit is a better measure of the performance of life businesses than the modified statutory basis, which is deliberately conservative and more concerned with solvency protection and distributability than performance. Life modified statutory operating profit before tax amounted to £606 million. The basis used for reporting achieved profit is consistent with the approach used by CGU plc and Norwich Union plc and the draft guidance set out by the Association of British Insurers.

- Ends -

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Chairman's and Group Chief Executive's statement

This is our first opportunity to report on the performance of CGNU following the merger of CGU with Norwich Union. Excellent progress has been made in integrating the businesses and, following detailed analysis, the estimated annual cost savings to be achieved by December 2001 have increased from £250 million to £275 million. The estimated costs of achieving these savings will amount to £425 million. We are pleased to report that our philosophy of "business as usual" has ensured that we also remain focused on operational excellence and on building business momentum.

The Group's operating profit before tax, including life achieved profit, was £800 million (1999: £853 million), after a £41 million charge for developing our e-enabled UK wealth management service. On a modified statutory basis operating profit before tax was £652 million (1999: £796 million).

Our worldwide life and savings business made excellent progress with new business increasing by 18% to £6.1 billion. Life operating profits on an achieved profit basis were up 24% at £754 million and up 10% to £606 million on a modified statutory basis.

We have taken a number of significant steps in developing our life and savings businesses during the period. Our relationships with Royal Bank of Scotland Group and Tesco in the UK, Bancaja in Spain and an expanded distribution agreement with Banca Popolare di Lodi in Italy offer us significant opportunities to grow further in these important markets.

The Group's decision to sell its smaller Polish life and pensions businesses, previously owned by Norwich Union, will not affect our leading position in this market.

Our "orphan" assets in the UK of approximately £4 billion are currently used to support strong business development which benefits both policyholders and shareholders. We will examine whether this continues to be the most attractive position for both sets of stakeholders. Given the complexity of the issues a conclusion is unlikely in the short term.

The Group's assets under management increased to £216 billion and our retail investment sales increased 21% to £808 million.

General insurance operating profit of £327 million (1999: £370 million) was disappointing, reflecting late notified claims of £90 million from the December 1999 storms in France and an increase in large claims. We continue to take the necessary steps to improve profitability and there was an improvement in the underwriting result in the UK.

A cornerstone of our strategy is to focus on markets where we can achieve a top-five market position. We have decided to sell our general insurance businesses CGU Holdings Limited in South Africa, and GAVAG in Germany, and our life business in Canada. Against a difficult background negotiations continue to achieve the sale of our US general insurance business which we expect to conclude around the end of the year.

We have previously announced that CGNU expects to pay dividends for the year ending 31 December 2000 in line with CGU's dividend for 1999. Thereafter we expect that CGNU will at least maintain this level of payment while building dividend cover to a level appropriate for an international group focused on the long-term savings sector. In line with this policy, the board of directors has declared an interim dividend of 14.25 pence net per share which is the same amount as the CGU interim dividend for 1999. The dividend is payable on 17 November 2000 to shareholders on the register on 29 September 2000.

We are actively developing new e-commerce activities and, in the UK, we will be launching a new e-enabled wealth management service to commence in the fourth quarter of 2000.

The combined group has achieved an improved competitive position in a number of its chosen markets as well as significant opportunities for cost savings, and is in a good position to provide increased returns for shareholders.

Pehr Gyllenhammar
Chairman

Bob Scott
Group Chief Executive

Operating and financial review

Group results to 30 June 2000

The Group's operating profit before tax, including life achieved operating profit, was £800 million for the six months to 30 June 2000 (1999: £853 million). Life achieved operating profit grew strongly by 24% to £754 million.

A number of significant investments in new developments have been charged to the Group result. In particular we have invested £41 million in the development of our e-enabled wealth management service and in setting up "asserta home", the home moving portal. In addition, we have also invested £30 million in establishing Norwich Union International Limited, our offshore business in Ireland and in developing our presence in the UK retail investment market.

General insurance operating profits were £327 million (1999: £370 million) held back by a disappointing underwriting result in France. Late reporting of December 1999 storm-related claims of £90 million and adverse development of certain claims have contributed to an increased underwriting loss in France from £21 million to £167 million. This deterioration has been partially offset by an improvement in the UK underwriting result and an increase in longer-term investment return of £106 million to £861 million.

	6 months to 30 June 2000 £m	Restated 6 months to 30 June 1999 £m	Local currency growth
Operating profit before tax*			
Life achieved operating profit	754	621	24%
Health	21	11	91%
Fund management	22	26	(15%)
General insurance	327	370	(11%)
Non-insurance operations	(21)	(11)	(91%)
Associated undertakings	2	8	(71%)
Corporate costs	(97)	(65)	(52%)
Unallocated interest charges	(167)	(107)	(56%)
	841	**853**	**-**
Wealth management	(41)	-	-
Operating profit before tax*	**800**	**853**	**(5%)**

* Operating profit before tax, amortisation of goodwill and exceptional items

The Group's net written premiums and investment sales rose by 12% to £14.5 billion. Life, pensions, health premiums and investment sales increased to £8.4 billion (1999: £7.5 billion) boosted by strong sales performance in 2000.

The Group's new life and pension sales in the period to 30 June 2000 reached £5.2 billion, an increase of 18% over the first half of 1999, reflecting continued strong performance since the announcement of the merger. In addition, sales of investment products of £0.8 billion grew by 21% with significant progress being made in the UK with the success of our Cat-standard Isas with sales of £172 million.

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Local currency growth
Long-term savings new business			
Life and pensions premiums:			
United Kingdom	3,148	2,484	27%
Europe (excluding UK)	1,850	1,899	7%
International	251	245	2%
	5,249	**4,628**	**18%**
Investment sales	808	673	21%
	6,057	**5,301**	**18%**

On a modified statutory basis, operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items was £652 million (1999: £796 million). Profit before tax rose to £678 million (1999: £450 million), benefiting from £123 million of favourable short term fluctuations in investment return compared with £213 million of adverse fluctuations in 1999.

Life insurance

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Local currency growth
Life achieved operating profit*			
New business contribution	194	159	25%
Profit from existing business – expected return	417	326	32%
– experience variances	(9)	(10)	10%
– operating assumption changes	-	-	-
Development costs	(17)	-	-
Expected return on shareholders' net worth	155	128	24%
	740	603	26%
Other life and savings activities	14	18	(22%)
Life achieved operating profit before tax*	**754**	**621**	**24%**
Analysed:			
United Kingdom	**462**	**380**	22%
Europe (excluding UK)	**277**	**213**	39%
International	**15**	**28**	(48%)

* Life achieved operating profit is stated before amortisation of goodwill and exceptional items.

Life achieved operating profit was ahead by 24% at £754 million growing by 22% in the UK to £462 million while in Continental Europe profits rose by 39%. Growth in Continental Europe is after development costs of £17 million in our European 'Navigator' business based in Dublin and life operations in Poland; growth excluding development costs was 47%. New business contribution after cost of capital has risen strongly to £194 million (1999: £159 million), benefiting from strong volume growth, stable margins in the UK, strengthened margins in both France and Ireland and the contribution from our pensions business in Poland. The growth in expected return from in-force business and shareholder net worth benefits from the application of higher interest rates on a growing embedded value.

	Annual premium equivalent*		New business contribution**	
	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	6 months to 30 June 2000 £m	6 months to 30 June 1999*** £m
Life and pensions business				
United Kingdom	479	384	137	111
Europe (excluding UK)	416	352	94	91
International	45	44	5	10
	940	**780**	**236**	**212**

* Annual premium equivalent represents regular premiums plus 10% of single premiums
** Before cost of capital
*** Restated using 2000 economic assumptions

UK: The long-term savings businesses of Norwich Union and CGU now command an estimated UK market share of 10%, giving a leading position in the life and pensions market place. Life and pensions new business contribution is in line with the growth in the new business sales expressed as an annual premium equivalent. New business margins have been maintained.

The financial strength of the combined Group has proved to be attractive to investors. We have seen continued support from the IFA community, the source of over 75% of CGNU's long-term new business in the UK, that showed an 8% quarter on quarter growth in 2000. All major product areas achieved growth.

