

Britská
životní pojišťovna



Annual report

Aviva životní pojišťovna, a.s., for the year 2003

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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 2003

2003 was a successful year for Aviva životní pojišťovna, a.s. ("Aviva") during which we have realised further important steps in line with the Aviva Group's strategic objectives.

Gross premium written increased to CZK 383,2 million of which CZK 357,4 million is attributable to regular premium confirming 18.1% growth of this primary business line in comparison with the previous year. An average annual regular premium of CZK 12,000 per policy represents one of the highest levels in the local market and corresponds with a high standard of Aviva's products as well as the portfolio in force.

At 31 December 2003 the total volume of assets amounted to CZK 972,8 million of which CZK 886,8 million were represented by financial placements with a 20.6% growth in comparison with the prior year. In this respect, deposits with banks amounted to CZK 443,4 million and CZK 331,4 million were represented by solid and liquid fixed income securities. Aviva undertakes exposures against equities and foreign securities only if it is requested by its customers within "unit-linked" life insurance contracts, thus Aviva's result of operation is not affected by a possible volatility of these instruments.

Technical reserves also reflected a dynamic and high quality business growth and reached the amount of CZK 638,2 million as at 31 December 2003 which represent an increase of CZK 191,5 million or 42.9% in comparison with the corresponding amount of the prior year.

In late 2003 Aviva initiated a process of planned increase of its capital by CZK 60,0 million to further strengthen its capital position in light of both the 2003 result of operation as well as future planned projects aimed at ongoing business expansion and the upgrading of the 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 anticipated that the 2003 loss of CZK 58,6 million will be fully covered in the same manner leaving nil unsettled losses carried forward.

Aviva has been maintaining a strong and transparent financial position and adheres to all generally recognised principles of prudent financial management, which is particularly important given the long-term nature of the liabilities arising from life business. Pursuant to the Aviva Group's policies and principles of corporate governance, Aviva also recognises the critical importance of efficient and effective risk management and internal controls.

Aviva remains primarily focused on the development of unit linked investment life assurance. This type of insurance provides both protection and investment in combination that best suits the customer. Every customer can further determine an individual risk profile of its unit-linked life policy via the 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. In addition, these key product attributes can be further accomplished with the full advantage of the tax concessions. It is also encouraging that this type of life insurance is subject to increasing demand in developed life markets which provides an additional promising potential upon which Aviva will be able to build in connection with admission of the Czech Republic into EU.

Aviva strongly believes in personal service to its customers and it primarily concentrates on the distribution of its investment life insurance through sales agents. In 2003 Aviva launched a comprehensive training programme and invested significant resources to achieve a high professional conduct of insurance agents and promoted the disciplined approach to sales and service that you would be expected from a company of our international status.

The report of independent auditors, financial statements and the report on relations between the related parties constitute and 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, 13 February 2004

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.66 of the Act No.513/1991 Coll., the Commercial Code, as subsequently amended for the year 2003

Aviva životní pojišťovna, a.s. ("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 Commercial Union International Holdings Limited with its registered office St. Helen's, 1 Undershaft, London EC3P 3DQ. The ultimate holding company is Aviva plc with its registered office St. Helen's, 1 Undershaft, London EC3P 3DQ.

The resolution of The Municipal Court in Prague regarding change of record in respect of the sole shareholder in the Commercial Register became legally effective on 17 September 2003. Commercial Union International Holdings Limited, which is as well as the former sole shareholder CGU International Holdings B.V. wholly-owned within Aviva Group, became based upon this change the sole shareholder of the Company

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 2003.

In the course of 2003 Aviva's intragroup advisory, consultancy and other technical services were rendered to the Company at the amount of CZK 330 ths (2002: CZK 2,555 ths, 2001: CZK 9,241 ths with subsequent credit note at the amount of CZK 5,115 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 2003 the Company also incurred interest on an intercompany loan at the amount of CZK 1,200 ths (2002: 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.

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 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
Chairman of the Board of Directors



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

In Prague, 13 February 2004

Report of Independent Auditors to the shareholder of Aviva životní pojišťovna, a.s.

We have audited the accompanying balance sheet of Aviva životní pojišťovna, a.s. as at 31 December 2003, the related income statement, statement of changes in shareholders' equity, and notes for the year then ended presented in the annual report of the Company on pages 10 to 38 ("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. as at 31 December 2003, and the results of its operations and its changes in equity 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 2003, 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 Commercial Union International Holdings Limited and between the Company and the other parties controlled by Aviva 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.

Britská
životní pojišťovna



Aviva
Flexible Protection Plan
one of the great British inventions that
will change your life

Flexible Protection Plan awarded Silver Crown in the category of Best financial Product at the prestigious annual Golden Crown financial services awards.

