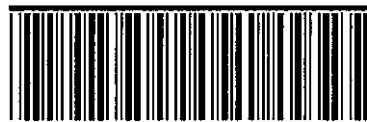


Norwich Union
Mortgages (General) Limited

1997

2129286



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Contents

Directors and officers	2
Directors' report	3
Statement of Directors' responsibilities in respect of the accounts	4
Report of the Auditors	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

Directors and officers

Directors

J A Heyworth-Dunne
Chairman

M S Hodges

K L Sale

Officers

K Sale
General Manager

D Parker, ACIS FCII
Secretary

Auditors

Ernst & Young

Head office and registered office

Surrey Street
Norwich
NR1 3NG

Registered in England and Wales - no. 2129286

Directors' report

to the Annual General Meeting 26 March 1998

The directors have pleasure in presenting their report on the operations of the company for the year ended 31 December 1997 together with the accounts.

Principal activity

The principal activity of the company is investment in commercial mortgages.

Review

The company commenced trading on 1 January 1997 following the transfer of mortgage assets and financing from a fellow subsidiary undertaking. The company has continued to invest successfully during the year.

Results and dividends

The profit for the financial year of £1,303,000 is set out in the profit and loss account on page 6.

An interim dividend of £1,000,000 has been paid.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all terms and conditions have been complied with. The company uses Group systems to pay creditors and it is therefore not practical to calculate an average outstanding period for amounts due.

Directors and directors' interests

The names of the directors are given on page 2. Mr A J Gunson resigned as a director on 31 July 1997.

At 31 December 1997 no director had an interest in any share or debenture of the company. Directors' interests in the shares of the ultimate parent undertaking, all of which arose during the year, were as follows:

	At 31 December 1997	
	Ordinary shares	Options to subscribe
J A Heyworth-Dunne	130,565	3,750
M Hodges	1,185	2,250
K L Sale	1,841	1,125

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution will be submitted at the meeting to reappoint them as auditors and to authorise the directors to determine their remuneration.

On behalf of the Board



*James Heyworth-Dunne
Chairman*

Norwich Union Mortgages (General) Limited

26 March 1998

Statement of Directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

to the members of Norwich Union Mortgages (General) Limited

We have audited the accounts on pages 6 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

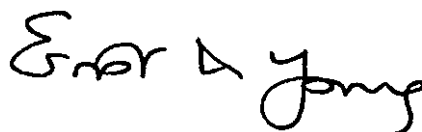
Basis of opinion

We conducted our audit in accordance with 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants

Registered Auditor
Norwich
26 March 1998

Profit and loss account

for the year ended 31 December 1997

Notes

		1997 £'000	1996 £'000
1(b)	Turnover	44,226	-
2&3	Administrative expenses	1,561	-
		42,665	-
4	Other operating income	409	-
		43,074	-
5	Interest payable	41,169	-
	Profit on ordinary activities before taxation	1,905	-
6	Taxation	602	-
	Profit for the financial year	1,303	-
	Dividend paid	1,000	-
12	Retained profit for the year	303	-

There are no other recognised gains or losses in respect of the financial period other than those shown in the profit and loss account, which also reflects the historical profit for the period.

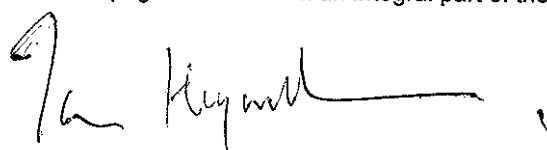
Balance sheet

at 31 December 1997

Notes

	1997 £'000	1996 £'000
Current assets		
1 (d) Mortgage on property		
Amounts falling due within one year	27,793	16,515
Amounts falling due after more than one year	412,221	411,505
	<u>440,014</u>	<u>428,020</u>
7 Debtors	11,449	-
	<u>451,463</u>	<u>428,020</u>
Creditors		
8 Amounts falling due within one year	37,149	16,511
Net current assets	<u>414,314</u>	<u>411,509</u>
Total assets less current liabilities	<u>414,314</u>	<u>411,509</u>
Creditors		
9 Amounts falling due after more than one year	413,911	411,409
	<u>403</u>	<u>100</u>
Capital and reserves		
10 Called up share capital	100	100
11 Profit and loss account	303	-
	<u>403</u>	<u>100</u>

The notes on pages 8 to 11 form an integral part of these accounts.