In particular, excellent progress was made in both individual and group pensions, up 31% and 59% respectively, reflecting CGNU's broad and competitive position and a proactive stance towards building market share in the run up to stakeholder pensions in April 2001. CGNU is committed to being a major provider of stakeholder pensions and in July became one of the first to launch a pension product, primarily aimed at the individual, that meets the government's minimum standards in the pre-stakeholder pension phase – YourPension@CGU. A complementary Norwich Union product aimed at the employer market has also been launched. Both products will benefit from CGNU's multi-distribution capability and will be backed up by e-enabled administration systems.

In July, we agreed with the Royal Bank of Scotland the purchase of a 50% interest in Royal Scottish Assurance and National Westminster Life Assurance for £600 million and we expect the regulatory process to be complete by the end of 2000. This joint venture will combine the market-leading life capability of CGNU in the UK with Royal Bank of Scotland's distribution power in the retail market.

The aim is to increase the penetration of life and pensions products to Royal Bank of Scotland's 10 million UK personal customers from under 10% to 20%. The wider product range CGNU can offer, increased levels of customer service and improved salesforce productivity will be the key components in meeting our objective. CGNU has substantial experience of managing the links with financial institutions with some 20 smaller UK building society and banking relationships. An excellent working relationship has developed between the two groups and a number of other potential opportunities are being explored.

The agreement with Tesco Personal Finance became effective in June 2000. A term assurance and an investment Isa product have already been launched. These are expected to contribute to new business sales from the third quarter.

Europe (excluding UK):

New business contribution in France rose by 44% to £39 million which, combined with favourable tax experience, contributed to an 88% rise in life achieved operating profit to £124 million. The French business produced excellent results with life and pensions new business sales increasing 47% to £989 million. New single premiums, which dominate the market, increased to £968 million with strong sales of unit-linked products following strong equity performance in 1999 and the low interest rate environment. The change in sales mix towards unit-linked products benefited new business contribution.

Discussions are taking place with Société Générale with the aim of developing a bancassurance relationship in the French market.

In Ireland, new business contribution increased by 140% to £12 million. This growth was driven by higher life and pensions new business sales, which rose to £223 million, 81% ahead of last year, with the continued success of both Norwich Union and CGU bond sales and £62 million of new business sales from Hibernian. Hibernian added £3 million to new business contribution.

Delta Lloyd Nuts Ohra (DLNO) is the third largest life and pensions provider in the Netherlands with a market share of 6%. New business contribution was £9 million in the period, down from £15 million reflecting a change in new business mix towards single premiums. Regular premium sales were down across the market due to impending tax reforms. Overall life and pensions new business sales increased by 25% to £235 million and include £41 million from the acquisition of Nuts Ohra. The integration of Nuts Ohra is proceeding well. Our German life company, part of the DLNO group, saw annual premiums up 42% to £19 million.

Polish life and pensions new business sales increased to £136 million. CGNU is the market leader for private pensions in Poland. Regular pension premiums of £109 million (1999: £2 million) represent the processing of 572,000 pension cases and over 50,000 new customers have also been attracted as they enter the market. The new business contribution from the pensions business was £22 million.

Sales of life products in the Polish market were lower in the first half of 2000 at £27 million (1999: £38 million). New business contribution in the period fell to £5 million reflecting the reduction in sales volumes. Long-term growth prospects for the life business remain very good, with less than 20% of employed people having an individual life policy.

In May, we announced a new bancassurance partnership with Bancaja, Spain's fourth largest savings bank, to acquire 50% of the share capital with management control of Aseval, Bancaja's life insurance subsidiary. Bancassurance accounts for some 80% of life and pensions sales in Spain and the combined operation will be a top-ten life and pensions provider. Regulatory approval has now been received and contribution to new business is expected to commence later this year. CGNU's existing operations in Spain saw single premium sales double following the launch of unit-linked life and savings products.

Our offshore business in Dublin, Norwich Union International Limited, based on the Navigator e-enabled fund of funds service from our Australian business, has launched in the UK, Italy and Spain and made its first contribution to new business in the quarter. We are looking to expand this service into other markets in Europe.

The cessation of our bancassurance agreement in Italy with Credito Italiano at the end of June last year has led to a reduction in both new business sales and new business contribution. Our partnership with Banca delle Marche, launched in September 1999, produced strong single premium sales of £36 million.

In Turkey, we continue to prepare for the new opportunities presented by private pensions legislation currently before parliament and hope to be one of the first companies to be granted a pensions licence during the second half of the year.

CGNU will launch into the Romanian market later this year, initially with a direct sales force and the development of a bancassurance business with BRD, part of the Société Générale Group. Romania is one of the largest eastern European markets with a population of 23 million, and offers the opportunity to build on our experience in Poland and position CGNU to benefit from future pensions reform.

International:

Our Australian life and pensions business increased single premium sales by 23% and regular premium sales increased by 50%. The introduction of new tax legislation has adversely impacted new business contribution. Our business in the United States reported sales of £94 million. In the United States we are investing in a new bancassurance platform which affected profits in the six month period ended 30 June 2000.

In June we announced our intention to sell our Canadian life business, after concluding that this business lacked the scale and platform to build a top-five market position.

In China and India, markets of substantial long term potential, we continue to lay the ground to position CGNU favourably for the distribution of licences to operate in the life and savings market.

Health

	Underwriting result		Operating profit	
	6 months to 30 June 2000 £m	**6 months to 30 June 1999 £m**	**6 months to 30 June 2000 £m**	**6 months to 30 June 1999 £m**
United Kingdom	-	(2)	2	-
Europe (excluding UK)	(10)	3	19	11
	(10)	**1**	**21**	**11**

Premium income increased by 174% to £428 million (1999: £162 million) and operating profit increased by 91% to £21 million. These improvements principally reflect the inclusion of the Nuts Ohra business in the Netherlands, acquired during the second half of 1999.

Fund management

	Operating profit	
	6 months to 30 June 2000 £m	**6 months to 30 June 1999 £m**
United Kingdom	6	14
Europe (excluding UK)	7	5
International	9	7
	22	**26**

CGNU had assets under management of £216 billion at 30 June 2000. It is the second largest UK-based fund manager and among the top-ten asset managers in Europe, with strong market positions in the UK, France and the Netherlands and developing positions in Ireland and Poland.

In the UK, we have established an investment organisation distinct from our insurance business. The combination of the Norwich Union and Morley businesses and skills will allow the group to compete effectively in both the retail and institutional investment markets.

Sales from our Cat-standard Isas in the UK grew significantly to £172 million. An investment of £13 million has been made in developing our retail fund management proposition which reduced UK profits.

Sales from the Norwich Union Navigator product in Australia, which are not included in new business sales, increased by 33% to £376 million, giving funds under administration of £2.2 billion. The reported profits from this business have remained at £7 million. The new business contribution from Navigator and other non-life business sales in Australia was £9 million (1999: £9 million) and includes the impact of expensing the spend on the next generation of information technology.

General insurance

Net written premiums from our worldwide general insurance operations increased by 8% to £6.2 billion. Operating profit was £327 million (1999: £370 million) held back by a disappointing underwriting result in France. Late reporting of the December 1999 storm-related claims of £90 million and adverse development of certain claims have contributed to an increased underwriting loss in France from £21 million to £167 million. This deterioration has been partially offset by an improvement in the UK underwriting result and an increase in longer-term investment return of £106 million.

The Group's worldwide combined operating ratio was 109% (1999: 106%). The worldwide expense ratio improved to 12.5% (1999: 12.9%), principally driven by performance in the UK. We believe that the combination of the significant rate increases that we have seen across our major businesses, planned merger savings and the reshaping of our portfolios will produce a significant improvement in the underwriting result towards our target combined operating ratio of 102% by the end of 2001.

	Underwriting result*		**Operating profit***	
	6 months to 30 June 2000 £m	**6 months to 30 June 1999 £m**	**6 months to 30 June 2000 £m**	**6 months to 30 June 1999 £m**
United Kingdom	(157)	(177)	202	132
Europe (excluding UK)	(235)	(75)	(98)	44
International	(142)	(133)	223	194
	(534)	**(385)**	**327**	**370**

* excludes the change in the equalisation provision of £12 million (1999: £35 million)

UK: The creation of CGNU has brought together two of the most efficient providers in the general insurance market to form the largest general insurer in the UK, with a focus on personal and smaller commercial lines businesses. The merger will generate significant cost savings that will result in lower unit costs. Combined with our strong relationships with brokers, the strength of our direct business and innovative distribution partnerships, this represents a significant opportunity to generate superior returns.