Aviva životní pojišťovna, a.s. Aviva House Londýnská 41 120 21 Praha 2 Zelená linka 800 128 482 www.aviva-pojistovna.cz info@avivazp.cz



Aviva
Flexible protection plan
one of the great British inventions that
will change your life

- **Special options**
 - modern and flexible unit-linked life insurance
 - selection from three insurance protection options, which you can change at any time free of charge
- **Tax relief** - each year you can reduce your tax base
- **Investment** - you affect rate of return by suitable selection from our six investment programmes
- **Riders** - selection from four optional riders (accidental death and dismemberment, permanent total disability, critical illness, waiver of premium)

Aviva životní pojišťovna, a.s. Aviva House Londýnská 41 120 21 Praha 2 Zelená linka 800 128 482 www.aviva-pojistovna.cz info@avivazp.cz

Year end accounts

Year and accounts – Balance sheet

as at 31 December 2003

(in thousand CZK)

Legend	Line	Prior prior period	Prior period	Gross	Adjustment	Net
ASSETS						
A. Receivables for unpaid share capital	1	0	0	0	0	0
B. Intangible assets, of which:	2	4,484	2,575	36,324	34,810	1,514
a) Incorporation expenses	3	2,045	1,364	5,088	4,406	682
C. Financial investments	5	243,441	336,201	300,304	0	300,304
I. Land and buildings (real estate), of which:	6	0	0	0	0	0
II. Financial investments in subsidiaries and associates	8	0	0	0	0	0
III. Other financial investments	13	243,441	336,201	300,304	0	300,304
1. Shares and other equity securities, other interests	14	36,866	60,307	111,978	0	111,978
2. Bonds and other debt securities with fixed income	15	161,095	263,814	331,428	0	331,428
3. Deposits with financial institutions	18	299,812	411,117	443,443	0	443,443
4. Other financial investments	19	(254,332)	(399,037)	(586,545)	0	(586,545)
D. Life insurance provision, if the policyholder bears the investment risk	21	254,332	399,037	586,545	0	586,545
E. Debtors	22	27,958	41,513	41,569	3,930	37,639
I. Receivables arising out of direct insurance	23	23,115	35,706	35,601	3,930	31,671
1. due from insured	24	0	0	0	0	0
2. due from intermediaries	25	23,112	35,706	35,601	3,930	31,671
II. Receivables arising out of reinsurance operations	26	0	0	247	0	247
III. Other receivables	27	4,843	5,807	5,721	0	5,721
F. Other assets	28	49,261	43,940	68,190	23,874	44,316
I. Tangible fixed assets other than land, buildings and inventories	29	17,277	14,197	38,270	23,874	14,396
II. Cash and cash on accounts with financial institutions	30	31,984	29,743	29,920		29,920
G. Prepayments and accrued income	33	5,297	2,238	2,489	0	2,489
I. Accrued interest and annuities	34	710	526	347		347
II. Deferred acquisition costs, of which:	35			0		0
III. Other prepayments and accrued income, of which:	38	4,587	1,712	2,142	0	2,142
a) estimated assets	39	363	263	773		773
TOTAL ASSETS	40	584,773	825,504	1,035,421	62,614	972,807

Legend	Line	Prior prior period	Prior period	Gross	Adjustment	Net
LIABILITIES						
A. Equity	41	263,226	348,711			290,127
I. Share capital, of which:	42	245,000	255,000			255,000
a) changes in share capital	43		10,000			0
II. Share premium	44	0	0			0
III. Revaluation reserve	45	0	0			0
IV. Other equity reserves	46	91,621	117,078			92,563
V. Reserve fund	47	1,148	1,148			1,148
VI. Undistributed profits from prior periods or accumulated losses of prior periods	48	0	0			0
VII. Profit or loss of the current period	49	(74,543)	(24,515)			(58,584)
B. Subordinated liabilities	50					
C. Technical reserves	51	32,428	47,714	56,362	4,670	51,692
1. Reserve for unearned premiums	52	13,854	32,615	33,387	0	33,387
2. Life insurance reserve	53	273	421	645	0	645
3. Reserve for outstanding claims	54	18,301	14,678	22,330	4,670	17,660
D. Life insurance reserve, if the policyholder bears the investment risk	59	254,332	399,037	586,545	0	586,545
E. Provisions for other risks and charges	60	762	0			0
F. Deposits from passive reinsurance	64	0	0			0
G. Creditors	65	30,552	22,187			30,952
I. Payables arising out of direct insurance	66	7,227	8,581			18,794
II. Payables arising out of reinsurance operations	67	167	178			656
III. Debenture loans, of which:	68	0	0			0
IV. Payables due to financial institutions	70	0	0			0
V. Other payables, of which:	71	23,158	13,428			11,502
a) tax liabilities and payables due to social security	72	0	0			0
H. Accruals and deferred income	74	3,473	7,855			13,491
I. Accruals and deferred income	75	1,200	1,200			1,200
II. Other, of which:	76	2,273	6,655			12,291
a) estimated liabilities	77	2,273	6,655			12,291
TOTAL LIABILITIES	78	584,773	825,504			972,807

Year and accounts – Income statement

for the year ended 31 December 2003

(in thousand CZK)

