



Aviva životní pojišťovna, a.s.

(previously Commercial Union, životní pojišťovna, a. s.)

Annual report

31 December 2002



We bring you
the best
of British
tradition



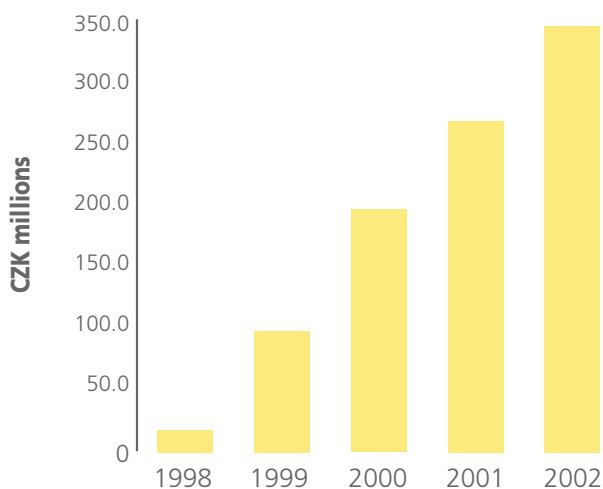
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Report on the business activity, results of operations and financial position for the year ended 31 December 2002

2002 was an excellent year for Aviva životní pojišťovna, a.s. ("Aviva"), increasing its gross premium written by CZK 73.4 million to CZK 343.9 million which represents an increase of 27.1% compared to the market life insurance growth of only 20.8%. In addition, losses in respect of ongoing company projects were reduced to CZK 24.5 million compared to CZK 74.5 million in 2001. These two base positions provide an excellent platform upon which Aviva will be able to build during 2003 and beyond.

gross premium written



Aviva remains committed to the development of the most dynamic type of investment life insurance available in the Czech Republic, namely unit linked investment life assurance which combines both protection and investment in combination that best suits the customer. In case of this type of insurance, every customer can determine an individual risk profile of its unit-linked life policy via selection of the underlying reference investments which differ based upon their investment yield potential and associated investments risks, and compose an optimal composition in relation to customer's expectations whilst still enjoying contracted life and accidental covers.

2002 saw Aviva launch two new products targeted at rapidly growing market segments, namely the Talisman product which is the market's leading child protection and investment insurance product with the only critical illness cover of its kind in the Czech Republic, and Aviva Benefit which has been specifically designed to take full advantage of the tax concessions and meet customers' individual needs.

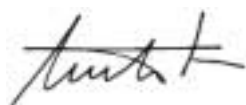
Aviva strongly believes in personal service, and only through personal service will a customer have his or her needs and concerns catered for. That is why Aviva concentrates its investment life insurance sales through a direct sales force where we are able to provide the management, training and materials necessary to ensure superior customer service. In 2002 Aviva appointed some 350 new life insurance salesmen, each of whom applies the disciplined approach to sales and service that you would expect from a company of our international stature.

Aviva maintains a strong financial position and adheres to all generally recognised principles of prudent financial management as well as a conservative investment policy. At 31 December 2002 the total volume of assets amounted at CZK 850.0 million of which CZK 735.2 million or 86% were represented by financial placements. In this respect, deposits with banks amounted at CZK 411.1 million and CZK 263.8 million were represented by solid and highly liquid fixed income securities listed on the main or secondary market of the Prague Stock Exchange. Aviva undertakes exposures against equities and foreign securities only if it is requested by its customers within "unit-linked" life insurance contracts, and the particular customers then bear the risk resulting from these investments, thus Aviva's result of operation is not affected by a possible volatility of these instruments.

During 2002 the amount of technical reserves grew by CZK 160 million or 55.8% in comparison with the corresponding amount of the prior year, and the total volume of the technical reserves reached the amount of CZK 446.8 million as at 31 December 2002.

In the course of 2002 Aviva further increased its capital by CZK 110.0 million to strengthen its capital position in light of both 2002 result of operation as well as in anticipation of future planned projects aimed at ongoing business expansion and its required support mainly in areas of direct sales force, marketing and system infrastructure enabling superior customer service. All prior year losses, arising from business expansion needs, were fully appropriated against other capital funds, and it is expected that the 2002 loss of CZK 24.5 million will be fully covered in comparable manner leaving nil unsettled losses carried forward.

The report of independent auditors, financial statements and the report on relations between the related parties constitute an integral part of this report.



Mr. Austin Kimm
General Manager and
Chairman of the Board of Directors



Mr. Josef Holub
Finance Director and
Member of the Board of Directors

Prague, 14 February 2003

Report on the relations between the Controlled and Controlling Entity and on the relations between the Controlled Entity and the other entities/persons controlled by the same Controlling Entity pursuant to Article No. 66a of the Act No.513/1991 Coll., the Commercial Code, as subsequently amended

Aviva životní pojišťovnu, a.s. (change of the name from Commercial Union, životní pojišťovnu, a. s. with the effective date of 1 January 2003, "the Company" or "Controlled Entity") was incorporated on 20 March 1997 as a joint stock company (Commercial ID 25114344) and has its seat at Prague 2, Londýnská 41. The Company is a wholly-owned subsidiary of CGU International Holdings B.V., The Netherlands (Controlling Entity), which is in turn wholly-owned by CGU Group B.V. The ultimate holding company is AVIVA plc (change of the name from CGNU plc with the effective date of 1 July 2002) with its registered office St. Helen's, 1 Undershaft, London EC3P 3DQ.

Except for execution of shareholder's rights in accordance with the relevant legislation the Controlling Entity or any other entity/person within AVIVA Group does not exercise a controlling influence on the management of the Company.

No contracts were concluded between the Controlling Entity and the Company in the course of year 2002.

In the course of 2002 AVIVA's intragroup advisory, consultancy and other technical services were rendered to the Company at the amount of CZK 2,555 ths (2001: 9,241 ths) based upon a contract of 1 December 1999. These services are represented by actuarial analyses and projections, new product development, bank assurance consultations, commission's assessments and consultations, information technology support, life administration system support and internal audit. In 2002 the Company also received and reflected in its records a credit note at the amount of CZK 2001 in respect of intragroup services rendered in 2001.

In 2002 the Company also incurred interest on a intercompany loan at the amount of CZK 1,200 ths (2001: 1,200 ths). The loan was arranged based upon a contract with Commercial Union Assurance Company plc of 20 March 1997. The principal is CZK 10,000 ths with contracted maturity of 10 years and interest 1% p. m. payable annually in arrears.

For the purposes of this report the Company also states that it concluded a contract with AVIVA ES Ltd., a member of AVIVA Group. The contract addresses recharging of certain expense items arising from an employment contract of one particular employee since effective date of 1 December 2002. In this respect AVIVA ES Ltd. solely acts as a settlement agent and the Company does not incur nor earns any expenses or revenues.

