

**Norwich Union Holdings Limited**

**Report and accounts for the year ended 31 December 2004**



# **Norwich Union Holdings Limited**

## **Report and accounts for the year ended 31 December 2004**

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# **Norwich Union Holdings Limited**

## **Directors' report**

The directors present their report and accounts for the Company for the year ended 31 December 2004.

### **Principal activity**

The Company carries on the business of an investment holding company. The principal activities of the Company's subsidiary undertakings are life insurance, general insurance and the management of securities, property funds, investment products and personal finance products. The directors consider that the Company's activities will continue unchanged in the foreseeable future.

### **Ultimate holding company**

The ultimate holding company is Aviva plc.

### **Results and dividend**

The result for the year is shown on page 6. The directors recommend the payment of a final dividend for the year of £1,775,000,000 (2003: £404,000,000).

### **Share capital**

At an Extraordinary General Meeting on 17 December 2004, the authorised share capital of the Company was increased to £4,000,000,000 by the creation of an additional 700,000,000 ordinary shares of £1 each.

On the same day, the Company allotted 1,612,800,000 fully paid ordinary shares of £1 each to Norwich Union plc, the immediate parent company.

### **Directors**

The current directors, and those in office during the year, are as follows:

R J Harvey  
P J R Snowball  
A J Moss (appointed 7 October 2005)

### **Directors' interests**

The directors who held office at 31 December 2004 are also all directors of the Company's ultimate holding company, Aviva plc, and, under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802), are not required to disclose their share interests in Aviva plc in the Company's accounts. Their interests can be found in the report and accounts of Aviva plc.

Neither of the directors who held office at 31 December 2004 had any interest in the Company's shares or the shares of any other company in the Aviva Group.

### **Resolutions**

On 25 June 2001, the members of the Company passed resolutions to dispense with the holding of *Annual General Meetings, the laying of directors' reports, accounts and auditors' reports before the members in general meeting and the obligation to appoint auditors annually.*

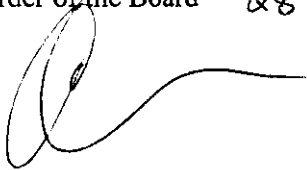
# Norwich Union Holdings Limited

## Directors' report (continued)

### 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.

By order of the Board 28 October 2005



Authorised Signatory  
Aviva Company Secretarial Services Limited  
Secretary

Registered Office:  
St Helen's, 1 Undershaft, London, EC3P 3DQ

# **Norwich Union Holdings Limited**

## **Statement of directors' responsibilities**

The directors are required to ensure that accounts are prepared for each accounting period which comply with the relevant provisions of the Companies Act 1985, and which give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the profit or loss for that period. Suitable accounting policies have to be used and applied consistently in preparing accounts, using reasonable and prudent judgements and estimates, on the going concern basis unless it is inappropriate to presume that the Company will continue in business. Applicable accounting and financial reporting standards also have to be followed, with any material departures being disclosed and explained.

The directors are responsible for maintaining proper accounting records which are intended to disclose with reasonable accuracy at any time the financial position of the Company. They are also ultimately responsible for the systems of internal control maintained by the Company for safeguarding the assets of the Company and ensuring that controls are in place for the prevention and detection of fraud and other irregularities.

# Norwich Union Holdings Limited

## Independent auditors' report to the members of Norwich Union Holdings Limited

We have audited the Company's accounts for the year ended 31 December 2004 which comprise the Profit and loss account, Statement of total recognised gains and losses, Reconciliation of movements in equity shareholders' funds, Balance sheet and the related notes 1 to 14. These accounts have been prepared on the basis of 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 auditor

The directors' responsibilities for preparing the Annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of directors' responsibilities on page 4.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if 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 transactions with the Company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

31. October 2005

# Norwich Union Holdings Limited

## Profit and loss account

For the year ended 31 December 2004

	Notes	2004 £m	2003 £m
Dividends receivable from subsidiary undertakings		1,855	522
Provision for impairment of value in subsidiary undertaking	1(b) & 5(c)	(42)	-
Interest payable on loans from group undertakings	9	(51)	(46)
Interest payable on bank overdraft		-	(4)
<b>Profit on ordinary activities before tax</b>		<b>1,762</b>	<b>472</b>
Tax on profit on ordinary activities	1(d) & 4	16	13
<b>Profit for the financial year</b>		<b>1,778</b>	<b>485</b>
Dividend		(1,775)	(404)
<b>Retained profit</b>		<b>3</b>	<b>81</b>

## Statement of total recognised gains and losses

For the year ended 31 December 2004

		2004 £m	2003 £m
Profit for the financial year		1,778	485
Unrealised (losses)/gains	1(b) & 5	(9)	1,741
<b>Total recognised gains arising in the year</b>		<b>1,769</b>	<b>2,226</b>

## Reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2004

		2004 £m	2003 £m
<b>At 1 January</b>		<b>15,000</b>	<b>11,707</b>
Total recognised gains arising in the year		1,769	2,226
Dividend		(1,775)	(404)
Increase in capital	10	1,613	1,471
<b>At 31 December</b>		<b>16,607</b>	<b>15,000</b>

The notes on pages 8 to 12 form an integral part of these accounts. The auditors' report is on page 5.