Legend	Line	Prior prior period			Prior period			Current period		
		Base	Subtotal	Result	Base	Subtotal	Result	Base	Subtotal	Result
II. TECHNICAL ACCOUNT - LIFE INSURANCE										
1. Earned premiums, net of reinsurance:	25	x	x	x	x	x	x	x	x	x
a) Gross written premiums	26	x	270,474	x	x	343,888	x	x	383,239	x
b) Outward reinsurance premiums	27	x	4,034	x	x	10,186	x	x	16,285	x
c) Change in the provision for unearned premiums, reinsurers' share	28	x	13,165	253,275	x	18,761	314,941	x	772	366,182
2. Income from financial investments:	29	x	x	x	x	x	x	x	x	x
a) Income from undertakings of which subsidiaries:	0	30	x	1,137	x	x	501	x	x	3,696
b) Income from other financial investments of which subsidiaries:	0	31	x	x	x	x	x	x	x	x
ab) Income from land and buildings	32	0	x	x	0	x	x	0	x	x
bb) Income from other financial investments	0	33	18,320	18,320	x	20,967	20,967	x	18,946	18,946
c) Creation of value adjustments on financial investments	34	x	0	x	x	8,294	x	x	0	x
d) Proceeds from disposed financial investments	35	x	108,491	127,948	x	144,421	174,183	x	3,693	26,335
3. Unrealised gains on investments	36	x	x	0	x	x	0	x	x	24,417
4. Other technical income, net of reinsurance	37	x	x	0	x	x	0	x	x	0
5. Claims paid, net of reinsurance:	38	x	x	x	x	x	x	x	x	x
a) Claims paid:	39	x	x	x	x	x	x	x	x	x
aa) Gross amount	40	22,627	x	x	36,313	x	x	58,875	x	x
ab) Reinsurers' share	41	6	22,621	x	1,086	35,227	x	2,721	56,154	x
b) Change in the provision for outstanding claims	42	x	x	x	x	x	x	x	x	x
ba) Gross amount	43	5,940	x	x	(516)	x	x	4,545	x	x
bb) Reinsurers' share	44	x	5,940	28,561	3,108	(3,624)	31,603	1,562	2,983	59,137
6. Change in other technical provisions, net of reinsurance:	45	x	x	x	x	x	x	x	x	x
a) Change in the life insurance provision	46	x	x	x	x	x	x	x	x	x
aa) Change in gross amount	47	154	x	x	148	x	x	224	x	x
ab) Reinsurers' share	48	0	154	x	0	148	x	0	224	x
b) Change in other technical provisions, net of reinsurance	49	x	101,136	101,290	x	144,705	144,853	x	187,508	187,732
7. Bonuses and rebates, net of reinsurance	50	x	x	0	x	x	0	x	x	0
8. Net operating expenses:	51	x	x	x	x	x	x	x	x	x
a) Acquisition costs	52	x	96,107	x	x	79,017	x	x	100,580	x
b) Change in deferred acquisition costs	53	x	0	x	x	0	x	x	0	x
c) Administrative expenses	54	x	109,217	x	x	100,141	x	x	117,081	x
d) Commission from reinsurers and profit participations	55	x	175	205,149	x	545	178,613	x	472	217,189
9. Investment expenses and charges:	56	x	x	x	x	x	x	x	x	x
a) Investment expenses and charges, including interest	57	x	1,240	x	x	1,872	x	x	2,433	x
b) Creation of value adjustments on financial investments	58	x	8,294	x	x	0	x	x	0	x
c) Disposed financial investments	59	x	108,396	117,930	x	139,740	141,612	x	3,283	5,716
10. Unrealised loss on investments	60	x	x	0	x	x	10,589	x	x	2,409
11. Other technical charges, net of reinsurance	61	x	x	0	x	x	0	x	x	0
12. Allocated investment return transferred to the Non-technical account	62	x	x	0	x	x	0	x	x	0
13. Subtotal, result for the Technical account - life insurance	63	x	x	(71,707)	x	x	(18,146)	x	x	(55,249)

Legend	Line	Prior prior period			Prior period			Current period		
		Base	Subtotal	Result	Base	Subtotal	Result	Base	Subtotal	Result
III. NON-TECHNICAL ACCOUNT										
1. Result for the technical account - non-life insurance	64	x	x	0	x	x	0	x	x	0
2. Result for the technical account - life insurance	65	x	x	(71,707)	x	x	(18,146)	x	x	(55,249)
3. Income from financial investments:	66	x	x	x	x	x	x	x	x	x
a) Income from undertakings of which subsidiaries:	0 67	x	0	x	x	0	x	x	0	x
b) Income from other financial investments of which subsidiaries:	0 68	x	x	x	x	x	x	x	x	x
ab) Income from land and buildings	69	0	x	x	0	x	x	0	x	x
bb) Income from other financial investments	0 70	0	0	x	0	0	x	0	0	x
c) Changes in value of financial investments	71	x	0	x	x	0	x	x	0	x
d) Proceeds from sold financial investments	72	x	0	0	x	0	0	x	0	0
e) Release of provision to financial investments	72	x	2,407	2,407	x	0	0	x	0	0
4. Allocated investment return transferred from the technical account for life insurance	73	x	x	0	x	x	0	x	x	0
5. Investment expenses and charges:	74	x	x	x	x	x	x	x	x	x
a) Investment expenses and charges	75	x		x	x		x	x	0	x
b) Changes in value of financial investments	76	x		x	x		x	x	0	x
c) Disposed financial investments	77	x	0	0	x	0	0	x	0	0
6. Allocated investment return transferred to the technical account for non-life insurance	78	x	x	0	x	x	0	x	x	0
7. Other income	79	x	x	16,353	x	x	13,321	x	x	9,617
8. Other expenses	80	x	x	21,554	x	x	19,633	x	x	12,828
9. Tax on profit(loss) on ordinary activities	81	x	x	0	x	x	0	x	x	0
10. Result after tax	82	x	x	(74,501)	x	x	(24,458)	x	x	(58,460)
11. Extraordinary income	83	x	x	0	x	x	0	x	x	0
12. Extraordinary expenses	84	x	x	0	x	x	0	x	x	0
13. Extraordinary result	85	x	x	0	x	x	0	x	x	0
14. Tax on profit(loss) on extraordinary activities	86	x	x	0	x	x	0	x	x	0
15. Other taxes and fees	87	x	x	42	x	x	57	x	x	124
16. Result for the current accounting period	88	x	x	(74,543)	x	x	(24,515)	x	x	(58,584)