The improvement in the underwriting loss to £157 million (1999: £177 million) reflected improvements across personal and commercial motor accounts offset by a deterioration in the commercial property account and the commercial liability account. The combined operating ratio in the UK improved to 106% (1999: 107%) and on personal lines business it was 101% (1999: 103%). The expense ratio in the UK has improved to 10.6% (1999: 11.6%).

In the personal motor account market leading rating increases averaging 20% continued to outstrip claims inflation. Combined with increased renewal retention, this also demonstrates this market is continuing to harden. The commercial motor account also benefited from significant rating increases, up on average 20%. Strong rating actions continue to be taken on the back of a hardening market.

The profitability of the commercial property account during the first half of 2000 was adversely impacted by four large claims totalling £36 million. We continue to take underwriting and rating action in the commercial property and commercial liability accounts to reduce our exposure.

Europe (excluding UK):

The underwriting result in France deteriorated to a loss of £167 million (1999: loss of £21 million). This included a charge of £90 million in respect of the December 1999 storm claims, where costs for the industry have significantly escalated from original projections due to a combination of higher average claims costs and late claims notification from agents and lead co-insurers, making it the second most expensive insured loss to hit Europe. The 2000 result has also been impacted by large claims and other adverse current year experience, particularly on the motor account. Underwriting and rating actions are being taken with single digit rate increases in personal lines and double digit increases in some commercial lines.

In the Netherlands, the underwriting loss rose to £21 million (1999: loss of £11 million). A number of large claims in the fire and bourse businesses have impacted the result and bodily injury claims costs continue to rise. Rate increases of 7% have been achieved on the motor and personal accident books since the beginning of the year.

The movement in the underwriting result in Ireland to a loss of £13 million in the period from a loss of £6 million in 1999 reflects a larger book of business due to the acquisition of Hibernian.

The group has announced the sale of GAVAG, its general insurance company in Germany.

International:

An improved underwriting loss in Australia and New Zealand of £12 million (1999: £19 million) was helped by a reduction in weather-related losses in Australia. In both markets the commercial sector is showing signs of hardening and in Australia rate increases are being obtained. The underwriting result in Canada has remained stable against 1999 levels in competitive market conditions. The US underwriting loss was £96 million (1999: £89 million).

In June we announced the proposed sale of our South African general insurance business to Mutual & Federal.

Non-insurance operations

The Group's non-insurance operations show a loss of £21 million (1999: loss of £11 million). This includes a loss of £27 million related to our estate agency business Your Move primarily arising from increased advertising expenditure and the introduction of new technology.

Corporate costs and unallocated interest charges

Corporate costs amounted to £97 million (1999: £65 million). This includes a one-off charge of £12 million relating to the cost of the Norwich Union long-term incentive scheme which crystallised as a result of the merger and £12 million for the accrual of Norwich Union staff performance-related payments.

Unallocated interest charges include interest on intra-group loans with the centre and external borrowings not allocated to local business operations. The charge has increased to £167 million and mainly reflects an increase in external borrowings to fund corporate activity.

Shareholders' funds

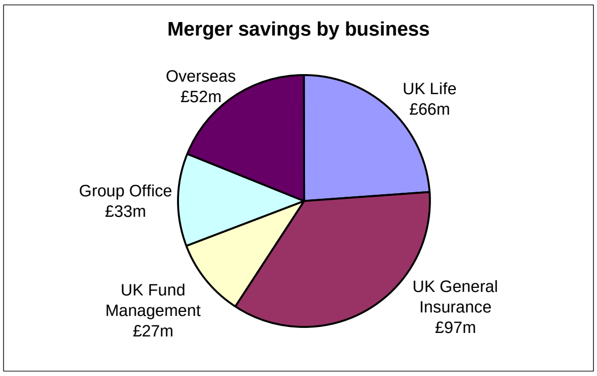
Shareholders' funds increased by £520 million to £16.2 billion after deducting the equalisation provision of £224 million (1999: £212 million). Net assets per ordinary share increased to 712 pence per share (31 December 1999: 690 pence per share) after deducting the equalisation provision. Adding back the equalisation provision, they were 722 pence (31 December 1999: 700 pence).

The Group's "normalised" annualised 2000 after tax return on equity was 7%. The normalised return is based on the after tax operating profit including life achieved operating profit, before exceptional items and amortisation of goodwill as a percentage of the opening equity capital. The total annualised 2000 return on equity, including all investment and currency movements, amounted to 11%.

Merger update

The integration of businesses is making rapid progress. Management teams have been confirmed and extensive planning by business units ensured that the integration process could begin as soon as the merger became effective on 30 May 2000.

A high-level estimate of pre-tax cost savings of £250 million when the merger was announced, has been increased to £275 million, following a detailed review by business units. The revised estimate excludes anticipated savings of £15 million from businesses we have subsequently decided to dispose of. The integration is still expected to be complete by the end of 2001, with the first full year of cost savings being made in 2002. The estimated cost of achieving the savings has increased from £350 million to £425 million. This increase from our previous estimate reflects the higher marginal cost of achieving the increased savings. Headcount reductions in the UK have been confirmed at 4,000.



The major integration activity is taking place in the UK. The UK life operations are focused on launch-day on 2 October when the two businesses will begin to market an integrated range of products under the Norwich Union brand and a fully trained sales force will be in place.

The UK general insurance business will also re-launch under the Norwich Union brand on 2 October, with a clear focus on personal and small commercial lines. An integrated sales force will also be in place by this date. The product range will be announced in August and future systems have been selected. The claims process will be focused on Norwich Union's Total Incident Management approach, a combination of customer care, cost control and efficiency that sets us apart from the rest of the market. During the integration process, we will maintain a clear focus on underwriting and customer service.

Integration in the fund management business in the UK is proceeding at a pace. The front office structures were integrated in July and all key members of staff have been retained. A research-driven, risk-controlled active investment philosophy has been established.

Corporate activity in 2000

The Group has already agreed a number of transactions this year, including the acquisition of Hibernian in Ireland, bancassurance arrangements with the Royal Bank of Scotland Group in the UK, Bancaja in Spain and Banca Popolare di Lodi in Italy and in establishing relationships with Tesco and Marks and Spencer. The cost of these transactions will amount to £1.2 billion, and are being funded through a combination of internal and external resources. Consistent with the requirements of the business and its growth intentions, the Group will continue to maintain an efficient capital position. The gearing ratio at the end of June 2000 was 18% (31 December 1999: 13%).

A cornerstone of our strategy is to focus on markets where we can achieve a top-five market position. We have decided to exit the general insurance markets in South Africa and Germany and our life business in Canada is being sold. Negotiations continue to achieve the sale of our US general insurance business which we expect to conclude around the end of the year.

Online developments and wealth management

CGNU is committed to the development of innovative e-commerce applications across its businesses. Already we have seen the benefits to our business of e-enablement through both intermediary and direct distribution channels, particularly in the UK, France and the Netherlands.

In the UK, later this year, we will introduce a business to consumer internet-based wealth management service. This will position Norwich Union, the UK brand, as a trusted partner, helping customers to make better financial decisions by offering them easy access, impartial news and information, and the ability to buy an expanded range of digital services and products online.

Our investment in wealth management in the UK will be substantial. In addition to previously announced initiatives we will invest £250 million in product and infrastructure development to the end of 2002, and we anticipate a contribution to profits by the end of 2003. Implementation will be phased to ensure a high quality of service.

Asserta home, launched in May, is already regarded as the leading home moving portal in the retail property market and covers 50% of the homes market.

