

MORLEY PROPERTIES LIMITED
Directors' report and financial statements

For the year ended 31 December 2006

Registered in England
Number: 875470

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Morley Properties Limited

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Morley Properties Limited

Company information

Directors

S A R Mead
D R Rose

Secretary

Aviva Company Secretarial Services Limited
St Helen's
1 Undershaft
London
EC3P 3DQ

Auditors

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

Registered office

No 1 Poultry
London
EC2R 8EJ

Morley Properties Limited

Directors' report

The Directors present their annual report and audited financial statements for Morley Properties Limited ('the Company') for the year ended 31 December 2006 and the auditor's report thereon

Principal activity

The Company did not trade during the year and is expected to be liquidated in due course

Directors

The names of the present Directors of the Company, all of whom served throughout the year appear on page 2

Dividends

No interim dividend was paid during the year (2005 nil) The Directors do not recommend the payment of a final dividend (2005 nil)

Financial position

The position of the Company at the year end is shown in the balance sheet on page 7 The financial performance of the Company for the year is shown in the income statement on page 7

The Company is managed in conjunction with a number of other property funds As such, there are no KPI's specific to the Company

Post balance sheet event

On 1 August 2007 the directors of Morley Properties Limited agreed to a share buy-back of 111,996,000 shares out of £27,585,086 of capital The buy-back is expected to complete in September 2007

Directors' interests

The table below shows the interests held by each person who was a Director at the end of the financial year in the ordinary shares of 25 pence each in Aviva plc Details of any options and awards held through Aviva plc's share schemes and incentive plans are shown below All the disclosed interests are beneficial

	At 1 January 2006	At 31 December 2006
	Number	Number
S A R Mead	1,086	1,320
D R Rose	4,395	4,960

Incentive plans

Details of the Directors who held office at the end of the financial year, and hold/held options to subscribe for ordinary shares of Aviva plc or hold/held awards over shares in Aviva plc, pursuant to Aviva plc's share based incentive plans, are set out below and on page 4

Share options

	At 1 January 2006	Options granted during year	Options exercised/lapsed during year	At 31 December 2006
	Number	Number	Number	Number
S A R Mead				
<i>Savings related options⁽¹⁾</i>	601	223	-	824
D R Rose				
<i>Savings related options⁽¹⁾</i>	4,096	-	-	4,096
<i>Executive options⁽²⁾</i>	2,543	-	-	2,543

⁽¹⁾ *Savings related options* are options granted under the HM Revenue and Customs-approved SAYE Share Option Scheme Options are normally exercisable during the six months period following either the third, fifth or seventh anniversary of the relevant savings contract

⁽²⁾ *Executive options* are those granted under the Aviva Executive Share Option Schemes, or predecessor schemes Options which were granted on various dates are normally exercisable between the third and tenth anniversaries of their date of grant Options granted after 1997 are only exercisable if certain performance conditions are met

Directors' report continued

Share awards	At 1 January 2006 Number	Awards granted during year Number	Awards vested during year Number	Awards lapsed during year Number	At 31 December 2006 Number
D R Rose					
Aviva deferred bonus plan ⁽³⁾	18,300	7,710	(7,376)	-	18,634

⁽³⁾ The Aviva Deferred Bonus Plan was approved by shareholders at the 2001 Aviva Annual General Meeting. The awards disclosed include those made in lieu of some or all of the cash bonus earned and deferred under the Aviva plc's Annual Bonus and also the matching awards granted on a 'one-for-one' basis. The vesting of awards on the third anniversary of their grant is not subject to performance conditions.

Indemnity to the Directors

Aviva plc, the Company's ultimate parent, has granted an indemnity to the Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. This indemnity and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of sections 309A to 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report.

Employees

The Company has no employees (2005 nil)

Creditors payment policy and practice

The Company does not trade and did not have any trade payables at 31 December 2006 (2005 nil)

Resolutions

On 10 August 1999, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings, the laying of Directors' reports, financial statements and auditors' reports before the members in general meeting and the obligation to appoint auditors annually.

Auditors

Ernst & Young LLP will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

Morley Properties Limited

Statement of Directors' Responsibilities in relation to the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

The Directors are required to prepare financial statements for each financial year, which present fairly the financial position and financial performance of the Company for that period. In preparing the Company financial statements the Directors are required to

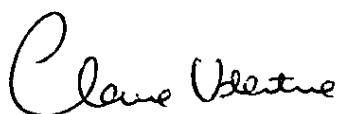
- select suitable accounting policies and apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, and
- state that the Company has complied with applicable accounting standards, subject to material departures disclosed and explained in the financial statements

The Directors are responsible for keeping proper accounting records which are intended to disclose with reasonable accuracy, at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also ultimately responsible for the systems of internal control maintained by safeguarding the assets of the Company, and for the prevention and detection of fraud and other irregularities.

