

# **Norwich Union Mortgages (General) Limited**

Registered Office : 8 Surrey Street, Norwich, NR1 3NG

Registered in England No. 2129286

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## **Directors and Officers**

### **Directors**

M N Biggs  
M S Hodges  
K L Sale  
P J R Snowball

### **Secretary**

Aviva Company Secretarial Services Limited

### **Auditors**

Ernst & Young LLP  
Registered Auditor



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## Directors' report

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The directors present their annual report and audited financial statements for Norwich Union Mortgages (General) Limited (the Company) for the year ended 31 December 2001.

### Principal activity

The principal activity of the Company is the provision of commercial mortgages. The directors consider that this will continue unchanged into the foreseeable future.

### Operational Review

Details of the results are given in the profit and loss account on page 8.

### Dividends

An interim dividend of £1,200,000 was paid during the year (2000: £1,300,000). The directors do not recommend the payment of a final dividend for the year (2000: Nil).

### Creditor payment policy and practice

Under a management agreement, Norwich Union Group Services Limited, a fellow group undertaking, supplies and makes a charge for the provision of all goods and services to the Company. Accordingly, the relevant disclosures in relation to creditor payment policy and practice are included in the directors' report of Norwich Union Group Services Limited.

### Salary payment policy and practice

Under a management agreement, Aviva Employment Services Limited (formerly CGNU Employment Services Limited), a fellow group undertaking, makes a charge for all salary and associated payroll costs to the Company. Accordingly, the relevant disclosures in relation to salary policy and practice are included in the directors' report of Aviva Employment Services Limited.

### Ultimate holding company

On 1 July 2002, the ultimate holding company, CGNU plc, changed its name to Aviva plc.

### Post balance sheet event

On 1 July 2002, CGNU Company Secretarial Services Limited, changed its name to Aviva Company Secretarial Services Limited.

### European Monetary Union

The total costs, including systems preparation, incurred for the introduction of the euro into the Aviva European Union operation amount to £65 million, of which £8 million was incurred during 2001 (2000: £17 million). On 1 January 2002, the Group's businesses in those countries within the European Union introducing the Euro successfully applied the currency transition within their businesses.

### Directors

The names of the present directors of the Company appear on page 1.

I M Mayer resigned as a director of the Company on 31 March 2001.

M S Hodges was appointed as a director of the Company on 31 March 2001.

M N Biggs, K L Sale and P J R Snowball served as directors of the Company throughout the year.

## Directors' report

### 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 CGNU plc. Details of any options and awards held through CGNU plc's share schemes and incentive plans are shown on pages 4 and 5. All the disclosed interests are beneficial.

	At 1 January 2001 (or appointment if later)	At 31 December 2001
M S Hodges	6,982	5,992
K L Sale	5,197	5,251

M N Biggs and P J R Snowball are directors of the Company's ultimate parent undertaking, CGNU plc, and details of their interests are given in that company's accounts.

### Incentive plans

Details of the directors who held office at the end of the financial year, and hold or held options to subscribe for ordinary shares of CGNU plc or hold or held awards over shares in CGNU plc, pursuant to CGNU plc's share based incentive plans, are set out below.

#### (i) Share options

	At 1 January 2001 (or appointment if later) Number	Options granted during year Number	Options exercised or lapsed during year Number	At 31 December 2001 Number
<b>M S Hodges</b>				
Savings related options	-	2,492	-	2,492
Executive options	-	-	-	-
<b>K L Sale</b>				
Savings related options	818	429	-	1,247
Executive options	822	6,521	-	7,343

- (1) "*Savings related options*" are options granted under the Inland Revenue-approved CGNU SAYE Share Option Scheme. Options granted from 1994 to 2001 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 CGNU Executive Share Option Scheme, or predecessor schemes. Options, which have been granted on various dates from 1993 to 2001, 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****(i) Share awards**

	At 1 January 2001 (or appointment if later) Number	Awards granted during year Number	Awards vested during year Number	Awards lapsed during year Number	At 31 December 2001 Number
<b>M S Hodges</b>					
CGNU Integration Incentive Plan	12,855	-	-	-	12,855
CGNU Long Term Incentive Plan	4,319	7,552	-	-	11,871
CGNU Deferred Bonus Plan	-	7,552	-	-	7,552
<b>K L Sale</b>					
CGNU Integration Incentive Plan	-	-	-	-	-
CGNU Long Term Incentive Plan	-	-	-	-	-
CGNU Deferred Bonus Plan	-	3,046	-	-	3,046