For the purposes of this report the Company also states, that on the basis of the information known to it, on 5 January 2001 Commercial Union International Holdings Limited (CUIH) which is hundred-percent owned and controlled within the AVIVA Group, acquired 65% of the shares in the company Všeobecný Vzájemný Penzijní Fond, a. s. which was renamed subsequently into Commercial Union Penzijní Fond, a. s. („the pension fund“). On 29 May 2002 CUIH became the sole shareholder of the pension fund, and consequently a certain third party outside of the AVIVA Group became the sole shareholder of the pension fund on 10 December 2002.

With effective date of 1 April 2001, the Company and the pension fund concluded a sublease contract and a cost sharing agreement. The sublease contract was concluded because the pension fund was desired to sublease part of the premises, and the Company was willing to sublet it. The cost sharing agreement was concluded in order to achieve a true and fair financial position and result of operations of both contractual parties. The agreement addresses recharging aspects of expense items which are incurred by the contractual parties, but which cannot be directly and separately charged by individual suppliers to each entity due to operational reasons. These expense items or their pro-rata basis are recharged without any mark-up. The Company recharged to the pension fund expenses at the amount of CZK 1,375 ths (2001: 1,448 ths) in 2002. The recharged items are solely represented by accommodation and related expenses. In view of the above mentioned change of the sole shareholder of the pension fund both contracts were terminated based upon a mutual consensus with effective date of 31 December 2002.

Neither the Company nor the pension fund have exercised an influence on the management or operation of the other entity.

The Board of Directors of the Company as the collective statutory body declares that information stated in this report on the relations between related parties according to Article No.66a, Par. 9 of the Act No.513/1991 Coll., the Commercial Code as subsequently amended, are true, complete and correct. At the same time the Board hereby declares, that the Company has not suffered any loss arising from the above mentioned contracts, transactions and fulfilments in a relation to any related party, and thus there is no reason to claim any damage from any related party.



Mr. Austin Kimm
General Manager and
Member of the Board of Directors



Mr. Josef Holub
Finance Director and
Member of the Board of Directors

In Prague, 14 February 2003

Report of independant auditors to the shareholders of Aviva životní pojišťovny, a.s. (previously Commercial Union, životní pojišťovna, a. s.)

We have audited the accompanying balance sheet of Aviva životní pojišťovna, a.s. (previously Commercial Union, životní pojišťovna, a. s.) as at 31 December, the related income statement and notes, including the statement of cash flows, for the year then ended presented in the annual report of the Company on pages 10 to 33 ("the financial statements"). The financial statements and underlying accounting records are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity of Aviva životní pojišťovna, a.s. (previously Commercial Union, životní pojišťovna, a. s.) as at 31 December 2002, and the results of its operations and its cash flows for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 4 and 5, which does not form part of the financial statements for the year ended 31 December 2002, is consistent with the audited financial statements of the Company. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.

In addition we have also reviewed the accompanying report on relations between the Company and its controlling party CGU International Holdings B.V. and between the Company and the other parties controlled by AVIVA plc (change of the name from CGNU plc) on pages 6 and 7 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors. Our responsibility is to review the accuracy of information included in the report. We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to reviews of reports on relations between related parties. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects.

14 February 2003

PricewaterhouseCoopers Audit, s. r. o. [PwC1]
represented by

Paul Cunningham
Partner

Ing. Petr Kříž
Auditor, Licence No. 1140



Annual report 2002

Aviva životní pojišťovna, a.s.

(originally Commercial Union, životní pojišťovna, a. s.)



AVIVA

We bring you
the best
of British
tradition



Year end accounts - balance sheet

as at 31 December 2002

(in thousand CZK)

Aviva životní pojišťovna, a.s. (previously Commercial Union, životní pojišťovna, a. s.)

Description	Line	Gross 2002	Adjustment	Net 2002	Net 2001	Net 2000
a	b	1	2	3	4	5
I. ASSETS		x				
Intangible assets	(20) 11	36 243	33 668	2 575	4 484	8 635
Incorporation expenses	(201) 12	5 088	3 724	1 364	2 045	2 727
Goodwill	(202) 13					
Financial investments	(10 a_ 14) 14	735 238		735 238	497 773	342 769
Land and buildings (real estate)	(10) 15					
Land and buildings - self-occupied	(101 AE,102 AE) 16					
Investments in participating interests and other long-term receivables	(11) 17					
Participating interests in subsidiaries	(111) 18					
Participating interests in associates	(112) 19					
Bonds and other debt-securities issued by subsidiaries,						
loans granted to subsidiaries	(113, 114) 20					
Bonds and other debt-securities issued by associates,						
loans granted to associates	(115, 116) 21					
Other participating interests and other long-term receivables	(117, 118) 22					
Other financial investments	(12) 23	336 201		336 201	243 441	190 750
Variable-yield securities	(121) 24	60 307		60 307	36 866	32 111
Fixed-income securities	(122) 25	263 814		263 814	161 095	93 951
Financial investments in investment companies and funds	(123 AE) 26					
Financial investments in associations incorporated as legal entities	(123 AE) 27					
Financial investments in associations not incorporated as legal entities	(123 AE) 28					
Mortgage backed loans	(124) 29					
Other loans	(125) 30					
Deposits with banks	(126) 31	411 117		411 117	299 812	216 707
Other financial investments	(127) 32	(399 037)		(399 037)	(254 332)	(152 019)
Receivables from placed deposits (reinsurance)	(131) 33					
Financial placement in life insurance if the policyholder bears the investment risk(14)	34	399 037		399 037	254 332	152 019
Receivables	(30,32,z 35,z 37) 35	44 720	3 207	41 513	27 958	7 689
Receivables arising out of direct insurance and reinsurance operations	(30) 36	38 913	3 207	35 706	23 115	363
Receivables due from the insured	(301,308 AE) 37					
Receivables due from intermediaries	(302,308 AE) 38	38 913	3 207	35 706	23 112	363
Receivables arising out of reinsurance operations	(303,308 AE) 39				3	
Public health insurance receivables	(31) 40					
Receivables for unpaid share capital	(321) 41					
Other receivables	(32,z 35,z 37) 42	5 807		5 807	4 843	7 326
Other assets	(21 a_ 25) 43	63 355	19 415	43 940	49 261	44 834
Tangible movable assets	(21) 44	33 612	19 415	14 197	14 369	14 100
Operational movable assets	(211 AE) 45	33 612	19 415	14 197	14 369	14 100
Non-depreciable tangible assets	(216) 46					
Acquisition of assets	(22) 47				2 908	417
Advance payments for tangible and intangible fixed assets	(222) 48					417
Other assets	(25) 49					
Cash, cash equivalents and other financial assets	(23) 50	29 743		29 743	31 984	30 317
Current accounts	(235,234) 51	29 440		29 440	31 715	30 199
Cash and cash equivalents	(231,232 AE) 52	303		303	269	118
Cheques	(232 AE) 53					
Own shares	(237) 54					
Special accounts with public health insurance funds	(24) 55					
Prepayments and accrued income	(z 39) 56	2 238		2 238	5 297	4 207
Accrued interest and rent	(391 AE) 57	1 043		1 043	913	364
Deferred acquisition costs	(391 AE) 58					
Other prepayments and accrued income	(z 39) 59	1 195		1 195	4 384	3 843
Accumulated losses of prior periods	(414) 60					
Loss of the current period	61	24 515		24 515	74 543	110 186
TOTAL ASSETS	62	906 309	56 290	850 019	659 316	518 320
Control number for assets	999	3 101 726	161 548	2 940 178	2 213 875	1 674 813

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Aviva životní pojišťovna, a.s.