Notes to editors

- CGU and Norwich Union merged on 30 May 2000 to create CGNU plc the UK's largest insurance group and one of the top-five 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 of £26 billion and assets under management of more than £200 billion.
- From October, the combined life and pensions, retail fund businesses and general insurance in the UK will operate under the Norwich Union brand, while the institutional investment business will operate 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

Summarised consolidated profit and loss account – achieved profit basis

Page	6 months to 30 June 2000 €m		6 months to 30 June 2000 £m	Restated 6 months to 30 June 1999 £m	Restated full year 1999 £m
		Premium income after reinsurance and investment sales			
23	11,693	Life premiums	7,130	6,694	13,470
23	1,325	Investment sales	808	673	1,347
24	702	Health premiums	428	162	402
	13,720		8,366	7,529	15,219
25	10,140	General insurance premiums	6,183	5,819	11,227
	23,860	**Total**	**14,549**	**13,348**	**26,446**
		Operating profit			
10	1,237	Life achieved operating profit (excluding change in risk margin)	754	621	1,407
24	34	Health	21	11	24
29	36	Fund management	22	26	66
25	536	General insurance	327	370	660
30	(34)	Non-insurance operations	(21)	(11)	(30)
	3	Associated undertakings	2	8	10
	(159)	Corporate costs	(97)	(65)	(162)
29	(274)	Unallocated interest charges	(167)	(107)	(240)
	1,379		841	853	1,735
30	(67)	Wealth management	(41)	-	-
	1,312	**Operating profit before tax, change in risk margin, amortisation of goodwill and exceptional items**	**800**	**853**	**1,735**
	-	Change in risk margin	-	-	89
	(30)	Amortisation of goodwill	(18)	(17)	(34)
22	-	Exceptional items	-	(70)	(163)
	1,282	**Operating profit before tax**	**782**	**766**	**1,627**
	93	Variation from longer-term investment return	57	(24)	1,072
	(52)	Effect of economic assumption changes	(32)	247	358
	(20)	Change in the equalisation provision	(12)	(35)	(55)
	-	Net loss arising on the sale of subsidiary undertakings	-	(9)	(8)
	(93)	Merger transaction costs	(57)	-	-
	1,210	**Profit on ordinary activities before tax**	**738**	**945**	**2,994**
	(359)	Tax on operating profit before change in risk margin, amortisation of goodwill and exceptional items	(219)	(204)	(415)
	(100)	Tax on profit on other ordinary activities	(61)	(87)	(438)
	751	**Profit on ordinary activities after tax**	**458**	**654**	**2,141**
	(39)	Minority interests	(24)	(31)	(85)
	712	**Profit for the financial period**	**434**	**623**	**2,056**
26	(15)	Preference dividends	(9)	(9)	(17)
	697	**Profit for the financial period attributable to equity shareholders**	**425**	**614**	**2,039**
26	(525)	Ordinary dividends	(320)	(278)	(773)
	172	**Retained profit for the financial period**	**105**	**336**	**1,266**
		Earnings per share			
	40.3c	Operating profit on an achieved profit basis before change in risk margin, amortisation of goodwill and exceptional items, after taxation, attributable to equity shareholders	24.6p	27.4p	55.0p
	31.0c	Profit attributable to equity shareholders	18.9p	27.5p	91.2p
	31.0c	Profit attributable to equity shareholders - diluted	18.9p	27.4p	90.8p
26	23.37c	**Dividends per share** - based on parent company	14.25p	14.25p	38.00p
	23.37c	- based on weighted average	14.25p	12.34p	34.30p

Basis of preparation

The achieved profit statement on page 9 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 17 to 27. 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 draft 'Guidance on accounting in Group accounts for proprietary companies long-term insurance business', circulated by the Association of British Insurers in December 1999. 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 audited accounts, can be found on pages 17 to 27.

Components of total life achieved profit

Total life achieved profit 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;
- 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;
- the impact of changes in economic assumptions in the period.

		6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
New business contribution		194	159	403
Profit from existing business	- expected return	417	326	634
	- experience variances	(9)	(10)	80
	- operating assumption changes	-	-	8
Development costs		(17)	-	(24)
Expected return on shareholders' net worth		155	128	265
		740	603	1,366
Other life and savings activities*		14	18	41
Life achieved operating profit before tax, change in risk margin and exceptional items		**754**	**621**	**1,407**
Change in risk margin**		-	-	89
Life achieved operating profit before tax and exceptional items		754	621	1,496
Exceptional items		-	-	(12)
Investment return variances		(69)	189	851
Effect of economic assumption changes		(32)	247	358
Total life achieved profit before tax		653	1,057	2,693
Attributed tax		(221)	(316)	(819)
Total life achieved profit after tax		**432**	**741**	**1,874**

* Profits from other life and savings activities, which include service companies, have been calculated on a statutory basis.
** Impact of risk margin changes within economic assumptions.

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 to 30 June 2000 £m	**6 months to 30 June 1999 £m**	**Local currency growth**	**6 months to 30 June 2000 £m**	**6 months to 30 June 1999 at 2000 assumptions ** £m**	**6 months to 30 June 1999 £m**
United Kingdom	479	384	25%	137	111	106
Europe (excluding UK)						
France	118	97	35%	39	29	28
Ireland	45	23	116%	12	5	7
Netherlands	52	55	4%	9	15	9
Poland - Life	23	33	(26)%	5	15	15
- Pensions	109	2	n/a	22	-	-
Spain	9	9	6%	1	1	1
Other	60	133	(51)%	6	26	24
International	45	44	2%	5	10	10
Total annualised premiums	**940**	**780**	**25%**			
Total new business contribution before cost of capital				**236**	**212**	**200**
Cost of capital				(42)	(42)	(41)
Total new business contribution after cost of capital				**194**	**170**	**159**

* Annual premium equivalent represents regular premiums plus 10% of single premiums.
** 1999 new business contribution has been shown using the application of year 2000 economic assumptions.

New business contributions have been calculated using the same assumptions as those used to determine the embedded values as at the beginning of each year. The cost of capital represents the cost of holding solvency capital equal to the minimum European Union (EU) solvency margin (or equivalent for non-EU operations).

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 to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom	449	362	798
Europe (excluding UK)			
France	124	71	131
Ireland	33	25	53
Netherlands	76	68	168
Poland - Life	20	27	72
- Pensions	24	1	43
Spain	7	1	13
Other	(8)	20	32
International	15	28	56
Total life achieved operating profit before tax, change in risk margin and exceptional items*	**740**	**603**	**1,366**

*Excludes other life and savings activities.

Embedded value of life business

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
Embedded value at the beginning of the period as previously reported:			
- CGU plc	5,675	4,868	4,868
- Norwich Union plc	4,742	4,415	4,415
Merger adjustments arising from alignment of embedded value methodology	101	111	111
Restated embedded value at the beginning of the period	**10,518**	**9,394**	**9,394**
Total life achieved profit after tax*	422	729	1,845
Exchange rate movements	99	(229)	(420)
Embedded value from business acquired	56	-	89
Amounts injected into life operations	78	11	164
Amounts released from life operations	(205)	(190)	(554)
Embedded value at the end of the period	**10,968**	**9,715**	**10,518**

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

Segmental analysis of embedded value of life business

	Net worth*		Valuation of in-force**		Total	
	30 June 2000 £m	30 June 1999 £m	30 June 2000 £m	30 June 1999 £m	30 June 2000 £m	30 June 1999 £m
United Kingdom	1,887	1,675	4,291	4,053	6,178	5,728
Europe (excluding UK)						
France	849	751	423	323	1,272	1,074
Ireland	221	192	243	189	464	381
Netherlands	1,222	983	698	682	1,920	1,665
Poland	87	55	188	74	275	129
Spain	36	44	49	27	85	71
Other	174	122	138	87	312	209
International	383	370	79	88	462	458
Embedded value of life businesses	**4,859**	**4,192**	**6,109**	**5,523**	**10,968**	**9,715**

* 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.

** At 30 June 2000, the deduction for the cost of solvency capital was £700 million.

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 capital.

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 capital.

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.

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 effective 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 charge for the cost of the solvency capital supporting the solvency requirements of the business. This cost of capital is the difference between the nominal value of required solvency capital and the present value at risk discount rates of the projected release of this capital and investment earnings on the capital.