- (1) *The CGNU Integration Incentive Plan*, which related to the merger of CGU plc and Norwich Union plc, was approved by CGNU plc shareholders at last year's Annual General Meeting. Awards were granted to directors in September 2000 subject to the condition that shareholders' approval was obtained. The performance conditions under the Plan have been met and the awards will vest in March 2002. The Plan will then close.
- (2) *The CGNU Long Term Incentive Plan* was approved by CGNU plc shareholders at last year's Annual General Meeting and awards were granted to directors in September 2000 subject to the condition that shareholders' approval was obtained. Awards under the Plan are made on an annual basis and the 2001 award was made in May. Awards are subject to the attainment of performance conditions over a three year period.
- (3) *The CGNU Deferred Bonus Plan* was approved by CGNU plc shareholders at last year's Annual General Meeting and replaced the CGU Deferred Bonus Plan. The awards disclosed include those made in lieu of some or all of the cash bonus earned and deferred under CGNU plc's Annual Bonus in 2001 and also the matching awards granted on a one for one basis. The awards are not subject to performance conditions and vest on the third anniversary of their grant.

Other than as disclosed above, none of the directors who held office at 31 December 2001 had any beneficial interests in the Company's shares or the shares of any other company within the CGNU plc Group.

**Resolutions**

On 10 August 2001, 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**

At the Annual General Meeting on 10 August 2001, Ernst & Young LLP were reappointed as auditor to the Company.

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001.

## Directors' report

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### Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the result for that period. In preparing those financial statements, 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 financial statements;
- Prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board



Aviva Company Secretarial Services Limited  
*Secretary*

13 August 2002

**Auditors' report**

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**Independent auditors' report to the members of Norwich Union Mortgages (General) Limited**

We have audited the Company's financial statements for the year ended 31 December 2001 which comprise the profit and loss account, balance sheet, statement of total recognised gains and losses, reconciliation of movements in shareholders' funds and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, 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.

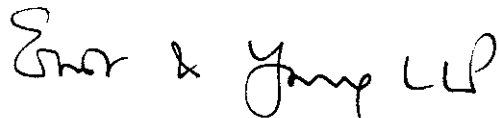
**Basis of audit opinion**

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 financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of affairs of the Company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

13 August 2002

**Profit and loss account**

for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
Turnover	1	31,798	37,131
Operating expenses		1,730	6
		<u>30,068</u>	<u>37,125</u>
Other operating income	2	108	157
Operating profit		<u>30,176</u>	<u>37,282</u>
Interest payable	3	28,152	34,970
Profit on ordinary activities before taxation	4	<u>2,024</u>	<u>2,312</u>
Tax on profit on ordinary activities	6	1,087	694
Profit for the financial year after taxation		<u>937</u>	<u>1,618</u>
Dividends		1,200	1,300
<b>Retained (loss)/profit for the financial year</b>	11	<u>(263)</u>	<u>318</u>

There were no acquisitions or discontinued operations during the current or previous accounting year.

A statement of the movement in reserves is given in note 11.

**Statement of total recognised gains and losses**

for the year ended 31 December 2001

The company has no recognised gains or losses other than those included in the results above. Accordingly, a statement of recognised gains and losses is not given.

**Reconciliation of movements in shareholders' funds**

for the year ended 31 December 2001

	2001 £'000	2000 £'000
Profit for the financial year	937	590
Opening equity shareholders' funds	908	1,618
Dividend paid	(1,200)	(1,300)
<b>Closing equity shareholders' funds</b>	<u>645</u>	<u>908</u>



**Balance sheet**

as at 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Current assets</b>			
<b>Mortgages on property</b>	1		
Amounts falling due within one year		56,389	106,947
Amounts falling due after more than one year		322,398	299,128
		<u>378,787</u>	<u>406,075</u>
<b>Debtors</b>	7	<u>7,081</u>	<u>12,958</u>
		385,868	419,033
<b>Creditors</b>			
Amounts falling due within one year	8	<u>67,726</u>	<u>119,307</u>
<b>Net current assets</b>		318,142	299,726
<b>Total assets less current liabilities</b>		<u>318,142</u>	<u>299,726</u>
<b>Creditors</b>			
Amounts falling due after more than one year	9	<u>317,497</u>	<u>298,818</u>
<b>Net assets</b>		<u>645</u>	<u>908</u>
<b>Capital and reserves</b>			
Called up share capital	10	100	100
Profit and loss account	11	545	808
<b>Equity shareholders' funds</b>		<u>645</u>	<u>908</u>

The financial statements on pages 8 to 13 were approved by the Board on 13 August 2002 and were signed on its behalf by:

  
Director

## Notes to the accounts

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### 1 Accounting policies

#### Basis of accounting

The accounts have been prepared under the historic cost convention and reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2001.