(previously Commercial Union, životní pojišťovna, a. s.)

Description	Line	Gross 2002	Adjustment	Net 2002	Net 2001	Net 2000
a	b	1	2	3	4	5
II. LIABILITIES	x					
Share capital and reserves	(40,41) 63			373 226	337 769	327 954
Share capital	(401) 64			255 000	245 000	235 000
Share premium	(402) 65					
Other equity reserves	(403,404) 66			117 078	91 621	91 806
Revaluation reserve	(405) 67					
Equity funds from health insurance	(406-409) 68					
Legal reserve	(411) 69			1 148	1 148	1 148
Other reserves	(412) 70					
Public health insurance funds	(43) 71					
Technical provisions	(44 mimo 446) 72	50 822	3 108	47 714	32 428	14 346
Provision for unearned premiums	(441) 73	32 615		32 615	13 854	689
Life insurance provision	(442) 74	421		421	273	119
Provision for outstanding claims	(443) 75	17 786	3 108	14 678	18 301	12 361
Provision for bonuses and rebates	(444) 76					
Equalisation and other provisions	(445) a (449) 77					1 177
Life insurance provision, if the policyholder bears the investment risk	(446) 78	399 037		399 037	254 332	152 019
Provisions for other risks and charges	(45) 79				762	361
Legal provisions	(451) 80					
Other provisions	(452,453,459) 81				762	361
Deposits received from reinsurers	(461) 82					
Subordinated liabilities	(zejm.z 36,z 48) 83					
Payables	(33,z 35,36,z 37,47,48) 84			22 187	30 552	21 052
Payables arising out of direct insurance and reinsurance operations	(33) 85			8 759	7 394	4 865
Payables due to the insured	(331,338 AE) 86			4 352	4 076	2 226
Payables to intermediaries	(332,338 AE) 87			4 229	3 151	2 639
Payables arising out of reinsurance operations	(333,338 AE) 88			178	167	
Public health insurance payables	(34) 89					
Debenture loans	(367, 487) 90					
Loans backed by bonds in convertible currencies	(367 AE,487 AE) 91					
Bank loans	(365,366,471) 92					
Tax liabilities	(z 37) 93					
Payables due to social security and health insurance authorities	(z 355) 94					
Payables due to subsidiaries	(481) 95			12 133	19 289	13 719
Payables due to associates	(482) 96					
Other payables	(z 35,z 36,z 37,472,z 48) 97			1 295	3 869	2 468
Accruals and deferred income	(z 39) 98			7 855	3 473	2 588
NUndistributed profits from prior periods	(413) 99					
Profit from the current period	100					
TOTAL LIABILITIES	101			850 019	659 316	518 320
Control number for liabilities	999			2 151 924	1 727 537	1 405 218

Year end accounts - income statement

as at 31 December 2002

(in thousand CZK)

Aviva životní pojišťovna, a.s. (previously Commercial Union, životní pojišťovna, a. s.)

Description	Line	Base 2002	Sub-total 2002	Result 2002	Base 2001	Sub-total 2001	Result 2001	Base 2000	Sub-total 2000	Result 2000
a	b	1	2	3	4	5	6	7	8	9
II. TECHNICAL ACCOUNT - LIFE INSURANCE	x	x	x	x	x	x	x	x	x	x
1. Earned premiums, net of reinsurance:	33	x	x	x	x	x	x	x	x	x
Gross written premiums	(621) 34	x	343 888	x	x	270 474	x	x	198 125	x
Outward reinsurance premiums	(622) 35	x	10 186	x	x	4 034	x	x	2 299	x
Change in the provision for unearned premiums, net of reinsurance[(523-623)-(524-624)]	36	x	18 761	314 941	x	13 165	253 275	x	430	195 396
2. Income from financial investments:	37	x	x	x	x	x	x	x	x	x
Income from undertakings (634) of which subsidiaries (anal. 634):	(634) 38	x	501	x	x	1 137	x	x	166	x
Income from other financial investments of which subsidiaries:	39	x	x	x	x	x	x	x	x	x
Income from land and buildings	(635) 40		x	x		x	x		x	x
Income from other financial investments	(636) 41	20 967	20 967	x	18 320	18 320	x	13 891	13 891	x
Release of value adjustments on financial investments	(637) 42	x	8 294	x	x		x	x		x
Proceeds from disposed financial investments	(638) 43	x	144 421	174 183	x	108 491	127 948	x	117 705	131 762
3. Unrealised gains on investments	(639) 44	x	x		x	x	x	x	x	x
4. Other technical income, net of reinsurance	(647-648) 45	x	x		x	x		x	x	
5. Claims paid, net of reinsurance:	46	x	x	x	x	x	x	x	x	x
Claims paid	47	36 313	x	x	22 627	x	x	7 694	x	x
Reinsurers' share of claims incurred	(522) 48	1 086	35 227	x	6	22 621	x	690	7 004	x
Change in the provision for outstanding claims	(525-625) 49	(516)	x	x	5 940	x	x	8 434	x	x
Change in the provision for outstanding claims, reinsurers' share(526-626)	50	3 108	(3 624)	31 603		5 940	28 561		8 434	15 438
6. Change in other technical provisions:	51	x	x	x	x	x	x	x	x	x
Change in the life insurance provision	(527-627) 52	148	x	x	154	x	x	119	x	x
Change in the life insurance provision, reinsurers' share	(528-628) 53		148	x		154	x		119	x
Change in other provisions, net of reinsurance	[(529-629)-(531-631)] 54	x	144 705	144 853	x	101 136	101 290	x	98 362	98 481
7. Bonuses and rebates, net	(536-541) 55	x	x		x	x		x	x	
8. Net operating expenses:	56	x	x	x	x	x	x	x	x	x
Acquisition costs	(532) 57	x	79 017	x	x	96 107	x	x	102 496	x
Change in deferred acquisition costs	(532 AE) 58	x		x	x		x	x		x
Administrative expenses	(533) 59	x	100 141	x	x	109 217	x	x	100 474	x
Commission from reinsurers (634) and profit participations, net	(-) 60	x	545	178 613	x	175	205 149	x		202 970
9. Investment expenses and charges:	61	x	x	x	x	x	x	x	x	x
Investment expenses and charges	(535) 62	x	1 872	x	x	1 240	x	x	966	x
Creation of value adjustments on financial investments	(537) 63	x	0	x	x	8 294	x	x		x
Disposed financial investments	(538) 64	x	139 740	141 612	x	108 396	117 930	x	112 440	113 406
10. Unrealised loss on investments	(539) 65	x	x	10 589	x	x	x	x	x	x
11. Other technical charges, net of reinsurance	(547-548) 66	x	x	0	x	x		x	x	
12. Allocated investment return transferred to the non-technical account -(649)	67	x	x		x	x		x	x	
13. Result for the technical account - life insurance	(=713) 68	x	x	(18 146)	x	x	(71 707)	x	x	(103 137)