Year and accounts – Statement of changes in shareholders' equity

31 December 2003

(in thousand CZK)

	<u>Capital</u>	<u>Other capital reserves</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
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	0	(110,186)	0	110,186	0
Capital increase including premium	10,000	110,000	0	0	120,000
Result of operations 2001	<u>0</u>	<u>0</u>	<u>0</u>	<u>(74,543)</u>	<u>(74,543)</u>
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	0	(74,543)	0	74,543	0
Capital increase including premium	10,000	100,000	0	0	110,000
Result of operations 2002	<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,515)</u>	<u>(24,515)</u>
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>
Settlement of 2002 loss	0	(24,515)	0	24,515	0
Capital increase including premium	0	0	0	0	0
Result of operations 2003	<u>0</u>	<u>0</u>	<u>0</u>	<u>(58,584)</u>	<u>(58,584)</u>
Balance as at 31 December 2003	<u>255,000</u>	<u>92,563</u>	<u>1,148</u>	<u>(58,584)</u>	<u>290,127</u>



Aviva Talisman

one of the great British inventions that
will change your life

- **For children**
 - unique unit-linked life insurance for a child and one parent
 - generate funds for the time when your child will start an independent life
- **Partnership** - in the event of the death of the insured parent we will continue to pay the full premium
- **Riders** - unique rider for the child in case of serious illnesses or severe fractures
- **Investment** - you affect the rate of return by suitable selection from our five investment programmes

Aviva životní pojišťovna, a.s. Aviva House Londýnská 41 120 21 Praha 2 Zelená linka 800 128 482 www.aviva-pojistovna.cz info@avivazp.cz

Year and accounts – Attachment

Year end accounts – Attachment

31 December 2003

1 General information

Aviva životní pojišťovna, a.s. ("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 Commercial Union International Holdings Limited with its registered office St. Helen's, 1 Undershaft, London EC3P 3DQ, Great Britain. The ultimate holding company is Aviva plc with its registered office St. Helen's, 1 Undershaft, London EC3P 3DQ, Great Britain.

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 the sense of a so called "capital value" of life policy);
- accidental or health insurance if it constitutes an integral 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 2003 were as follows:

Mr. Austin Stewart Kimm, Peterborough, Great Britain, date of effective appointment 21 September 2002

Mr. Petr Krejčí, Prague, date of effective appointment 6 February 2003

Mr. Karel Dejmek, Prague, date of effective appointment 7 February 2003

Mr. Josef Holub, Prague, date of effective appointment 7 February 2003

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.

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

Mr. Austin Stewart Kimm, Peterborough, Great Britain, date of effective appointment 21 September 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

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 Board of Directors is authorised to act on behalf of the Company always with two board members jointly. Signing on behalf of the 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 2003 were as follows:

Mr. Mark Brennan Webb, Claygate, Surrey, Great Britain, date of effective appointment 26 February 2002

Mr. Jean-Marc Boyer, Neuilly sur Seine, France, date of effective appointment 2 April 2003

Mr. Karel Veselý, Prague, date of effective appointment 15 May 2003

Mr. Jean-Marc Boyer and Mr. Karel Veselý replaced former members Mr. Neville Charles Creese and Mrs. Jana Navarová.

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

Mr. Mark Brennan Webb, Claygate, Surrey, Great Britain, date of effective appointment 26 February 2002

Mr. Neville Charles Creese, Cambridge, Great Britain, date of effective appointment 9 February 2001

Mrs. Jana Navarová, Prague, date of effective appointment 13 February 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

Year and accounts – Attachment (continued)

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 (in thousand CZK) unless otherwise stated.

(b) Financial placements

Deposits with banks are stated at their nominal values.

Securities are valued on acquisition at cost. The cost of securities includes also direct costs related to the acquisition (e.g. fees and commissions paid to brokers, consultants or a stock exchange). Securities transactions are recognised on the settlement date. Realised gains and losses are included in the income statement.

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. The Company classifies all securities as securities held for trading. Changes in fair value are recognised in the income statement.

(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 amortisation rates. Intangible assets with a unit cost of less than CZK 60,000 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 amortisation 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 40,000 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 at the date of transaction.

All monetary assets and liabilities denominated in foreign currencies have been translated at the year-end exchange rate as published by the Czech National Bank. Effective 1 January 2002, all exchange gains and losses on monetary assets and liabilities are recorded in the profit and loss account.

Prior to 1 January 2002, unrealised exchange gains and losses were deferred as other assets, other liabilities, and provisions for exchange losses were set aside (see Note 2 (o)).

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.

Year end accounts – Attachment (continued)

(g) Receivables

Receivables from agents and other receivables are recorded at their nominal value adjusted by appropriate provisions for doubtful receivables.