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 2000	31 December 1999	30 June 1999	31 December 1998	30 June 2000	31 December 1999	30 June 1999	31 December 1998
Risk discount rate	7.6%	7.8%	7.7%	7.2%	8.7%	8.7%	8.1%	7.7%
Pre-tax investment returns:								
Base government fixed interest	5.0%	5.2%	5.0%	4.5%	5.5%	5.5%	4.6%	3.9%
Ordinary shares	7.5%	7.7%	7.5%	7.0%	7.5%	7.5%	6.6%	5.9%
Property	6.5%	6.7%	6.5%	6.0%	7.0%	7.0%	6.1%	5.4%
Future expense inflation	3.8%	4.1%	4.0%	3.4%	2.5%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	31.0%	40.0%	40.0%	40.0%	40.0%

	Ireland				Netherlands			
	30 June 2000	31 December 1999	30 June 1999	31 December 1998	30 June 2000	31 December 1999	30 June 1999	31 December 1998
Risk discount rate	9.1%	9.0%	8.1%	8.1%	8.2%	8.3%	7.7%	7.2%
Pre-tax investment returns:								
Base government fixed interest	5.5%	5.6%	4.7%	4.6%	5.3%	5.5%	4.7%	3.9%
Ordinary shares	8.5%	8.6%	7.7%	7.6%	8.2%	8.4%	7.6%	6.8%
Property	7.0%	7.1%	6.2%	6.1%	6.8%	7.0%	6.2%	5.4%
Future expense inflation	5.9%	4.0%	4.0%	4.0%	2.5%	2.5%	2.5%	2.5%
Tax rate	22.0%	28.0%	28.0%	33.0%	25.0%	25.0%	25.0%	25.0%

	Poland – Life				Poland – Pensions			
	30 June 2000	31 December 1999	30 June 1999	31 December 1998	30 June 2000	31 December 1999	30 June 1999	31 December 1998
Risk discount rate	19.8%	19.8%	20.6%	20.6%	17.1%	17.1%	n/a	n/a
Pre-tax investment returns:								
Base government fixed interest	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	n/a	n/a
Ordinary shares	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	n/a	n/a
Property	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Future expense inflation	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	n/a	n/a
Tax rate	30.0%	33.0%	35.0%	35.0%	30.0%	33.0%	n/a	n/a

	Spain			
	30 June 2000	31 December 1999	30 June 1999	31 December 1998
Risk discount rate	9.1%	9.1%	8.6%	8.0%
Pre-tax investment returns:				
Base government fixed interest	5.5%	5.6%	4.8%	4.0%
Ordinary shares	8.5%	8.6%	7.8%	7.0%
Property	7.0%	7.1%	6.3%	5.5%
Future expense inflation	3.0%	3.0%	3.0%	3.0%
Tax rate	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.

Other assumptions - continued

- The value of the in-force business has been determined after allowing for the cost of holding solvency capital equal to the minimum EU solvency requirement (or equivalent for non-EU operations). Solvency capital relating to with-profit business is assumed to be covered by the surplus within the with-profit funds and no cost 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.

Alternative assumptions

The table below shows the sensitivity to a one percentage point increase in interest rates and in the discount rate for new business contribution and embedded value.

	New business contribution		Embedded value	
	Interest rates £m	Discount rate £m	Interest rates £m	Discount rate £m
United Kingdom	10	(20)	(400)	(375)
Europe (excluding UK)				
France	5	(5)	(40)	(70)
Ireland	1	(1)	(5)	(15)
Netherlands	5	(5)	(50)	(100)
Poland – Life	-	-	-	(5)
– Pensions	-	(2)	-	(5)
Spain	-	-	-	(2)
Other	-	(2)	-	(10)
International	-	(2)	(5)	(10)
	21	**(37)**	**(500)**	**(592)**

Profits are affected by a change in underlying interest rates. When interest rates change, expected future investment returns will also change and this in turn will affect projected cash flows. A change in interest rates will also result in a change in the discount rate used to calculate the present value of the projected cash flows. The impact of an increase of one percentage point in interest rates incorporates all such changes.

The impact of an increase of one percentage point in the discount rate is calculated with all other assumptions remaining unchanged.

Independent review report to CGNU plc on the alternative method of reporting long-term business

We have been instructed by the Company to review the information on pages 9 to 15 which has been prepared in accordance with the achieved profit basis as set out under the methodology and principal economic assumptions sections on pages 13 and 14. This information should be read in conjunction with the accounts prepared on the modified statutory solvency basis, which are on pages 17 to 27.

Directors' responsibilities
The interim report, including, as described on page 28, the accounts prepared on a modified statutory solvency basis, is the responsibility of, and has been approved by the directors. The directors are also responsible for preparing the information on the above achieved profit basis. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the information on the above achieved profit basis and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the above achieved profit basis.

Review conclusion
On the basis of our review, we are not aware of any material modifications that should be made to the financial information above prepared on an achieved profits basis as presented for the six months ended 30 June 2000.

PricewaterhouseCoopers
Chartered Accountants
London

1 August 2000

Ernst & Young
London

1 August 2000

Summarised consolidated profit and loss account – modified statutory basis

Page	6 months to 30 June 2000 €m		6 months to 30 June 2000 £m	Restated 6 months to 30 June 1999 £m	Restated full year 1999 £m
		Premium income after reinsurance and investment sales			
23	11,693	Life premiums	7,130	6,694	13,470
23	1,325	Investment sales	808	673	1,347
24	702	Health premiums	428	162	402
	13,720		8,366	7,529	15,219
25	10,140	General insurance premiums	6,183	5,819	11,227
	23,860	**Total**	**14,549**	**13,348**	**26,446**
		Operating profit			
24	994	Modified statutory life profit	606	564	1,172
24	34	Health	21	11	24
29	36	Fund management	22	26	66
25	536	General insurance	327	370	660
30	(34)	Non-insurance operations	(21)	(11)	(30)
	3	Associated undertakings	2	8	10
	(159)	Corporate costs	(97)	(65)	(162)
29	(274)	Unallocated interest charges	(167)	(107)	(240)
	1,136		693	796	1,500
30	(67)	Wealth management	(41)	-	-
	1,069	**Operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items**	**652**	**796**	**1,500**
	(30)	Amortisation of goodwill	(18)	(17)	(34)
	(17)	Amortisation of acquired additional value of in-force long-term business	(10)	(2)	(22)
22	-	Exceptional items	-	(70)	(163)
	1,022	**Operating profit before tax**	**624**	**707**	**1,281**
	202	Short-term fluctuation in investment returns	123	(213)	250
	(20)	Change in the equalisation provision	(12)	(35)	(55)
	-	Net loss arising on the sale of subsidiary undertakings	-	(9)	(8)
	(93)	Merger transaction costs	(57)	-	-
	1,111	**Profit on ordinary activities before tax**	**678**	**450**	**1,468**
26	(412)	Tax on profit on ordinary activities	(251)	(153)	(382)
	699	**Profit on ordinary activities after tax**	**427**	**297**	**1,086**
	(34)	Minority interests	(21)	(28)	(66)
	665	**Profit for the financial period**	**406**	**269**	**1,020**
26	(15)	Preference dividends	(9)	(9)	(17)
	650	**Profit for the financial period attributable to equity shareholders**	**397**	**260**	**1,003**
26	(525)	Ordinary dividends	(320)	(278)	(773)
	125	**Retained profit/(loss) transfer to reserves**	**77**	**(18)**	**230**
		Earnings per share			
27	33.0c	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	20.1p	25.8p	48.8p
27	29.0c	Profit attributable to equity shareholders	17.7p	11.6p	44.8p
	28.9c	Profit attributable to equity shareholders – diluted	17.6p	11.6p	44.7p
26	23.37c	**Dividends per share** - based on parent company	14.25p	14.25p	38.00p
	23.37c	- based on weighted average	14.25p	12.34p	34.30p

Consolidated statement of total recognised gains and losses

Page		6 months to 30 June 2000 £m	Restated 6 months to 30 June 1999 £m	Restated Full year 1999 £m
17	Profit for the financial period	406	269	1,020
	Movement in internally-generated additional value of in-force long-term business*	66	328	909
	Foreign exchange gains/(losses)	359	(127)	(389)
	Total recognised gains and losses arising in the period	**831**	**470**	**1,540**

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

Reconciliation of movements in consolidated shareholders' funds

Page		6 months to 30 June 2000 £m	Restated 6 months to 30 June 1999 £m	Restated Full year 1999 £m
	Balance at the beginning of the period			
	As previously reported - CGU plc	9,567	9,039	9,039
	- Norwich Union plc	6,039	5,713	5,713
	Merger adjustments arising from alignment of accounting practices	67	141	141
	Restated shareholders' funds at the beginning of the period	**15,673**	**14,893**	**14,893**
18	Total recognised gains and losses arising in the period	831	470	1,540
17	Dividends	(329)	(287)	(790)
	Increase in capital	21	12	23
	Merger reserve arising during the period	5	8	8
	Other movements	(8)	(5)	(1)
	Balance at the end of the period	**16,193**	**15,091**	**15,673**