# Norwich Union Holdings Limited

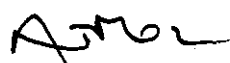
## Balance Sheet

At 31 December 2004

	Notes	2004 £m	2003 £m
<b>Fixed assets</b>			
Shares in subsidiary undertakings	1(b) & 5	19,676	18,043
<b>Current assets</b>			
Loan to subsidiary undertaking	6	9	9
Other debtors	7	45	25
Cash and bank		68	-
		122	34
<b>Creditors: Amounts falling due within one year</b>			
Other creditors including tax and social security	8	(2,986)	(2,872)
<b>Net current liabilities</b>		(2,864)	(2,838)
<b>Total assets less current liabilities</b>		16,812	15,205
<b>Creditors: Amounts falling due after more than one year</b>			
Loans from group undertakings	9	(205)	(205)
<b>Net assets</b>		16,607	15,000
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Called up share capital	10	3,372	1,759
Share premium account	11	8,623	8,623
Revaluation reserve	11	4,566	4,575
Profit and loss account	11	46	43
<b>Equity shareholders' funds</b>		16,607	15,000

Approved by the Board on 28 October 2005

Director



The notes on pages 8 to 12 form an integral part of these accounts. The auditors' report is on page 5.



# Norwich Union Holdings Limited

## Notes to the accounts

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

#### (a) Basis of accounts

These accounts have been prepared under the historical cost convention, except for investments in subsidiary undertakings, which are shown at current value. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of accounting practice applicable at 31 December 2004.

#### (b) Subsidiary undertakings

Investments in subsidiary undertakings are stated at current value which, for this purpose, is embedded value for life operations and net asset value for other entities. The resulting gain/loss over book value is taken to revaluation reserve, except where the directors consider any shortfall to be a permanent impairment. Provisions for impairment, and any changes thereto, are taken to the profit and loss account.

#### (c) Consolidated accounts

The Company has taken advantage of the exemption under section 228 of the Companies Act not to prepare consolidated accounts, as it is a wholly-owned subsidiary of Aviva plc.

#### (d) Tax

The tax credit in the profit and loss account and the amount of corporation tax recoverable in the balance sheet are based on the taxable profits for the year, after any adjustments in respect of prior years.

Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and pattern of expected realisation of investments. The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities.

#### (e) Exchange rates

Assets and liabilities in non-sterling currencies are translated at the relevant rates of exchange ruling at 31 December. Any resulting exchange gains or losses are taken to the profit and loss account. Revenue transactions in non-sterling currencies are translated into sterling at the rate of exchange ruling on the date of the transaction and any exchange gains or losses arising are taken to the profit and loss account.

### 2. Auditors' remuneration

The auditors' remuneration in respect of the Company has been borne by Aviva plc in both 2004 and 2003.

### 3. Directors' emoluments

Neither of the directors received any emoluments in respect of his services as a director of the Company (2003: £nil).

# Norwich Union Holdings Limited

## Notes to the accounts (continued)

### 4. Tax on profit on ordinary activities

(a) Tax credited in the profit and loss comprises:

	2004 £m	2003 £m
UK corporation tax at 30% (2003: 30%)	(16)	(15)
Prior year adjustment (including deferred taxation)	-	2
	<u>(16)</u>	<u>(13)</u>

(b) Factors affecting current tax charge for the year

The tax assessed in the profit and loss account is lower than the standard UK corporation tax rate, because of the following factors:

	2004 £m	2003 £m
Profit on ordinary activities before tax	1,762	472
Current tax charge at standard UK corporation tax rate of 30% (2003:30%)	530	142
Prior year tax charge	-	2
Movement on impairment provision	12	-
Non-taxable dividend income	(558)	(157)
	<u>(16)</u>	<u>(13)</u>

### 5. Investments

(a) Movements in the Company's investments are set out below:

	Subsidiary undertakings £m
<b>Cost</b>	
At 1 January	15,449
Additions (see (b) below)	1,642
Transfers from other group companies (see (c) below)	42
At 31 December	<u>17,133</u>
<b>Unrealised gains/(losses)</b>	
At 1 January	2,594
Provision for impairment (see (c) below)	(42)
Movement in year (see note 11)	(9)
At 31 December	<u>2,543</u>
<b>Net asset value at 31 December 2004</b>	<u>19,676</u>
<b>Net asset value at 31 December 2003</b>	<u>18,043</u>