Accounts receivable from agents are represented by advances allowed to agents for future commission from concluded insurance contracts. The advances are released into commission expense 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.

(h) 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 the 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.

(i) Pension plans and funds

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

(j) Investment and mutual funds

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

(k) VAT and deferred tax

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

(l) 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.

(m) Technical reserves

Reserve for liabilities from financial placements on behalf of policyholders

The reserve is created for investment life insurance of a so called "unit-linked" nature (also referred to 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. When the reserve is created or released, gross reserve and reinsurers' share are accounted for;
- 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. When the reserve is created or released, gross reserve and reinsurers' share are accounted for;
- c) Insurance claims incurred in the accounting period but not yet reported in case of waiver of premium (WOP). The reserve is of the same nature as the above mentioned IBNR reserve for other types of 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.

Year end accounts – Attachment (continued)

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). 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. Unearned premium reserve for investment life insurance contracts is therefore held equal to half the monthly risk premium deduction last applied to the policy.

Life insurance reserves adequacy test

The Company also creates a premium deficiency reserve when required (see Note 10 – Technical reserves).

(n) Related party transactions

The Company's related parties are considered to be the following:

- companies which form a Group of companies with the Company;
- shareholders, of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of these shareholders;
- members of the Company's statutory and supervisory bodies and management and parties close to such members, including the subsidiaries and associates of the members and their close parties;
- companies with the same member of management.

Material transactions and outstanding balances with related parties are disclosed in Notes 4, 9, 11 and 14.

(o) Extraordinary items and changes in accounting policy

Extraordinary items include one-off effects of events outside the scope of the Company's activities and the effects of changes in accounting policies.

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 were stated at fair value at the year-end. All provisions booked for financial placements recorded as at 31 December 2001 were released. (Note 15);
- All 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 in respect of 2001 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.

(p) 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.

Year end accounts – Attachment (continued)

3 Financial placements

All securities are held for trading.

At 31 December 2003, 2002 a 2001, financial placements comprised:

Term deposits with banks (in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Term deposits with banks	<u>443 443</u>	<u>411 117</u>	<u>299 812</u>

Securities

(in thousand CZK)

	<u>31 December 2003</u>			
	<u>Cost</u>	<u>Accrued income</u>	<u>Total</u>	<u>Fair value</u>
<u>Securities with fixed yield</u>				
Bonds issued by domestic banks and corporations	176,928	929	177,857	176,361
State and municipal bonds	<u>154,601</u>	<u>1,709</u>	<u>156,310</u>	<u>155,067</u>
Subtotal	331,529	2,638	334,167	331,428
<u>Securities with variable yield</u>				
Equity shares issued by domestic banks and corporations	53,395	0	53,395	65,691
Foreign securities	<u>44,425</u>	<u>0</u>	<u>44,425</u>	<u>46,287</u>
Subtotal	97,820	0	97,820	111,978
Securities in gross value total	<u>429,349</u>	<u>2,638</u>	<u>431,987</u>	<u>443,406</u>
Valuation difference			<u>11,419</u>	
Total book value			<u>443,406</u>	

Securities

(in thousand CZK)

	31 December 2002			
	Cost	Accrued income	Total	Fair value
<u>Securities with fixed yield</u>				
Bonds issued by domestic banks and corporations	140,041	1,251	141,292	140,538
State and municipal bonds	<u>121,447</u>	<u>1,404</u>	<u>122,851</u>	<u>123,276</u>
Subtotal	261,488	2,655	264,143	263,814
<u>Securities with variable yield</u>				
Equity shares issued by domestic banks and corporations	49,801	0	49,801	45,799
Foreign securities	<u>20,766</u>	<u>0</u>	<u>20,766</u>	<u>14,508</u>
Subtotal	70,567	0	70,567	60,307
Securities in gross value total	<u>332,055</u>	<u>2,655</u>	<u>334,710</u>	<u>324,121</u>
Valuation difference			<u>(10,589)</u>	
Total book value			<u>324,121</u>	

Year end accounts – Attachment (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	158,987	2,108	161,095	160,942
<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>0</u>	<u>11,288</u>	<u>7,875</u>
Subtotal	44,171	123	45,160	36,744
Total cost	<u>203,158</u>	<u>2,231</u>	<u>206,255</u>	<u>197,686</u>
Provisions			<u>(8,294)</u>	
Total book value			<u>197,961</u>	

As described in Note 2(c) and 10 the value represented by Financial placements on behalf of policyholders amounted to CZK 586,545,000 as at 31 December 2003 (2002: CZK 399,037,000, 2001: CZK 254,332,000).

Securities quoted on the Czech market amounted to CZK 425,845,000 as at 31 December 2003 (31 December 2002: CZK 316,304,000, 31 December 2001: CZK 189,811,000).

4 Accounts receivable

(in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Intercompany accounts receivable	0	0	153
Accounts receivable from agents, net of provis	31,671	35,706	23,112
Accounts receivable from reinsurance	247	0	3
Accounts receivable from employees	1	0	6
Other accounts receivable	<u>5,720</u>	<u>5,807</u>	<u>4,684</u>
Total	<u>37,639</u>	<u>41,513</u>	<u>27,958</u>

The Company has receivables from agents amounting to CZK 3,930,000 (2002: CZK 3,207,000, 2001: CZK 1,794,000), for which 100% provision has been created.