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Aviva životní pojišťovna, a.s.

(previously Commercial Union, životní pojišťovna, a. s.)

Description	Line	Base 2002	Sub-total 2002	Result 2002	Base 2001	Sub-total 2001	Result 2001	Base 2000	Sub-total 2000	Result 2000
a	b	1	2	3	4	5	6	7	8	9
III. NON-TECHNICAL ACCOUNT	x	x	x	x	x	x	x	x	x	x
1. Result for the technical account - non-life insurance (result of line 32)	69	x	x		x	x		x	x	
2. Result for the technical account - life insurance (result of line 68)	70	x	x	(18 146)	x	x	(71 707)	x	x	(103 137)
3. Investment income:	71	x	x	x	x	x	x	x	x	x
Income from undertakings (651) of which subsidiaries (anal. 651):	72	x		x	x		x	x		x
Income from other financial investments of which subsidiaries:	73	x	x	x	x	x	x	x	x	x
Income from land and buildings (652)	74		x	x		x	x		x	x
Income from other financial investments (653)	75			x			x			x
Release of value adjustments on financial investments (654)	76	x		x	x	2 407	x			x
Proceeds from disposed financial investments (655)	77	x			x		2 407	x		
4. Allocated investment return transferred										
from the technical account for life insurance (656)	78	x	x		x	x		x	x	
5. Investment expenses and charges:	79	x	x	x	x	x	x	x	x	x
Investment expenses and charges (551)	80	x		x	x		x	x		x
Creation of value adjustments on financial investments (554)	81	x		x	x		x	x	2 407	x
Disposed financial investments (555)	82	x			x			x		2 407
6. Allocated investment return transferred										
to the technical account for non-life insurance (657)	83	x	x		x	x		x	x	
7. Other income (658,659,661,664)	84	x	x	14 974	x	x	16 234	x	x	20 407
8. Other expenses (558,559,561,564)	85	x	x	21 357	x	x	21 654	x	x	24 882
9. Tax on profit(loss) on ordinary activities (571,572,575)	86	x	x		x	x		x	x	
10. Result after tax (711 AE)	87	x	x	(24 529)	x	x	(74 720)	x	x	(110 019)
11. Extraordinary income (663)	88	x	x	140	x	x	435	x	x	904
12. Extraordinary expenses (563)	89	x	x	69	x	x	216	x	x	1 027
13. Extraordinary result (711 AE)	90	x	x	71	x	x	219	x	x	-123
14. Tax on profit(loss) on extraordinary activities (573,574)	91	x	x		x	x		x	x	
15. Other taxes and fees (562)	92	x	x	57	x	x	42	x	x	44
16. Result for the current accounting period (711)	93	x	x	(24 515)	x	x	(74 543)	x	x	(110 186)
Control number	99	61 106	1 044 789	1 044 789	47 047	871 308	582 683	30 828	765 318	380 522

Year end accounts - attachment

31 december 2002

1 General information

Aviva životní pojišťovna, a.s. (change of the name from Commercial Union, životní pojišťovna, a. s. with the effective date of 1 January 2003, "the Company") was incorporated on 20 March 1997 as a joint stock company (Commercial ID 25114344) and has its seat at Prague 2, Londýnská 41.

The Company is a wholly-owned subsidiary of CGU International Holdings B.V., The Netherlands, which is in turn wholly-owned by CGU Group B.V. The ultimate holding company is AVIVA plc (change of the name from CGNU plc with the effective date of 1 July 2002) with its registered office St. Helen's, 1 Undershaft, London EC3P 3DQ.

The Company received an insurance licence on 29 January 1997, and it is engaged in life assurance activities:

- death cover, insurance for attainment of certain age, and death cover combined with insurance for attainment of certain age;
- insurance in the scope as stated above connected with an investment fund (in a sense of so called capital value of life policy (ref. Note 10));
- accidental or health insurance if it constitutes an internal part of life assurance per the above stated scope;

and insurance related activities:

- intermediary activity conducted in connection with an insurance activity;
- advisory activities connected with insurance of individuals and legal entities;
- investigation of claims conducted based upon a contract with the Company;
- intermediary activity conducted in areas of building society schemes and pensions;

as stipulated by the Act on Insurance.

The members of the Board of Directors as at 31 December 2002 were as follows:

Mr. Neville John Thrower, Prague, date of effective appointment 30 April 2002

Mr. Karel Veselý, Prague, date of effective appointment 17 January 2001

Mr. Petr Panský, Sezimovo Ústí II, date of effective appointment 26 January 2002

Board memberships of Mr. Martin Cullen and Mr. Jeroen Karel van Leeuwen ceased in 2002.

Mr. Austin Stewart Kimm was appointed as a board member on 21 September 2002, and replaced Mr. Neville John Thrower, whereas this change was not yet recorded into the Commercial Register at the balance sheet date.

Based upon a resolution of the sole shareholder on 6 February 2003, the number of Board members was increased from three to four and Mr. Petr Krejčí, Mr. Karel Dejmek and Mr. Josef Holub were appointed as board members and replaced the former members Mr. Karel Veselý and Mr. Petr Panský. This change was not yet recorded into the Commercial Register at the balance sheet date.

The members of the Board of Directors as at 31 December 2001 were as follows:

Mr. Martin Cullen, Prague
Mr. Karel Veselý, Prague
Mr. Jeroen Karel van Leeuwen, Prague

The members of the Board of Directors as at 31 December 2000 were as follows:

Mr. Martin Cullen, Prague

The remaining two members (ref. above) were in the approval process at that date.

Board of Directors is authorised to act on behalf of company always with two board members jointly. Signing on behalf of Company is performed by authorised Board members by adding their signatures to the typed or printed Company's trade name.