# Norwich Union Holdings Limited

## Notes to the accounts (continued)

### 5. Investments (continued)

(b) During the year, the Company subscribed for additional shares in its subsidiaries as follows:

	Number of shares	Nominal value	Consideration £
CGU International Insurance Plc	6,451,200,000	£0.25	1,612,800,000
CGNU Investment Holdings Limited	30,000,000	£1.00	30,000,000
			<u>1,642,800,000</u>

- (c) On 23 January 2004, the Company acquired the entire legal and beneficial holding of 8,674,000 'A' ordinary shares of £1 each and 967,553 'B' ordinary shares of £0.75 pence each in the issued share capital of Hill House Hammond Limited from its subsidiary, Norwich Union Insurance Limited, for a consideration of £41,845,045. Full provision has since been made against the investment at the year end.
- (d) The Company's investments in its wholly owned subsidiary undertakings, all of which are incorporated in, and operate in, the United Kingdom comprise:

Subsidiary name	Nature of business
CGNU Investment Holdings Limited	Intermediate holding company
CGU International Insurance plc	Insurance
Hill House Hammond Limited	Insurance broker
Norwich Union Central Services Limited	Service company
Norwich Union Insurance Limited	Insurance
Norwich Union Life Holdings Limited	Intermediate holding company
Undershaft Limited	Intermediate holding company

### 6. Loan to subsidiary undertaking

	2004 £m	2003 £m
At 1 January and 31 December	<u>9</u>	<u>9</u>

The loan at 31 December 2004 to Norwich Union Equity Release Limited of £9 million (2003: £9 million) is interest-free and may be called at any time.

# Norwich Union Holdings Limited

## Notes to the accounts (continued)

### 7. Other debtors

	2004 £m	2003 £m
Group relief receivable from other group companies	31	17
UK Corporation tax recoverable	9	8
Other debtors	5	-
	<u>45</u>	<u>25</u>

### 8. Other creditors including tax and social security

	2004 £m	2003 £m
Amounts due to holding company		
- dividend payable	1,775	404
- other	116	1,211
Amounts due to other group undertakings	1,094	1,183
Bank overdrafts	-	73
Other creditors	1	1
	<u>2,986</u>	<u>2,872</u>

### 9. Loans from group undertakings

Loans of £156 million (2003: £156 million) from Norwich Union Life & Pensions Limited, and a loan of £49 million (2003: £49 million) from the ultimate parent company were used to acquire and invest in subsidiary undertakings. These loans are repayable in more than five years and within five years respectively. Other intercompany loans have no fixed repayment dates and are included within amounts due to holding company and other group undertakings in note 8 above. Interest on the above loans totalled £50 million (2003: £46 million)

### 10. Called up share capital

The ordinary share capital of the Company at 31 December 2004 was:

	2004 £m	2003 £m
Authorised		
4,000,000,000 (2003: 3,300,000,000) ordinary shares of £1 each	<u>4,000</u>	<u>3,300</u>
Allotted, called up and fully paid		
3,371,707,650 (2003: 1,758,907,650) ordinary shares of £1 each	<u>3,372</u>	<u>1,759</u>

On 17 December 2004, the Company increased its authorised share capital from £3,300,000,000 to £4,000,000,000 by the creation of an additional 700,000,000 ordinary shares of £1 each. On the same day, the Company allotted 1,612,800,000 ordinary shares of £1 each to Norwich Union plc to enable it to increase its investment in its subsidiary, CGU International Insurance plc (see note 5(b)).

# Norwich Union Holdings Limited

## Notes to the accounts (continued)

### 11. Reserves

Movements in the Company's reserves comprise:

	Share Premium	Revaluation reserve	Profit and loss account	Total
	£m	£m	£m	£m
At 1 January 2004	8,623	4,575	43	13,241
Change in value of subsidiary undertakings (note 5(a))	-	(9)		(9)
Retained profit for the year	-	-	3	3
<b>At 31 December 2004</b>	<b>8,623</b>	<b>4,566</b>	<b>46</b>	<b>13,235</b>

The cumulative amount in the profit and loss account reserve relating to unrealised gains and losses is £nil (2003: £nil). All retained profits as at 31 December 2004 are distributable.

### 12. Related party transactions

As consolidated accounts for Aviva plc are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with related parties who are 90% or more owned within the same group.

### 13. Holding company details

The immediate holding company is Norwich Union plc.

The ultimate holding company is Aviva plc. Its group accounts are available on application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft London EC3P 3DQ.

### 14. Cash flow statement

As the Company is a wholly-owned subsidiary within the Aviva Group, the cash flows of the Company are 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.