There are no overdue receivables. Receivables outstanding have not been secured.

Year end accounts – Attachment (continued)

5 Intangible assets

(in thousand CZK)	Incorporation <u>expenses</u>	Software and other <u>intangibles</u>	<u>Total</u>
Cost			
31 December 2001	5,088	28,495	33,583
Additions	0	3,133	3,133
Disposals	<u>0</u>	<u>(473)</u>	<u>(473)</u>
31 December 2002	5,088	31,155	36,243
Additions	0	81	81
Disposals	<u>0</u>	<u>0</u>	<u>0</u>
31 December 2003	<u>5,088</u>	<u>31,236</u>	<u>36,324</u>
Accumulated amortisation			
31 December 2001	3,042	26,057	29,099
Additions	682	4,360	5,042
Disposals	<u>0</u>	<u>(473)</u>	<u>(473)</u>
31 December 2002	3,724	29,944	33,668
Additions	682	460	1,142
Disposals	<u>0</u>	<u>0</u>	<u>0</u>
31 December 2003	<u>4,406</u>	<u>30,404</u>	<u>34,810</u>
Net Book Value			
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>
31 December 2003	<u>682</u>	<u>832</u>	<u>1,514</u>

6 Tangible fixed assets

(in thousand CZK)	<u>Computer equipment</u>	<u>Furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
Cost				
31 December 2001	9,511	14,707	8,042	32,260
Additions	1,968	920	0	2,888
Disposals	<u>(221)</u>	<u>(740)</u>	<u>(575)</u>	<u>(1,536)</u>
31 December 2002	11,258	14,887	7,467	33,612
Additions	1,466	2,481	1,784	5,731
Disposals	<u>(621)</u>	<u>0</u>	<u>(452)</u>	<u>(1,073)</u>
31 December 2003	<u>12,103</u>	<u>17,368</u>	<u>8,799</u>	<u>38,270</u>
Accumulated depreciation				
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	7,594	7,838	3,983	19,415
Additions	1,341	2,447	1,447	5,235
Disposals	<u>(578)</u>	<u>0</u>	<u>(198)</u>	<u>(776)</u>
31 December 2003	<u>8,357</u>	<u>10,285</u>	<u>5,232</u>	<u>23,874</u>
Net Book Value				
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>
31 December 2003	<u>3,746</u>	<u>7,083</u>	<u>3,567</u>	<u>14,396</u>

Year end accounts – Attachment (continued)

7 Cash and cash equivalents

(in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Current accounts	28,928	29,440	31,715
Cash in hand and other cash equivalents	<u>992</u>	<u>303</u>	<u>269</u>
Total	<u>29,920</u>	<u>29,743</u>	<u>31,984</u>

8 Prepayments and deferred expenses

(in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Interest accrued	347	526	710
Rent prepaid	405	517	203
Other prepayments and deferred expenses	1,737	1,195	3,621
Deferred unrealised foreign exchange loss	<u>0</u>	<u>0</u>	<u>763</u>
Total	<u>2,489</u>	<u>2,238</u>	<u>5,297</u>

9 Capital and reserves

The resolution of The Municipal Court in Prague regarding change of record in respect of the sole shareholder in the Commercial Register became legally effective on 17 September 2003. Commercial Union International Holdings Limited, which is wholly-owned within the Aviva Group, as the former sole shareholder CGU International Holdings B.V., became the sole shareholder of the Company based upon this change.

At 31 December 2003, the capital was represented by 22 ordinary registered dematerialised shares each with a nominal value of CZK 10,000,000 and 20 ordinary registered dematerialised shares each with a nominal value of CZK 1,750,000.

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 2003, 2002 and 2001.

Based upon the decisions of the sole shareholder all prior year losses were fully appropriated against other capital funds in years 2003, 2002 and 2001. It is expected that the 2003 loss of CZK 58,584,000 will be covered in a comparable manner.

On 29 October 2003 the sole shareholder made a resolution to increase the Company's basic capital and this resolution became legally effective based upon a resolution of The Municipal Court in Prague on 15 December 2003. The capital increase is represented by one ordinary registered dematerialised share with a nominal value of CZK 10,000,000 and the share premium of CZK 50,000,000. The due period for subscription is 35 days and it commenced to run 3 days after the above mentioned resolution became legally effective (further Ref. Note 19 – Subsequent events).

The statutory reserve may not be distributed to shareholders in the 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 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Reserve for liabilities from financial placements on behalf of policyholders (Notes 2(c) and 3)	586,545	399,037	254,332
Reserve for insurance claims	17,660	14,678	18,301
Life premium reserve	645	421	273
Unearned premium reserve	33,387	32,615	13,854
Other technical reserves	<u>0</u>	<u>0</u>	<u>0</u>
Total (Note 13)	<u>638,237</u>	<u>446,751</u>	<u>286,760</u>

As at 31 December 2003:

(in thousand CZK)	<u>Unearned premium reserve</u>	<u>Life insurance reserve</u>	<u>Claim reserve</u>	<u>Reserve for liabilities from financial placements on behalf of policyholders</u>	<u>Total</u>
Gross reserve	33,387	645	22,330	586,545	642,907
Share of reinsurer	<u>0</u>	<u>0</u>	<u>4,670</u>	<u>0</u>	<u>4,670</u>
Net reserve	<u>33,387</u>	<u>645</u>	<u>17,660</u>	<u>586,545</u>	<u>638,237</u>

Year end accounts – Attachment (continued)

As at 31 December 2002:

(in thousand CZK)	Unearned premium reserve	Life insurance reserve	Claim reserve	Reserve for liabilities from financial placements on behalf of policyholders	Total
Gross reserve	32,615	421	17,786	399,037	449,859
Share of reinsurer	0	0	3,108	0	3,108
Net reserve	32,615	421	14,678	399,037	446,751

Comparable data as at 31 December 2001 are not available.