The members of the Supervisory Board as at 31 December 2002 were as follows:

Mr Mark Brennan Webb, Great Britain, date of effective appointment 26 February 2002
Mr. Neville Charles Creese, Great Britain, date of effective appointment 9 February 2001
Mrs. Jana Navarová, Prague, date of effective appointment 13 February 2002

Board memberships of Mr. Roy Kemp and Mr. Marian Miziolek ceased in 2002.

The members of the Supervisory Board as at 31 December 2001 were as follows:

Mr. Roy Kemp, Orpington, Great Britain
Mr. Marian Miziolek, Etobicoke, Canada
Mr. Neville Charles Creese, Great Britain

Board membership of Mr. Colin Thurston ceased in 2001.

The members of the Supervisory Board as at 31 December 2000 were as follows:

Roy Kemp, Orpington, Great Britain
Marian Miziolek, Etobicoke, Canada
Colin Thurston, Great Britain

2 Accounting policies

(a) Basis of accounts and changes in accounting policy

The accounts have been prepared under the historical cost convention in accordance with generally accepted accounting principles in the Czech Republic as modified by revaluation of financial placements in securities to fair values.

The amounts disclosed in the financial statements and notes are rounded to thousands of Czech Crowns unless otherwise stated and are not consolidated.

(b) Financial placements

Deposits with banks are stated at their nominal values.

The portfolio of securities is valued at fair value. For securities which are quoted on an official stock exchange the current value is the closing price reported by the stock exchange as at that date or, if the stock exchange is closed, the price from the last working day on such a market before the date of the financial statements. The current value of other securities not quoted on an official stock exchange is determined based upon prudent valuation of their probable realisable price. Company classifies all securities as securities held for trading.

(c) Financial placements on behalf of policyholders

The item "Financial placements on behalf of policyholders" is deducted from other financial placements and disclosed separately. The monetary value of this item corresponds exactly with the monetary value of the reserve for liabilities arising from financial placements on behalf of policyholders. The value is determined by the premium paid and the performance of the underlying financial placements of the Company in accordance with the insurance contract. The policyholders bear the risk resulting from these investments.

(d) Intangible assets

Purchased intangible assets are recorded at cost and amortised over their useful lives by applying preset amortization rates. Intangible assets with a unit cost of less than CZK 60 ths are fully amortised on acquisition.

Where the carrying amount of an intangible fixed asset is greater than its estimated recoverable amount, a provision is established.

The annual depreciation rates used are:

Software	25.0 – 28.6%
Incorporation expenses	13.4%

(e) Tangible assets

All tangible fixed assets are recorded at cost and include the expense of bringing the assets to their present location and condition. Tangible assets are depreciated over their useful lives by applying preset depreciation rates. Tangible assets with a unit cost of less than CZK 40 ths are fully depreciated upon acquisition.

Where the carrying amount of a tangible fixed asset is greater than its estimated recoverable amount, a provision is established.

The annual depreciation rates used are:

Computers	25.0 - 28.6%
Furniture and fittings	13.4 - 18.3%
Motor vehicles	25.0 - 28.6%

(f) Foreign currency translation

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange ruling published by the Czech National Bank as at the transaction date.

Accounts denominated in foreign currencies have been translated at 31 December 2002 rate as published by the Czech National Bank. All realized and unrealised exchange gains and losses are recorded in the profit and loss account. Until 31 December 2001 unrealised foreign exchange gains and losses were recorded in the balance sheet and deferred (Note 2(p)).

Foreign exchange differences related to assets and liabilities stated at their fair values at the balance sheet date are included in fair values and are therefore not recognised separately.

(g) Receivables

Insurance premium receivable and other receivables are recorded at their nominal value adjusted by appropriate provisions for doubtful receivables.

(h) Deferred acquisition costs on insurance contracts

Acquisition costs for life insurance policies are deferred over period of two years.

2 Accounting policies (continued)

(i) Gross premium written

Gross written premium includes all amounts due during the accounting period as defined by an insurance contract, irrespective of whether these amounts refer entirely or partially to a future accounting period. An accrual is realised via technical reserve for unearned premium.

In respect of unit linked life insurance contracts sold, gross written premiums are included in the accounting period in which they are received. This reflects the substance of the unit-linked life insurance contract, and the liability, which arises therefrom in the Company's books.

(j) Pension plans and funds

No pension plan or fund is currently in operation at the Company.

(k) Investment and mutual funds

No investment or mutual funds are under the management of the Company.

(l) VAT and deferred tax

The Company is not registered as a VAT payer. Deferred tax liability is recognized on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax assets are recognized if it is beyond reasonable doubt that sufficient future taxable profit will be available against which this asset can be utilized.

(m) Technical and non-technical account

Expenses and revenues directly related to insurance and re-insurance activities are accounted for in the technical accounts. Expenses and revenues not directly relating to insurance activities, or if required by an accounting rules, are accounted for in the non-technical account.

(n) Technical reserves

Reserve for liabilities from financial placements on behalf of policyholders

The reserve is created for investment life insurance of so called „unit-linked“ category (also referred as „investment value of life insurance“) and its value is determined by the premium paid and performance of the underlying financial placements of the Company in accordance with the insurance contracts, whereas the policyholder bears the risk resulting from these investments and also determines the risk profile of the life insurance policy.

Reserve for insurance claims

The reserve covers the following:

a) Insurance claims incurred and reported in the accounting period but not yet settled (RBNS). The value of the reserve is equal to estimated expenses arising from the individual contracts with reported claims. The reserve is created based upon an official claim report and it is released at the date when the claim is recognised as an expense. Estimated recoveries and reinsurers' share are deducted from the reserve;

b) Insurance claims incurred in the accounting period but not yet reported (IBNR). The value of the reserve is determined based upon an actuarial assessment of the risks associated with the life insurance contracts;

c) Insurance claims incurred in the accounting period but not yet reported in case of waiver of premium (WOP). The reserve serves as above mentioned IBNR reserve for other types of the risk. Its value is determined based upon actuarial rates applied to annual premium.

Life premium reserve

The reserve is created in case of temporary life cover based upon actuarial mathematical methods and tables. The reserve is not created for investment life insurance.

Unearned premium reserve

The value of the reserve corresponds with the part of premium written that relates to subsequent accounting periods and it is represented by an aggregate value calculated from the individual insurance contracts (except for investment life insurance). The reserve is not created for investment life insurance (unit-linked) given to the substance of the product. In case of investment life insurance the risk is covered via unit deductions on a monthly basis for each individual life insurance contract. The unit deduction is applied at that day in the particular month falling on the date when the policy had been issued.

2 Accounting policies (continued)

(o) Related party transactions

Related parties are defined as follows:

- Board members, senior management and their relatives;
- shareholders controlling the Company, their shareholders holding more than 10% of capital and their senior management and relatives;
- corporates with 10% shareholding of board members, senior management or shareholders controlling the Company;
- shareholders holding more than 10% of the Company and corporates controlled by them;
- subsidiaries and associated undertakings of the Company.