Summarised consolidated balance sheet

	30 June 2000 £m	Restated 30 June 1999 £m	Restated 31 December 1999 £m
Assets			
Goodwill	544	488	452
Investments			
Land and buildings	805	822	763
Participating interests	231	329	283
Variable yield securities	7,416	6,166	7,595
Fixed interest securities	13,531	13,174	12,421
Mortgages and loans	1,305	916	1,080
Deposits	1,077	1,135	1,057
Additional value of in-force long-term business	6,554	5,887	6,425
	30,919	28,429	29,624
Reinsurers' share of technical provisions	2,684	2,610	2,638
Assets of the long-term business	144,894	132,967	140,798
Other assets	9,897	8,254	9,672
Total assets	**188,938**	**172,748**	**183,184**
Liabilities			
Shareholders' funds			
Equity	15,993	14,889	15,473
Non-equity	200	202	200
Minority interests	588	532	584
Total capital and reserves	**16,781**	**15,623**	**16,257**
Liabilities of the long-term business	140,447	129,124	136,673
General insurance liabilities	23,206	22,187	22,036
Borrowings	2,834	1,704	2,101
Other creditors and provisions	5,670	4,110	6,117
Total liabilities	**188,938**	**172,748**	**183,184**

Approved by the Board on 1 August 2000

Consolidated cash flow statement

	6 months to 30 June 2000 £m	Restated 6 months to 30 June 1999 £m	Restated Full year 1999 £m
Net cash inflow from operating activities excluding exceptional items and merger transaction costs	215	395	827
Exceptional items and merger transaction costs paid	(83)	(54)	(219)
Net cash outflow from servicing of finance	(119)	(88)	(156)
Corporation tax paid (including advance corporation tax)	(92)	(96)	(138)
Net purchases of tangible fixed assets	(39)	(51)	(131)
Acquisitions and disposals of subsidiary and associated undertakings	(235)	(59)	(64)
Equity dividends paid	(496)	(451)	(731)
Net cash inflow from financing activities	691	110	428
Net cash flows	**(158)**	**(294)**	**(184)**
Cash flows were invested as follows:			
Decrease in cash holdings	(146)	(139)	(18)
Net portfolio investment			
Net purchases/(sales) of investments	52	(175)	(226)
Non-trading cash flow (from)/to long-term business operations	(64)	20	60
Net investment of cash flows	**(158)**	**(294)**	**(184)**

The cash flows presented in this statement relate to shareholder and general business transactions only.

1. Basis of preparation

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 an exchange of shares in CGNU plc for the shares held in the CGU plc and Norwich Union plc companies. The merger became effective on 30 May 2000 and on that date 931 million new shares in CGNU, 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 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 the six months to 30 June 2000, and that for the 1999 interim and full year results, has been presented as if CGU plc and Norwich Union plc had been combined throughout the current and comparative accounting periods. Merger accounting principles have given rise to a merger reserve.

Costs of integrating and re-organising the business are included within operating profit. Merger transaction costs of £57 million have been incurred and are disclosed separately after operating profit before taxation.

The results of the two interim periods disclosed are unaudited but have been reviewed by the joint auditors, Ernst & Young and PricewaterhouseCoopers. Their review report in respect of the six months to 30 June 2000 is on page 28. The interim accounts do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 1999 are based on the statutory Group accounts of CGU plc and Norwich Union plc, both of which received unqualified audit opinions and have been filed with the Registrar of Companies.

2. Basis of accounts

The unaudited interim accounts for the six months to 30 June 2000 have been prepared on the basis of the accounting policies used to prepare the CGU plc and Norwich Union plc 1999 Annual Report and Accounts, as modified to align differences in the accounting policies used by the two companies. The accounting policies aligned were such that:

(i) Certain general business fixed income and debt securities held by Norwich Union plc were revalued from an amortised cost basis to a market value basis;
(ii) Project costs which had formerly been capitalised by Norwich Union plc have been eliminated;
(iii) Embedded value assumptions used by both companies have been brought onto a common basis.

The impact of these changes was to increase profit before tax by £16 million (30 June 1999: reduce by £32 million, full year 1999: reduce by £91 million) and increase shareholders' funds by £83 million (30 June 1999: increase by £100 million, full year 1999: increase by £67 million).

3. Principal exchange rates

Published results have been translated at average rates of exchange, while assets and liabilities have been translated at closing rates of exchange.

The principal average rates were:

		6 months to 30 June 2000	**6 months to 30 June 1999**	**Full year 1999**
Canada	- dollars	2.30	2.41	2.40
France	- francs	10.73	9.78	9.99
Netherlands	- guilders	3.60	3.29	3.35
United States	- dollars	1.57	1.61	1.62

The results have been translated into euros using the average rate for the six months to June 2000 of 1 euro = £0.61.

The principal closing rates were:

		30 June 2000	**30 June 1999**	**31 December 1999**
Canada	- dollars	2.24	2.33	2.34
France	- francs	10.36	10.03	10.55
Netherlands	- guilders	3.48	3.37	3.54
United States	- dollars	1.51	1.58	1.61

4. Change in accounting policy - dividend income

Financial Reporting Standard 16 "Current Tax" was published by the Accounting Standards Board on 16 December 1999 following recent changes in the United Kingdom tax system. The principal requirement of this standard is that dividends should be recognised at the amount receivable without any attributable tax credit.

In presenting the results for the six months to 30 June 2000 the CGNU plc Group has complied with Financial Reporting Standard 16. Norwich Union plc adopted FRS16 in its full year 1999 accounts. Accordingly, dividend income within the comparative results for the six months to 30 June 1999 for both CGU plc and Norwich Union plc, and the full year to 31 December 1999 for CGU plc only, has been restated to a net of tax basis.

UITF abstract 14 "Disclosure of Changes in Accounting Policy" requires the effect of changes in accounting policy to be disclosed in relation to both the reported results in 2000 and 1999.

The change in accounting policy has a purely presentational effect and does not alter the profit of the Group after taxation. Accordingly, shareholders' reserves at 30 June 2000, 31 December 1999 and 30 June 1999 remain at the same level before and after the change in accounting for dividend income.

The impact of the change in accounting policy on operating profit before taxation is a reduction of £3 million (six months to 30 June 1999: £4 million, full year 1999: £13 million). The impact on profit on ordinary activities before tax is a reduction of £6 million (six months to 30 June 1999: £7 million, full year 1999: £17 million).

5. Acquisitions in the six months to 30 June 2000

On 18 January 2000, the Group acquired the remaining 72 percent of the share capital of Hibernian Group plc, formerly an associate of CGU plc, for a cash consideration of £254 million giving rise to goodwill of £107 million. Hibernian Group plc transacts general insurance in the Republic of Ireland and the United Kingdom, life insurance business in the Republic of Ireland and international reinsurance. The transaction was accounted for as an acquisition. Compliance with Financial Reporting Standard 2 "Subsidiary undertakings" requires a departure from the Companies Act 1985 relating to the calculation of goodwill on Hibernian. In the opinion of the directors, in order to give a true and fair view, goodwill has to take account of the share of net assets purchased when Hibernian became an associate. If the provisions of the Companies Act had been followed, goodwill would have been £47 million lower.

6. Exceptional items

Exceptional items comprise:

	6 months to 30 June 2000 £m	**6 months to 30 June 1999 £m**	**Full year 1999 £m**
Merger integration costs	-	70	120
Integration incentive plans	-	-	31
Other integration costs	-	-	12
Total	**-**	**70**	**163**

Merger integration costs for the six months to 30 June 1999 and full year 1999 comprise the costs of integrating and reorganising the businesses of the former Commercial Union and General Accident.

Integration incentive plans, which relate to the integration of the former Commercial Union and General Accident businesses, comprise the costs of incentive plans payable to staff in certain business units and the costs of cash and share awards to senior management of the Group, which are conditional upon the performance of the Group against pre-defined targets.

Other integration costs relate to the integration of the long-term business of Norwich Union's Spanish operation with its acquisition of British Life in 1999.

7. 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 to 30 June 2000 £m	6 months to 30 June 1999 £m	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
Life and pensions sales							
United Kingdom	2,966	2,333	182	151	4,138	3,436	7,405
Europe (excluding UK)							
France	968	715	21	25	1,100	1,292	2,420
Ireland	198	125	25	10	279	174	375
Netherlands	203	167	32	38	515	422	837
Poland – Life	5	6	22	32	120	101	216
– Pensions	-	-	109	2	182	2	118
Spain	37	14	5	8	66	41	104
Other	183	693	42	64	396	908	1,348
International	228	223	23	22	334	318	647
Total life and pensions	**4,788**	**4,276**	**461**	**352**	**7,130**	**6,694**	**13,470**
Investment sales							
United Kingdom	510	464	11	8	521	472	806
Europe (excluding UK)	121	57	-	-	121	57	130
International	166	144	-	-	166	144	411
Total long-term business	**5,585**	**4,941**	**472**	**360**	**7,938**	**7,367**	**14,817**

Single premiums are defined as premiums arising on contracts where there is no expectation of future premiums. Additional single premiums are permitted on most contracts of this type and are also classified as single premiums. All premiums are written by way of direct insurance and the directors consider that premiums written on the destination basis are not materially different from premiums written on an origin basis.