Movements on technical reserves can be analysed as follows:

(in thousand CZK)	Unearned premium reserve	Life insurance reserve	Claim reserve	Reserve for liabilities from financial placements on behalf of policyholders	Other technical reserves	Total
At 1 January 2001	689	119	12,361	152,019	1,177	166,365
Additions and usage	11,988	154	5,940	102,313	0	120,395
Reclassification	1,177	0	0	0	(1,177)	0
At 31 December 2001	13,854	273	18,301	254,332	0	286,760
Additions and usage	18,761	148	(515)	144,705	0	163,099
At 31 December 2002	32,615	421	17,786	399,037	0	449,859
Additions and usage	772	224	4,544	187,508	0	193,048
At 31 December 2003	33,387	645	22,330	586,545	0	642,907

Life insurance adequacy test

The Company carried out the life insurance reserves adequacy test as at 31 December 2003, in line with a guidance by the Czech Society of Actuaries. The test has proved that reserves are adequate as required by Decree 502/2002 Coll., § 28 (2) (ability of an insurance company to cover liabilities arising from insurance contracts at any time). Therefore it was not necessary to create a premium deficiency reserve (other reserve according to Act on Insurance, § 13 (4)).

11 Accounts payable and other liabilities

(in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Provision for foreign exchange losses	0	0	762
Payables arising from direct insurance and reinsurance and other payables	19,755	10,054	11,263
Intercompany accounts payable	12,397	13,333	20,489
Accruals	<u>12,291</u>	<u>6,655</u>	<u>2,273</u>
Total	<u>44,443</u>	<u>30,042</u>	<u>34,787</u>

Intercompany accounts payable consist of trade payables of CZK 2,397,000 (2002: CZK 3,333,000, 2001: CZK 10,489,000) and a long-term loan of CZK 10,000,000 (2002: CZK 10,000,000, 2001: CZK 10,000,000) maturing in 2007.

No payables of the Company are overdue. Payables have not been secured over any assets of the Company.

12 Foreign currency

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

31 December 2003:

	(in thousand GBP)	<u>Equivalent</u> (in thousand CZK)	(in thousand USD)	<u>Equivalent</u> (in thousand CZK)
Bank deposits	292	13,428	0	0
Foreign securities	0	0	684	17,559

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	0	0
Foreign securities	0	0	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	0	0
Foreign securities	0	0	287	10,422

Year end accounts – Attachment (continued)

13 Off-balance sheet liabilities and commitments

(in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Life insurance	12,344,679	10,275,217	8,239,066
Riders	20,371,162	15,734,071	12,020,071

(in thousand CZK)	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Life insurance (reinsurance covenant)	2,531,272	1,766,661	1,445,572
Riders (reinsurance covenant)	6,401,424	3,996,828	2,166,454

As disclosed in Note 10, technical reserves with an aggregate balance of CZK 638,237,000 (2002: CZK 446,751,000, 2001: CZK 286,760,000) 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 2003, 2002 and 2001.

14 Technical and non-technical expenses

(in thousand CZK)	<u>Year ended 31 December 2003</u>	<u>Year ended 31 December 2002</u>	<u>Year ended 31 December 2001</u>
Technical reserves	<u>191,487</u>	<u>159,990</u>	<u>120,395</u>
Claims and withdrawals	58,875	36,313	22,627
Share of reinsurers with claims	(2,721)	(1,086)	(6)
Commissions	75,443	54,345	45,661
Advertising and promotion	25,137	24,672	50,446
Salaries	43,301	34,937	34,697
Social and health insurance costs	13,123	10,612	7,946

(in thousand CZK)	Year ended <u>31 December 2003</u>	Year ended <u>31 December 2002</u>	Year ended <u>31 December 2001</u>
Other personnel expenses	2,344	1,656	2,222
Intercompany expenses, net amount	330	(2,560)	9,241
Depreciation and amortisation	6,376	10,480	12,414
Consultancy fees	4,182	4,229	5,569
Rent and repairs	19,237	17,981	17,139
Other administrative and general overhead	28,188	22,806	19,989
Investment management fees	2,433	1,872	1,244
Provision for financial placements	0	0	8,294
Change in valuation of financial placements (Note 15)	2,409	10,589	0
Cost of financial placements sold	<u>3,283</u>	<u>139,740</u>	<u>108,392</u>
Technical expenses other than technical reserves	<u>281,940</u>	<u>366,586</u>	<u>345,875</u>
Total technical expenses	<u>473,427</u>	<u>526,576</u>	<u>466,270</u>
Interest on intercompany loan	1,200	1,200	1,200
Foreign exchange losses	10,538	16,220	17,727
Provision for foreign exchange losses	0	0	763
Provision for doubtful debts	723	1,414	1,431
Other expenses	<u>491</u>	<u>856</u>	<u>430</u>
Total non-technical expenses	<u>12,952</u>	<u>19,690</u>	<u>21,551</u>
Total expenses	<u>486,379</u>	<u>546,266</u>	<u>487,821</u>

Above stated Intercompany expenses for the year 2003 at the amount of CZK 330,000 are represented by rendered intragroup services in the area of actuarial mathematics, finance, human resources and compliance.