(p) Extraordinary items and changes in accounting policy

Following the amendment of the Act on Accounting No. 563/1991 and of accounting procedures for insurance companies No. 282/105 880/2001 ("procedures") effective from 1 January 2002:

- Financial placements as at 31 December 2002 were stated at fair value. All provisions booked for financial placements recorded as at 31 December 2001 were released. (Note 15)
- All realized and unrealised exchange gains and losses are recorded in the profit and loss account. Until 31 December 2001 unrealised foreign exchange gains and losses were recorded in the balance sheet and deferred.

Prior year comparatives have not been restated. The changes result from adoption of the principles required by the Act on Accounting effective from 1 January 2002 but do not significantly affect the equity and income statement.

(q) Subsequent events

The effects of events, which occurred between the balance sheet date and the date of signing the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date prior to signing of the financial statements which are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.



3 Financial placements

All securities are held for trading. All fixed income securities, all variable income securities and foreign variable income securities at the amount of CZK 314,834 ths (2001: CZK 189,811 ths, 2000: CZK 119,522 ths) are listed on the main or the secondary market of the Prague Stock Exchange.

At 31 December 2002, 2001 and 2000, financial placements comprised:

Term deposits with banks

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Term deposits with banks	<u>411 117</u>	<u>299 812</u>	<u>216 707</u>

Securities

(in thousand CZK)	<u>31 December 2002</u>			
	<u>Cost</u>	<u>Accrued income</u> <u>/ Dividend</u>	<u>Total</u>	<u>Fair value</u>
<u>Securities with fixed yield</u>				
Bonds issued by domestic banks and corporations	<u>140 041</u>	<u>1 251</u>	<u>141 292</u>	<u>140 538</u>
State and municipal bonds	<u>121 447</u>	<u>1 404</u>	<u>122 851</u>	<u>123 276</u>
Subtotal	<u>261 488</u>	<u>2 655</u>	<u>264 143</u>	<u>263 814</u>
<u>Securities with variable yield</u>				
Equity shares issued by domestic banks and corporations	<u>49 801</u>	<u>-</u>	<u>49 801</u>	<u>45 799</u>
Foreign securities	<u>20 766</u>	<u>-</u>	<u>20 766</u>	<u>14 508</u>
Subtotal	<u>70 567</u>	<u>-</u>	<u>70 567</u>	<u>60 307</u>
Securities in gross value total	<u>332 055</u>	<u>2 655</u>	<u>334 710</u>	<u>324 121</u>
Temporary diminution in value			<u>(10 589)</u>	
Total book value			<u>324 121</u>	

3 Financial placements (continued)

Securities

(in thousand CZK)

	31 December 2001			
	Cost	Accrued income / Dividend	Total	Fair value
<u>Securities with fixed yield</u>				
Bonds issued by domestic banks and corporations	115 269	1 801	117 070	116 887
State and municipal bonds	<u>43 718</u>	<u>307</u>	<u>44 025</u>	<u>44 055</u>
Subtotal	<u>158 987</u>	<u>2 108</u>	<u>161 095</u>	<u>160 942</u>
<u>Securities with variable yield</u>				
Equity shares issued by domestic banks and corporations	33 749	123	33 872	28 869
Foreign securities	<u>10 422</u>	<u>-</u>	<u>11 288</u>	<u>7 875</u>
Subtotal	<u>44 171</u>	<u>123</u>	<u>45 160</u>	<u>36 744</u>
Total cost	<u>203 158</u>	<u>2 231</u>	206 255	<u>197 686</u>
Provisions			<u>(8 294)</u>	
Total book value			<u>197 961</u>	

Securities

(in thousand CZK)

	31 December 2000			
	Cost	Accrued income / Dividend	Total	Fair value
<u>Securities with fixed yield</u>				
Bonds issued by domestic banks and corporations	65 310	1 252	66 562	66 452
State bonds	<u>26 982</u>	<u>485</u>	<u>27 467</u>	<u>27 284</u>
Subtotal	<u>92 292</u>	<u>1 737</u>	<u>94 029</u>	<u>93 736</u>
<u>Securities with variable yield</u>				
Equity shares issued by domestic banks and corporations	27 419	-	27 419	25 786
Foreign securities	<u>7 021</u>	<u>-</u>	<u>7 021</u>	<u>6 325</u>
Subtotal	<u>34 440</u>	<u>-</u>	<u>34 440</u>	<u>32 111</u>
Total cost	<u>126 732</u>	<u>1 737</u>	128 469	<u>125 847</u>
Provisions			<u>(2 407)</u>	
Total book value			<u>126 062</u>	

As described in Note 2(c) and 10 the value represented by Financial placements on behalf of policyholders amounted to CZK 399,037 ths as at 31 December 2002 (2001: CZK 254,332 ths, 2000: CZK 152,019 ths).

4 Accounts receivable

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Intercompany accounts receivable	-	153	88
Accounts receivable from agents, net of provision	35 706	23 112	363
Accounts receivable from reinsurance	-	3	-
Accounts receivable from employees	-	6	4 550
Other accounts receivable	<u>5 807</u>	<u>4 684</u>	<u>2 688</u>
Total	<u>41 513</u>	<u>27 958</u>	<u>7 689</u>

Accounts receivable from agents are represented by advances allowed to agents for future commission from concluded insurance contracts. The advances are released into commission on a linear basis based upon receipt of the underlying insurance premium instalments related to the first two years of each policy's duration. An agent is obliged to refund the appropriate portion of an advance in the case of the lapse of a policy.

The Company has receivables from agents amounting to CZK 3,207 ths (2001: CZK 1,794 ths, 2000: CZK 0), for which 100% provision has been created.

The loan provided to the member of the Board of Directors in 2000 in original amount of DEM 254 ths was fully repaid in 2001. The loan was provided under market conditions.