James Heyworth-Dunne

Chairman

Norwich Union Mortgages (General) Limited

26 March 1998

Notes to the accounts

1 Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents income on advances under mortgages within the United Kingdom. Interest is recognised on an accruals basis and is calculated on the appropriate balance outstanding. All turnover arises from continuing activities.

(c) Bad debt provisions

Specific bad debt provisions are made on arrears cases when, in the directors' view, the value of the underlying security might prove insufficient. General bad debt provisions are made based on the total mortgages outstanding at varying rates depending on the type of business.

(d) Investments in mortgages

Investments in mortgages are included at cost less provisions for bad debts

(e) Deferred taxation

Deferred taxation is calculated on the liability basis, but is provided only where the amount is likely to become payable in the foreseeable future.

(f) Cash flow statement

The company is exempt under FRS 1 (Revised) from preparing a cashflow statement as it is 100% owned within the Norwich Union group. The ultimate parent undertaking is Norwich Union plc which prepares publicly available consolidated financial statements to include Norwich Union Mortgages (General) Limited.

	1997	1996
2 Administrative expenses	£'000	£'000
<i>Included in administrative expenses are:</i>		
Bad and doubtful debts	1,095	-
Auditors' remuneration	5	-

3 Directors' emoluments

During the year, 1 director was remunerated for his services to the group which related to Norwich Union Mortgages (General) Ltd. The total remuneration of this director apportioned to the company was £15,315.

The other directors, who included the chairman, were not primarily remunerated for their services to the company.

Notes to the accounts

	1997	1996
4 Other operating income	£'000	£'000
Fee income	409	-

	1997	1996
5 Interest payable	£'000	£'000
Parent undertaking	1,753	-
<i>Interest on loans repayable within 5 years:</i>		
Parent undertaking	39,416	-
	41,169	-

	1997	1996
6 Taxation	£'000	£'000
Provision for taxation on the results for the year has been made as shown below.		
UK corporation tax @ 31% (1996 - 33%)	602	-
Charge to profit and loss account	602	-
Details of full potential liability for deferred taxation are given below:		
<i>Not provided in the accounts:</i>		
Short term timing differences	(200)	-
Full potential for deferred taxation asset	(200)	-

Notes to the accounts

	1997 £'000	1996 £'000
7 Debtors		
Amounts owed by group undertakings	1,059	-
Trade debtors	212	-
Accrued income	10,178	-
	<u>11,449</u>	<u>-</u>
8 Creditors: Amounts falling due within one year		
Amounts owed to parent and group undertakings	7,118	-
Loans from parent undertaking	27,907	16,511
Taxation	602	-
Trade Creditors	441	-
Deposits	1,059	-
Deferred Income	22	-
	<u>37,149</u>	<u>16,511</u>
9 Creditors: Amounts falling due after more than one year		
The total represents loans from parent undertaking made to finance the company's activities which are repayable as follows:		
Due between one and two years	135,658	27,592
Due between two and five years	263,406	361,668
Due after more than five years	14,847	22,149
	<u>413,911</u>	<u>411,409</u>
10 Share capital		
<i>Authorised:</i>		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted and fully paid:</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Notes to the accounts

	1997	1996
	£'000	£'000
11 Reconciliation of movements in shareholders' funds		
Proceeds of the issue of shares	-	100
Profit for the financial year	303	-
Balance at the beginning of the year	100	-
Balance at the end of the year	<u>403</u>	<u>100</u>

	1997	1996
	£'000	£'000
12 Reserves		
Balance at the beginning of the year	-	-
Transfer of profit and loss account for the year	303	-
Balance at the end of the year	<u>303</u>	<u>-</u>

	1997	1996
	£'000	£'000
13 Capital commitments		
Contracted for but not provided for	<u>765</u>	<u>-</u>

14 Related party transactions

Transactions with entities which are part of the Norwich Union plc group have not been disclosed as permitted under FRS 8 - Related Party Disclosures.

15 Ultimate parent undertaking

The ultimate parent undertaking is Norwich Union plc registered in England and Wales.

The accounts of the ultimate parent undertaking are available from the registered office, the address of which is noted on page 2.