New business premiums from Europe and International businesses have been translated at the average exchange rates applying for the period. Restating new business sales for the six months to 30 June 1999 to account for the impact of exchange rate movements in the six months to 30 June 2000 would result in total regular premiums being restated from £360 million to £345 million and from £4,941 million to £4,791 million for total single premiums.

Investment sales include Isas, PEPs, unit trusts and UCITS (collective investments sold throughout Europe).

8. Geographical analysis of modified statutory life profit

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom			
With-profit	127	127	244
Non-profit	286	264	556
Europe (excluding UK)			
France	69	52	103
Ireland	19	18	47
Netherlands	73	63	140
Poland – Life	13	11	31
– Pensions	(5)	(5)	(28)
Spain	5	4	11
Other	2	9	22
International	17	21	46
Total modified statutory life profit	**606**	**564**	**1,172**

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

(a) Premiums after reinsurance:

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom	103	90	177
France	47	48	97
Netherlands	278	24	128
Total	**428**	**162**	**402**

(b) Operating result:

	Health operating profit			Underwriting result		
	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom	2	-	-	-	(2)	(4)
France	6	6	13	-	2	2
Netherlands	13	5	11	(10)	1	(3)
Total	**21**	**11**	**24**	**(10)**	**1**	**(5)**

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

(a) General insurance premiums after reinsurance:

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom	2,650	2,514	4,868
Europe (excluding UK)			
France	353	381	657
Ireland	184	81	151
Netherlands	226	192	339
Other	329	364	659
International			
Australia and New Zealand	313	328	674
Canada	454	387	788
United States	1,425	1,332	2,621
Other	249	240	470
Total	**6,183**	**5,819**	**11,227**

(b) Operating result:

	General insurance operating profit*			Underwriting result*		
	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom	202	132	315	(157)	(177)	(328)
Europe (excluding UK)						
France	(120)	20	(8)	(167)	(21)	(80)
Ireland	11	3	15	(13)	(6)	(5)
Netherlands	10	16	7	(21)	(11)	(32)
Other	1	5	22	(34)	(37)	(52)
International						
Australia and New Zealand	33	18	15	(12)	(19)	(57)
Canada	44	38	93	(18)	(18)	(25)
United States	115	102	176	(96)	(89)	(204)
Other	31	36	25	(16)	(7)	(58)
Total	**327**	**370**	**660**	**(534)**	**(385)**	**(841)**

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £12 million (six months to 30 June 1999: £35 million, full year 1999: £55 million).

11. Taxation

The tax charge in the profit and loss account comprises:

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom corporation tax	16	(8)	32
Overseas tax	134	73	62
Other	(85)	(84)	(42)
Total taxation charge for the period	65	(19)	52
Tax attributable to the long-term business technical result	186	172	330
Charge to profit and loss account	**251**	**153**	**382**
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	176	187	335
Profit on other ordinary activities	75	(34)	47
	251	**153**	**382**

12. Dividends

The dividends payable in the profit and loss account comprise:

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
Preference dividends	**9**	**9**	**17**
Ordinary dividends			
Interim - 14.25 pence (1999: 12.34 pence*)	320	278	278
Final - (1999: 21.96 pence*)	-	-	495
Total ordinary dividends	**320**	**278**	**773**

* Based on the weighted average dividends per share of CGU plc and Norwich Union plc. The 1999 interim and final dividends per share for CGU plc were 14.25p and 23.75p respectively.

The preference dividends are in respect of the cumulative irredeemable preference shares of £1 each in issue, payable on 31 March and 30 June 2000.

The directors declare an interim dividend for the period of £320 million, representing 14.25 pence net per share of the Company, payable on 17 November 2000 to members on the register at 29 September 2000. Irish shareholders who are due to be paid a dividend denominated in Irish punts will receive a payment based on the exchange rate prevailing on 1 August 2000.

13. Earnings per share

	30 June 2000			30 June 1999		31 December 1999	
	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 before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	652	450	20.1	576	25.8	1,091	48.8
Adjusted for the following items :							
- Amortisation of goodwill	(18)	(18)	(0.8)	(17)	(0.8)	(34)	(1.5)
- Amortisation of acquired additional value of in-force long-term business	(10)	(9)	(0.4)	(2)	(0.1)	(15)	(0.7)
- Exceptional items	-	-	-	(55)	(2.5)	(124)	(5.5)
- Short-term fluctuation in investment returns	123	32	1.4	(208)	(9.3)	133	5.9
- Change in the equalisation provision	(12)	(9)	(0.4)	(25)	(1.1)	(40)	(1.8)
- Net loss arising on the sale of subsidiary undertakings	-	-	-	(9)	(0.4)	(8)	(0.4)
- Merger transaction costs	(57)	(49)	(2.2)	-	-	-	-
Profit attributable to equity shareholders	**678**	**397**	**17.7**	**260**	**11.6**	**1,003**	**44.8**

Earnings per share has been calculated based on the 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, as well as on the profit attributable to equity shareholders, as the directors believe the former earnings per share figures provide a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,244 million (six months to 30 June 1999: 2,234 million, full year 1999: 2,237 million*)* ordinary shares in issue. Diluted earnings per share is calculated by adjusting the weighted average number of shares for the effect of share options.

The actual number of shares in issue at 30 June 2000 was 2,246 million (30 June 1999: 2,238 million, 31 December 1999: 2,242 million).

14. Longer-term investment return

The longer-term investment return is calculated separately for each principal country. 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 year, by the longer-term rate of investment return. For other investments, the actual income receivable is included. The principal assumptions underlying the calculation of the longer-term investment return are:

	Longer-term rates of return			
	Equities		Properties	
	2000 %	1999 %	2000 %	1999 %
United Kingdom	8.1	6.9	6.6	5.4
France	7.5	5.9	6.5	4.9
Ireland	8.7	7.0	6.7	5.0
Netherlands	8.4	6.8	6.5	4.9
Australia and New Zealand	10.0	8.0	8.0	6.0
Canada	9.3	7.9	7.3	5.9
United States	9.3	7.7	7.3	5.7

Independent review report to CGNU plc

We have been instructed by the Company to review the financial information set out on pages 17 to 27 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the above financial information. This information has been prepared on the modified statutory solvency basis, which is the basis of accounting adopted in the annual audited accounts.

Directors' responsibilities
The interim report, including the above financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the above financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

PricewaterhouseCoopers
Chartered Accountants
London

1 August 2000

Ernst & Young
London

1 August 2000

Statistical Supplement

Segmental analysis of group operating profit at constant currency

	6 months to 30 June 2000 £m	6 months to 30 June 1999 at 2000 exchange rates £m	6 months to 30 June 1999 £m
Life achieved operating profit			
United Kingdom	462	380	380
France	124	66	71
Ireland	33	25	25
Netherlands	76	62	68
Poland life and pensions	45	27	28
Spain	7	1	1
Other Europe	(8)	19	20
International	15	29	28
	754	**609**	**621**
Health			
United Kingdom	2	-	-
France	6	6	6
Netherlands	13	5	5
	21	**11**	**11**
Fund management			
United Kingdom	6	14	14
France	5	2	2
Netherlands	1	2	2
Other Europe	1	1	1
Australia and New Zealand	7	7	7
United States	2	-	-
	22	**26**	**26**
General insurance (excluding United States business)			
United Kingdom	202	132	132
France	(120)	18	20
Ireland	11	2	3
Netherlands	10	13	16
Other Europe	1	6	5
Australia and New Zealand	33	17	18
Canada	44	40	38
Other	31	36	36
	212	**264**	**268**
Non-insurance operations	(21)	(11)	(11)
Associated undertakings	2	7	8
Corporate costs	(97)	(64)	(65)
Unallocated interest charges - external	(65)	(41)	(41)
- intra-group	(102)	(66)	(66)
	726	**735**	**751**
Wealth management	(41)	-	-
Group operating profit before tax* (excluding US general business)	**685**	**735**	**751**
United States general insurance business	115	103	102
Group operating profit before tax*	**800**	**838**	**853**

* Group operating profit before tax, change in risk margin, amortisation of goodwill and exceptional items.