5 Intangible assets

(in thousand CZK)	Incorporationexpenses	Software and otherintangibles	Total
Cost			
31 December 2000	5 088	25 539	30 627
Additions	-	2 956	2 956
Disposals	—	—	—
31 December 2001	5 088	28 495	33 583
Additions	-	3 133	3 133
Disposals	—	(473)	(473)
31 December 2002	<u>5 088</u>	<u>31 155</u>	<u>36 243</u>
Accumulated depreciation			
31 December 2000	2 361	19 631	21 992
Additions	681	6 426	7 107
Disposals	—	—	—
31 December 2001	3 042	26 057	29 099
Additions	682	4 360	5 042
Disposals	—	(473)	(473)
31 December 2002	<u>3 724</u>	<u>29 944</u>	<u>33 668</u>
Net Book Value			
31 December 2000	<u>2 727</u>	<u>5 908</u>	<u>8 635</u>
31 December 2001	<u>2 046</u>	<u>2 438</u>	<u>4 484</u>
31 December 2002	<u>1 364</u>	<u>1 211</u>	<u>2 575</u>

6 Tangible fixed assets and advances allowed

(in thousand CZK)	<u>Computer equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost				
31 December 2000	7 760	12 442	5 027	25 229
Additions	1 818	2 378	4 437	8 633
Disposals	<u>(67)</u>	<u>(113)</u>	<u>(1 422)</u>	<u>(1 602)</u>
31 December 2001	9 511	14 707	8 042	32 26
Additions	1 968	920	-	2 888
Disposals	<u>(221)</u>	<u>(740)</u>	<u>(575)</u>	<u>(1 536)</u>
31 December 2002	<u>11 258</u>	<u>14 887</u>	<u>7 467</u>	<u>33 612</u>
Accumulated depreciation				
31 December 2000	4 780	3 526	2 823	11 129
Additions	1 512	2 536	1 257	5 305
Disposals	<u>(37)</u>	<u>(113)</u>	<u>(1 301)</u>	<u>(1 451)</u>
31 December 2001	6 255	5 949	2 779	14 983
Additions	1 509	2 629	1 779	5 917
Disposals	<u>(170)</u>	<u>(740)</u>	<u>(575)</u>	<u>(1 485)</u>
31 December 2002	<u>7 594</u>	<u>7 838</u>	<u>3 983</u>	<u>19 415</u>
Net Book Value				
31 December 2000	<u>2 980</u>	<u>8 916</u>	<u>2 204</u>	<u>14 100</u>
31 December 2001	<u>3 256</u>	<u>8 757</u>	<u>5 263</u>	<u>17 277</u>
31 December 2002	<u>3 664</u>	<u>7 049</u>	<u>3 484</u>	<u>14 197</u>

**AVIVA**

7 Cash and cash equivalents

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Current accounts	29 440	31 715	30 199
Cash in hand and other cash equivalents	<u>303</u>	<u>269</u>	<u>118</u>
Total	<u>29 743</u>	<u>31 984</u>	<u>30 317</u>

8 Prepayments and deferred expenses

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Interest accrued	526	710	646
Rent prepaid	517	203	364
Other prepayments and deferred expenses	1 195	3 621	2 742
Deferred unrealised foreign exchange	<u>-</u>	<u>763</u>	<u>455</u>
Total	<u>2 238</u>	<u>5 297</u>	<u>4 207</u>

9 Capital and reserves

(in thousand CZK)	<u>Capital</u>	<u>Other capital reserves</u>	<u>Statutory reserves</u>	<u>Accumulated losses</u>	<u>Total equity</u>
Balance as at 31 December 1999	<u>220 000</u>	<u>83 761</u>	<u>1 148</u>	<u>(111 955)</u>	<u>192 954</u>
Settlement of 1997 and 1999 loss	-	(111 955)	-	111 955	-
Capital increase including premium	15 000	120 000	-	-	135 000
Result of operations 2000	-	-	-	(110 186)	(110 186)
Balance as at 31 December 2000	<u>235 000</u>	<u>91 807</u>	<u>1 148</u>	<u>(110 186)</u>	<u>217 769</u>
Settlement of 2000 loss	-	(110 186)	-	110 186	-
Capital increase including premium	10 000	110 000	-	-	120 000
Result of operations 2001	-	-	-	(74 543)	(74 543)
Balance as at 31 December 2001	<u>245 000</u>	<u>91 621</u>	<u>1 148</u>	<u>(74 543)</u>	<u>263 226</u>
Settlement of 2001 loss	-	(74 543)	-	74 543	-
Capital increase including premium	10 000	100 000	-	-	110 000
Result of operations 2002	-	-	-	(24 515)	(24 515)
Balance as at 31 December 2002	<u>255 000</u>	<u>117 078</u>	<u>1 148</u>	<u>(24 515)</u>	<u>348 711</u>

At 31 December 2002, the capital was represented by 22 ordinary registered dematerialised shares each with a nominal value of CZK 10,000 ths and 20 ordinary registered dematerialised shares each with a nominal value of CZK 1,750 ths.

On 7 December 2001 the sole shareholder decided to convert all the ordinary registered shares into dematerialised ordinary registered shares.

The capital was fully paid-up at 31 December 2002, 2001 and 2000.

Based upon the decisions of the sole shareholder all prior year losses were fully appropriated against other capital funds in years 2002, 2001 and 2000. It is expected that the 2002 loss of CZK 24,515 ths will be covered in comparable manner.

The statutory reserve may not be distributed to shareholders in form of dividends, however, it may be used to cover losses.



10 Technical reserves

Technical reserves consist of the following:

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Reserve for liabilities from financial placements on behalf of policyholders (Notes 2(c) and 3)	399 037	254 332	152 019
Reserve for insurance claims	14 678	18 301	12 361
Life premium reserve	421	273	119
Unearned premium reserve	32 615	13 854	689
Other technical reserves	—	—	1 177
Total (Note 13)	<u>446 751</u>	<u>286 760</u>	<u>166 365</u>

11 Accounts payable and other liabilities

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Provision for doubtful debts	-	-	361
Provision for foreign exchange losses	-	762	-
Payables arising from direct insurance and reinsurance and other payables	10 054	11 263	7 333
Intercompany accounts payable	13 333	20 489	13 719
Accruals	6 655	2 273	2 376
Unrealised foreign exchange gain	—	—	212
Total	<u>30 042</u>	<u>34 787</u>	<u>24 001</u>

Intercompany accounts payable consist of trade payables of CZK 3,333 ths (2001: CZK 10,489 ths, 2000: CZK 3,719 ths) and a long-term loan of CZK 10,000 ths (2001: CZK 10,000 ths, 2000: CZK 10,000 ths) maturing in 2007.

12 Foreign currency

Included in the financial statements are the following significant balances denominated in foreign currencies as at:

31 December 2002:

	(in thousand GBP)	<u>Equivalent</u> (in thousand CZK)	(in thousand USD)	<u>Equivalent</u> (in thousand CZK)
Bank deposits	586	28 476	-	-
Foreign securities	-	-	308	9 287

31 December 2001:

	(in thousand GBP)	<u>Equivalent</u> (in thousand CZK)	(in thousand USD)	<u>Equivalent</u> (in thousand CZK)
Bank deposits	565	29 667	-	-
Foreign securities	-	-	287	10 422

31 December 2000:

	(in thousand GBP)	<u>Equivalent</u> (in thousand CZK)	(in thousand USD)	<u>Equivalent</u> (in thousand CZK)
Bank deposits	540	30 442	-	-
Foreign securities	-	-	186	7 021

13 Off-balance sheet liabilities and commitments

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Life insurance	10 275 217	8 239 066	5 345 975
Riders	15 734 071	12 020 071	7 335 773

(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Life insurance (reinsurance covenant)	1 766 661	1 445 572	871 024
Riders (reinsurance covenant)	3 996 828	2 166 454	1 320 394

As disclosed in Note 10, technical reserves with an aggregate balance of CZK 446,751 ths (2001: CZK 286,760 ths, 2000: CZK 166,365 ths) are provided to absorb potential losses arising as a result of insurance claims.