#### 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.

#### 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.

#### Investments in mortgages

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

#### Deferred taxation

Provision is made for deferred taxation where it is expected that a liability will crystallise in the foreseeable future.

### 2 Other operating income

	2001 £'000	2000 £'000
Fee income	108	157

### 3 Interest payable

	2001 £'000	2000 £'000
<i>Interest on loans repayable in more than 5 years:</i>		
Parent undertaking	1,613	5,281
Other	1	1
<i>Interest on loans repayable within 5 years:</i>		
Parent undertaking	26,538	29,711
	<b>28,152</b>	<b>34,970</b>

## Notes to the accounts

### 4 Profit on ordinary activities before taxation

	2001 £'000	2000 £'000
<i>Profit on ordinary activities before taxation is stated after (crediting)/ charging:</i>		
Bad and doubtful debts	(13)	(256)
Amortisation of Mortgages acquired at market value	1,481	-
Auditors' remuneration		
Audit services	-	4

Non-audit fees paid to Ernst & Young and its associates during the year were paid by the holding company, Norwich Union Insurance Limited, on behalf of the Company.

In May 2001, Norwich Union Mortgages (General) Limited purchased mortgages from Norwich Union Mortgages Finance with a market value of £100.6m at a premium of £7.5m. The premium is being amortised through the profit and loss account over the term of the mortgages.

### 5 Directors' emoluments

During the year, one (2000: 1) director was remunerated for his services to the group which related to Norwich Union Mortgages (General) Limited. The total remuneration for this director, as paid by Norwich Union Services Limited and apportioned to the Company was £2,000 (2000: £10,241). This director (2000: one) is accruing benefits under a defined benefit pension scheme.

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

### 6 Taxation

	2001 £'000	2000 £'000
<i>Provision for taxation on the results for the year has been made as shown below:</i>		
UK Corporation Tax charge @ 30% (2000: 30%)	1,087	694
Charge to profit and loss account	1,087	694

### 7 Debtors

	2001 £'000	2000 £'000
Amounts owed by group companies	1,850	4,427
Trade debtors	509	393
Taxation	-	1,691
Accrued income	4,722	6,447
	7,081	12,958

## Notes to the accounts

### 8 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Amounts owed to group undertakings	9,364	7,552
Loans from parent undertaking	55,532	106,836
Taxation	1,088	2,339
Trade creditors	25	337
Deposits	1,717	2,243
	<b>67,726</b>	<b>119,307</b>

### 9 Creditors: Amounts falling due after more than one year

	2001 £'000	2000 £'000
Due between one and two years	89,780	58,997
Due between two and five years	219,627	203,285
Due after more than five years	8,090	36,536
	<b>317,497</b>	<b>298,818</b>

The total represents loans from the parent undertaking made to finance the Company's activities which are repayable as shown. Loans due after more than five years are repayable as the mortgages that they finance, which have been granted at varying rates of interest over a period of years, are redeemed.

### 10 Share capital

	2001 £'000	2000 £'000
<i>Authorised:</i>		
5,000,000 ordinary shares of £1 each	<b>5,000</b>	<b>5,000</b>
<i>Allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	<b>100</b>	<b>100</b>

### 11 Reserves

	<b>Profit and loss account £'000</b>
Balance at 1 January 2001	<b>808</b>
Retained profit for the financial year	<b>(263)</b>
Balance 31 December 2001	<b>545</b>

### 12 Segmental information

All business transacted arises from within the United Kingdom.

### 13 Contingent liabilities

There are no contingent liabilities at 31 December 2001 (2000: £nil).

## Notes to the accounts

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### 14 Capital commitments

There were no capital commitments at 31 December 2001 (31 December 2000 - nil).

### 15 Related party transactions

Advantage has been taken of the exemption available not to disclose intra-group related party transactions in respect of 90% subsidiaries.

There were no material related party transactions with directors.

### 16 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Aviva plc whose consolidated accounts are publicly available.

### 17 Parent undertaking

The Company's immediate parent undertaking is Norwich Union Insurance Limited, a company registered in England.

The ultimate parent undertaking is Aviva plc, which is registered in England. Aviva plc Group accounts are available on application to the Group Secretary, Aviva plc, St. Helens, 1 Undershaft, London, EC3P 3DQ. No other group accounts include the results of the Company.