Restating modified statutory life profits for the six months to 30 June 1999 to account for the impact of exchange rate movements in the six months to 30 June 2000 would result in modified statutory life profits being restated from £564 million to £553 million.

Supplementary analyses

(a) Non-insurance operations – operating profit

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom			
Hill House Hammond	7	8	13
Norwich Union Direct Financial Services	(5)	(5)	(12)
Norwich Union Equity Release and other personal finance subsidiaries	(6)	(14)	(23)
Your Move	(27)	(5)	(13)
Other	(1)	-	(1)
Europe (excluding UK)	11	5	6
Total	**(21)**	**(11)**	**(30)**

(b) Wealth management – operating result

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom			
Asserta home	(10)	-	-
Other wealth management	(31)	-	-
Total	**(41)**	-	**-**

(c) General business information - adverse weather/catastrophe claims costs

	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	Full year 1999 £m
United Kingdom	114	101	217
Europe (excluding UK)			
France	90	-	38
Ireland	-	-	-
Netherlands	-	-	-
Other	-	-	4
International			
Australia and New Zealand	3	19	24
Canada	4	5	9
United States	39	52	83
Other	16	6	45
Total	**266**	**183**	**420**

Supplementary analyses (continued)

(d) General business – investment return information

	Longer-term investment return			Actual investment return		
	6 months to 30 June 2000 £m	**6 months to 30 June 1999 £m**	**Full year 1999 £m**	**6 months to 30 June 2000 £m**	**6 months to 30 June 1999 £m**	**Full year 1999 £m**
United Kingdom	359	309	643	279	271	545
Europe (excluding UK)						
France	47	41	72	31	24	43
Ireland	24	9	20	21	9	17
Netherlands	31	27	39	13	16	22
Other	35	42	74	34	32	58
International						
Australia and New Zealand	45	37	72	37	32	69
Canada	62	56	118	53	52	104
United States	211	191	380	147	149	291
Other	47	43	83	34	36	72
Total longer-term investment return	**861**	**755**	**1,501**			
Total actual investment income				649	621	1,221
Realised gains				307	329	591
Unrealised gains/(losses)				43	(384)	(75)
Total actual investment return				**999**	**566**	**1,737**

General insurance - geographical ratio analysis

	Claims ratio		Expense ratio (excluding commission)		Combined operating ratio	
	6 months to 30 June 2000 %	6 months to 30 June 1999 %	6 months to 30 June 2000 %	6 months to 30 June 1999 %	6 months to 30 June 2000 %	6 months to 30 June 1999 %
United Kingdom	76.1%	76.8%	10.6%	11.6%	106%	107%
France	121.5%	71.8%	13.5%	14.0%	154%	104%
Ireland	85.0%	86.7%	10.5%	10.9%	107%	108%
Netherlands	77.4%	69.8%	11.8%	11.5%	109%	105%
Australia and New Zealand	74.0%	77.9%	17.6%	16.5%	105%	107%
Canada	74.0%	72.5%	12.2%	13.3%	104%	104%
United States (statutory basis)	76.0%	75.5%	13.1%	13.7%	105%	106%
Total Group	**78.6%**	**75.7%**	**12.5%**	**12.9%**	**109%**	**106%**

Ratios are measured in local currency.

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

If the 2000 average exchange rates had been used to calculate the 1999 ratios, the Group claims ratio, Group expense ratio and Group combined operating ratio would have been 75.7%, 13.1% and 107% respectively.

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 analysis

(a) United Kingdom

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	6 months to 30 June 2000 £m	6 months to 30 June 1999 £m	6 months to 30 June 2000 %	6 months to 30 June 1999 %
Personal						
Motor	706	626	(37)	(63)	107%	112%
Homeowner	618	597	20	14	97%	97%
Creditor	227	157	12	14	97%	108%
Other	54	67	(3)	(1)	109%	95%
	1,605	1,447	(8)	(36)	101%	103%
Commercial						
Motor	365	333	(56)	(70)	116%	122%
Property	350	382	(33)	(7)	108%	100%
Liability	117	146	(41)	(32)	133%	121%
Other	51	56	12	9	75%	84%
	883	917	(118)	(100)	113%	111%
London market	162	150	(31)	(41)	122%	124%
Total	**2,650**	**2,514**	**(157)**	**(177)**	**106%**	**107%**

Certain reclassifications have taken place since the publication of the CGU plc and Norwich Union plc 1999 Annual Report and Accounts and the joint merger announcement issued on 21 February 2000. Details of the reclassifications are:

(i) Global Risks has been reclassified from the Commercial classes to London market;
(ii) London & Edinburgh marine business has been reclassified to London market;
(iii) Small business vehicles have been reclassified as Commercial;
(iv) Part of Commercial Other has been reclassified to Commercial Property; and
(v) Personal Accident has been reclassified as Personal Other.

The 1999 figures have been restated for the above.

(b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months to 30 June 2000 €m	6 months to 30 June 1999 €m	6 months to 30 June 2000 €m	6 months to 30 June 1999 €m	6 months to 30 June 2000 %	6 months to 30 June 1999 %
Agents/brokers						
Motor	201	189	(37)	(7)	119%	103%
Property	241	235	(213)	(6)	209%	95%
Other	106	109	(13)	(3)	115%	102%
Direct	33	35	(11)	(16)	134%	148%
Total	**581**	**568**	**(274)**	**(32)**	**154%**	**104%**

The information in the above table has been translated using the rate of 1 euro = 6.56 FFr.

General insurance – class of business analysis (continued)

(c) Netherlands

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months to 30 June 2000 €m	6 months to 30 June 1999 €m	6 months to 30 June 2000 €m	6 months to 30 June 1999 €m	6 months to 30 June 2000 %	6 months to 30 June 1999 %
Domestic	64	63	(8)	5	114%	88%
Motor	121	97	(12)	(23)	110%	125%
Commercial fire	53	38	-	1	96%	96%
Liability	35	31	(9)	(5)	137%	115%
Inward reinsurance	4	8	(2)	(1)	143%	111%
Other	95	49	(4)	5	103%	86%
Total	**372**	**286**	**(35)**	**(18)**	**109%**	**105%**

The information in the above table has been translated using the rate of 1 euro = 2.20 NLG.

(d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months to 30 June 2000 C$m	6 months to 30 June 1999 C$m	6 months to 30 June 2000 C$m	6 months to 30 June 1999 C$m	6 months to 30 June 2000 %	6 months to 30 June 1999 %
Automobile	643	566	(20)	(7)	103%	101%
Property	311	283	(27)	(14)	109%	105%
Liability	80	68	-	(25)	100%	134%
Other	14	16	4	3	70%	73%
Total	**1,048**	**933**	**(43)**	**(43)**	**104%**	**104%**

Assets under management

	Long-term business £m	General business and other £m	Group 30 June 2000 £m	Group 31 December 1999 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	44,410	7,416	51,826	54,736
Debt and fixed income securities at market value	13,297	13,531	26,828	24,893
Debt and fixed income securities at amortised cost	31,426	-	31,426	29,757
Loans secured by mortgages and other loans	11,068	1,305	12,373	11,404
Deposits with credit institutions	1,723	1,077	2,800	2,588
Total financial investments	**101,924**	**23,329**	**125,253**	**123,378**
Investments in participating interests	110	231	341	434
Land and buildings	7,495	805	8,300	7,847
Total investments	**109,529**	**24,365**	**133,894**	**131,659**
Assets held to cover linked liabilities	26,723	-	26,723	24,626
Other assets included in the balance sheet	8,642	19,679	28,321	26,899
Total assets included in the balance sheet	**144,894**	**44,044**	**188,938**	**183,184**
Third party funds under management:				
Unit trusts, Oeics, PEPs and Isas			6,228	5,596
Segregated funds			20,585	19,691
Total assets under management			**215,751**	**208,471**

Shareholder information

Financial calendar 2000/2001

Ex-dividend date for 2000 interim dividend	25 September 2000
Record date for 2000 interim dividend	29 September 2000
Announcement of 9 months 2000 results	8 November 2000
Payment of 2000 interim dividend	17 November 2000
Preliminary announcement of 2000 results	27 February 2001

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 **27 October 2000** in order to participate in the Plan for the 2000 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

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 should contact the Company's Registrar:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

CGNU plc

Registered in England no:	2468686
Registered Office:	St Helen's, 1 Undershaft, London EC3P 3DQ
Internet address:	www.cgnu-group.com