All insurance contracts were concluded in the Czech Republic.

No assets of the Company were pledged as collateral as at 31 December 2002, 2001 and 2000.



14 Technical and non-technical expenses

(in thousand CZK)	Year ended 31 December 2002	Year ended 31 December 2001	Year ended 31 December 2000
Technical reserves	<u>159 990</u>	<u>120 395</u>	<u>107 345</u>
Claims and withdrawals	36 313	22 627	7 694
Share of reinsurers with claims	(1 086)	(6)	(690)
Commissions	54 345	45 661	51 883
Advertising and promotion	24 672	50 446	50 612
Salaries	34 937	34 697	27 247
Social and health insurance costs	10 612	7 946	7 300
Other personal expenses	1 656	2 222	1 216
Intercompany expenses, net amount	(2 560)	9 241	15 500
Depreciation	10 480	12 414	11 685
Consultancy fees	4 229	5 569	4 499
Rent and repairs	17 981	17 139	12 886
Other administrative and general overhead	22 806	19 989	20 142
Investment management fees	1 872	1 244	966
Provision for financial placements	-	8 294	-
Decrease in value of financial placements	(10 589)	-	-
Cost of financial placements sold	<u>139 740</u>	<u>108 392</u>	<u>112 440</u>
Technical expenses other than technical reserves	<u>366 586</u>	<u>345 875</u>	<u>323 380</u>
Total technical expenses	<u>526 576</u>	<u>466 270</u>	<u>430 725</u>
Interest on intercompany loan	1 200	1 200	1 200
Realised foreign exchange losses	15 702	17 727	19 259
Unrealised foreign exchange losses	518	-	-
Provision for foreign exchange losses	-	763	-
General/specific provision for doubtful debts	3 207	1 793	361
Provision for financial placements	-	-	2 407
Other expenses	<u>856</u>	<u>430</u>	<u>5 133</u>
Total non-technical expenses	<u>21 483</u>	<u>21 913</u>	<u>28 360</u>
Total expenses	<u>548 059</u>	<u>488 183</u>	<u>459 085</u>

Above stated Intercompany expenses at the net amount of CZK (2,560 ths) are represented by rendered intragroup services at the amount of CZK 2,555 ths and a credit note at the amount of CZK 5,115 ths in respect of intragroup services rendered in 2001.

15 Technical and non-technical income

(in thousand CZK)	Year ended 31 December 2002	Year ended 31 December 2001	Year ended 31 December 2000
Insurance premium income	343 888	270 474	198 125
Reinsurance	(10 186)	(4 034)	(2 299)
Dividends	501	1 137	166
Interest income on securities with fixed income	8 570	5 995	3 554
Interest on bank deposits	12 397	12 325	10 337
Securities sold	144 421	108 491	117 705
Commission from reinsurers	8 294	-	-
Commission from reinsurers	<u>545</u>	<u>175</u>	<u>-</u>
Total technical income	<u>508 430</u>	<u>394 563</u>	<u>327 588</u>
Realised foreign exchange gain	12 383	15 574	19 441
Unrealised foreign exchange gain	3	-	-
Reversed provision for financial placements	-	(2 407)	-
Reversed provision for doubtful debts	1 793	361	223
Reversed provision for foreign exchange losses	763	-	-
Other non-technical income	<u>172</u>	<u>734</u>	<u>1 647</u>
Total non-technical income	<u>15 114</u>	<u>19 076</u>	<u>21 311</u>
Total income	<u>523 544</u>	<u>413 639</u>	<u>348 899</u>

Gross written premium is analysed as follows:

(in thousand CZK)	Year ended 31 December 2002	Year ended 31 December 2001	Year ended 31 December 2000
Regular premium	302 789	225 058	132 595
Single premium	<u>41 099</u>	<u>45 416</u>	<u>65 530</u>
Total	<u>343 888</u>	<u>270 474</u>	<u>198 125</u>
Premium where the financial risk is borne by the policyholder	314 300	254 147	194 592
Premium without profit share	<u>29 588</u>	<u>16 327</u>	<u>3 533</u>
Total	<u>343 888</u>	<u>270 474</u>	<u>198 125</u>
Individual premium	317 416	255 418	194 970
Group premium	<u>26 472</u>	<u>15 056</u>	<u>3 155</u>
Total	<u>343 888</u>	<u>270 474</u>	<u>198 125</u>



16 Employee analysis

	<u>31. December 2002</u>	<u>31. December 2001</u>	<u>31. December 2000</u>
Number of employees (year-end)	72	70	49
	Year ended	Year ended	Year ended
(in thousand CZK)	<u>31 December 2002</u>	<u>31 December 2001</u>	<u>31 December 2000</u>
Wages and salaries	34 937	34 697	27 247
Social and health insurance costs	10 612	7 946	7 300
Other personnel costs	<u>1 656</u>	<u>2 222</u>	<u>1 216</u>
Total	<u>47 205</u>	<u>44 865</u>	<u>35 763</u>

In their role as directors, there was no remuneration provided for the members of the Board of Directors and the Supervisory Board in 2002, 2001 and 2000. Company cars are made available for use by some management and board members.

17 Taxation

The result before taxes was a loss of CZK 24,515 ths (2001: loss of CZK 74,543 ths, 2000: loss of CZK 110,186 ths) and the Company does not anticipate an income tax charge for the accounting period ended 31 December 2002, 2001 and 2000.

Potential deferred tax asset of CZK 117,500 ths at 31 December 2002 (31 December 2001: CZK 116,849 ths, 31 December 2000: CZK 95,901 ths) calculated at a tax rate of 31% has not been recognised as there exists doubt whether sufficient future taxable profit will be available against which the asset can be utilised.

18 Contingent liabilities

No material contingent liabilities existed as at 31 December 2002 which could have a material impact on the Company's financial statements at that date.

19 Subsequent events

After 31 December 2002 no other subsequent events occurred which would have a material impact on the financial statements at that date.

The financial statements have been approved by the Board of Directors and have been signed below on their behalf.

14 February 2003

Name: Aviva životní pojišťovna, a.s.
Company seat: Aviva House Londýnská 41 120 21 Praha 2 Česká republika
Telephone: +420 221 416 111
Facsimile: +420 221 416 101
Green link: 800 128 482
E-mail: info@avivazp.cz
Internet: www.aviva-pojistovna.cz

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(previously Commercial Union, životní pojišťovna, a. s.)



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