Above stated Intercompany expenses for the year 2002 at the net amount of CZK (2,560,000) are represented by rendered intragroup services of CZK 2,555,000 and a credit note of CZK 5,115,000 in respect of intragroup services rendered in 2001.

Year end accounts – Attachment (continued)

15 Technical and non-technical income

(in thousand CZK)	Year ended <u>31 December 2003</u>	Year ended <u>31 December 2002</u>	Year ended <u>31 December 2001</u>
Insurance premium income	383,239	343,888	270,474
Reinsurance	(16,285)	(10,186)	(4,034)
Dividends	3,696	501	1,137
Interest income on securities with fixed income	9,171	8,570	5,995
Interest on bank deposits Securities sold	9,775	12,397	12,325
Change in valuation of financial placements (Note 15)	3,693	144,421	108,491
Reversed provision for financial placements	24 417	0	0
Commission from reinsurers	0	8,294	0
	<u>472</u>	<u>545</u>	<u>175</u>
Total technical income	<u>418,178</u>	<u>508,430</u>	<u>394,563</u>
Foreign exchange gain	9,106	12,386	15,574
Reversed provision for financial placements	0	0	2,407
Reversed provision for foreign exchange losses	0	763	0
Other non-technical income	<u>511</u>	<u>172</u>	<u>734</u>
Total non-technical income	<u>9,617</u>	<u>13,321</u>	<u>18,715</u>
Total income	<u>427,795</u>	<u>521,751</u>	<u>413,278</u>

Gross written premium is analysed as follows:

(in thousand CZK)	Year ended <u>31 December 2003</u>	Year ended <u>31 December 2002</u>	Year ended <u>31 December 2001</u>
Regular premium	357,370	302,789	225,058
Single premium	<u>25,869</u>	<u>41,099</u>	<u>45,416</u>
Total	<u>383,239</u>	<u>343,888</u>	<u>270,474</u>

(in thousand CZK)	Year ended <u>31 December 2003</u>	Year ended <u>31 December 2002</u>	Year ended <u>31 December 2001</u>
Premium where the financial risk is borne by the policyholder	361,210	314,300	254,147
Premium without profit share	<u>22,029</u>	<u>29,588</u>	<u>16,327</u>
Total	<u>383,239</u>	<u>343,888</u>	<u>270,474</u>
Individual premium	365,853	317,416	255,418
Group premium	<u>17,386</u>	<u>26,472</u>	<u>15,056</u>
Total	<u>383,239</u>	<u>343,888</u>	<u>270,474</u>

16 Employee analysis

	<u>31 December 2003</u>	<u>31 December 2002</u>	<u>31 December 2001</u>
Number of employees (year-end)	73	72	70
(in thousand CZK)	Year ended <u>31 December 2003</u>	Year ended <u>31 December 2002</u>	Year ended <u>31 December 2001</u>
Wages and salaries	43,301	34,937	34,697
Social and health insurance costs	13,123	10,612	7,946
Other personnel costs	<u>2,344</u>	<u>1,656</u>	<u>2,222</u>
Total	<u>58,768</u>	<u>47,205</u>	<u>44,865</u>

In their role as directors, there was no remuneration provided for the members of the Board of Directors and the Supervisory Board in 2003, 2002 and 2001. Company cars are made available for use by some management and board members.

Year end accounts – Attachment (continued)

17 Taxation

The result before taxes was a loss of CZK 58,584,000 (2002: loss of CZK 24,515,000, 2001: loss of CZK 74,543,000) and the Company does not anticipate an income tax charge for the accounting period ended 31 December 2003, 2002 and 2001.

Potential deferred tax asset of CZK 105,135,000 at 31 December 2003 (31 December 2002: CZK 121,382,000, 31 December 2001: CZK 116,849,000) calculated at a tax rate of 24% has not been recognised as it is not probable that future taxable profit will be available against which the unused tax credits can be utilised.

18 Contingent liabilities

No contingent liabilities existed as at 31 December 2003 which could have a material impact on the Company's financial statements at that date.

19 Subsequent events

With the reference to Note 9 – Capital and reserves, subsequent to 31 December 2003 Commercial Union International Holdings Limited subscribed the ordinary share at the total value of CZK 60,000,000 within the due subscription period and it also paid-up this amount on the designated capital account of the Company on 20 January 2004.

After 31 December 2003 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.



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



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

13 February 2004



Aviva Benefit

one of the great British inventions that
will change your life

- **Tax relief** - unit-linked life insurance special in prepared for reducing your tax base
- **Saving** - quality insurance protection - allows you to save enough money for your retirement
- **Employer's contribution** - your employer may contribute to your premium
- **Investment** - you affect the rate of return by suitable selection from our five investment programmes
- **Riders** - selection from two optional riders

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