Directors' statement as to disclosure of information to auditors

Each person who was a director of the Company on the date that this report was approved confirms that so far as the director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234Z of the Companies Act 1985.

By order of the Board



Aviva Company Secretarial Services Limited

Company Secretary

3 August 2007

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

Morley Properties Limited

Independent auditor's report to the members of Morley Properties Limited

We have audited the Company's financial statements for the year ended 31 December 2006, which comprise the Balance Sheet, Income Statement and the related notes 1 to 11. These financial statements have been prepared on a break-up basis and under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with the financial statements.

We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

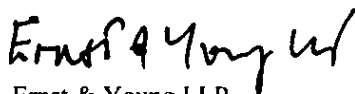
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered auditor
London

 September 2007

Morley Properties Limited

Income Statement

For the year ended 31 December 2006

		<u>2006</u>	<u>2005</u>
		<u>£</u>	<u>£</u>
Expenses	4	(430,722)	-
Loss before tax		(430,722)	-
Tax benefit		-	-
Loss after tax		(430,722)	-

Balance Sheet

As at 31 December 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		<u>£</u>	<u>£</u>
Current assets			
Amounts owed by group companies	4	73,184,297	73,615,019
Current liabilities			
Amounts owed to group companies	5	(45,598,211)	(45,598,211)
Net assets		<u>27,586,086</u>	<u>28,016,808</u>
Equity			
Ordinary share capital	6,7	28,000,000	28,000,000
Share premium reserve	7	16,808	16,808
Accumulated losses	7	(430,722)	-
Total equity		<u>27,586,086</u>	<u>28,016,808</u>

The accounting policies and notes on pages 8 to 9 are an integral part of these financial statements

Approved by the Board on 31 August 2007



D R Rose
Director

Morley Properties Limited

Notes to the financial statements

1. Accounting policies

The financial statements have been prepared on a break-up basis in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Unless otherwise notes, the amounts shown in the financial statements are in pounds sterling (£)

2. Directors' emoluments

None of the Directors received any emoluments in respect of services as a Director of the Company (2005 nil)

3. Auditors' remuneration

Auditors' remuneration is charged in the financial statements of Morley Fund Management Limited, a fellow subsidiary company. Auditors' remuneration in relation to the Company for 2006 was £8,007 (2005 £6,727). Fees paid to the Company's auditors for services other than the statutory audit are disclosed on a consolidated basis in the accounts of Morley Fund Management Group Limited.

4. Receivables

	2006	2005
	£	£
Amounts owed by group companies	73,184,297	73,615,019

During the year, £430,722 owed by a group company was written-off, as it was no longer considered recoverable.

5. Payables

	2006	2005
	£	£
Amounts owed to group companies	(45,598,211)	(45,598,211)

6. Share capital

	2006	2005
	£	£
The authorised share capital of the Company as at 31 December 2006 was		
112,000,000 ordinary shares of 25 pence each	28,000,000	28,000,000
The allotted, called up and fully paid share capital of the Company at 31 December 2006 was		
112,000,000 ordinary shares of 25 pence each	28,000,000	28,000,000

Notes to the financial statements continued**7. Reconciliation of movements in shareholders' equity for the year ended 31 December 2006**

	Ordinary share capital	Share premium reserve	Accumulated losses	Total
	£	£	£	£
Balance at 1 January 2006	28,000,000	16,808	-	28,016,808
Recognised expense for the year	-	-	(430,722)	(430,722)
Balance at 31 December 2006	28,000,000	16,808	(430,722)	27,586,086

8. Parent undertaking and ultimate parent undertaking

The immediate holding company is Aviva International Insurance Limited

The smallest group of undertakings, of which the Company is a member, which prepares group financial statements is headed by Aviva International Insurance Limited

The ultimate holding company is Aviva plc Aviva plc's group financial statements are available on application to the

Group Company Secretary
Aviva plc
St Helen's
1 Undershaft
London
EC3P 3DQ

9. Cash flow statement

As the Company is a wholly owned subsidiary of Aviva plc, the cash flows of the Company were included in the consolidated group cash flow statement of Aviva plc Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement

10. Related party transactions

As consolidated financial statements are publicly available, the Company has taken advantage of the exemption from the requirement to disclose transactions with related parties who are 90% or more owned within the same group

11. Commitments and contingent liabilities

There were no commitments or contingent liabilities at the balance sheet date (2005 nil)

12. Post balance sheet event

On 1 August 2007 the directors of Morley Properties Limited agreed to a share buy-back of 111,996,000 shares out of £27,585,086 of capital The buy-back is expected to complete in September 2007