

# Norwich Union Mortgages (General) Limited

Report & Financial Statements 2005



2129286





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

**Registered in England No. 2129286**

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

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## **Directors and Officer:**

### **Directors:**

K L Sale

S Egan (appointed 10 April 2006)

J Seaton (appointed 10 April 2006)

D McMillan (appointed 23 May 2006)

### **Company Secretary**

Aviva Company Secretarial Services Limited

St Helens

1 Undershaft

London

EC3P 3DQ

### **Auditor:**

Ernst & Young LLP

Registered Auditor

1 More London Place

London

SE1 2AF



# Norwich Union Mortgages (General) Limited

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# Norwich Union Mortgages (General) Limited

## 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 2005.

### Principal activity

Until 1 October 2004, the principal activity of the Company was the provision of commercial mortgages (see below).

On 1 October 2004, the interest in the fixed rate mortgage assets was beneficially transferred from the Company to its parent undertaking, Norwich Union Insurance Limited ('NUI').

The Company is now dormant and the directors intend that it will remain so into the foreseeable future.

### Operational review

Details of the results for the year are given in the profit and loss account on page 7, and the balance sheet on page 9.

### Dividends

No interim dividend was paid during the year (2004: £2,500,000). The directors do not recommend the payment of a final dividend (2004: £nil).

### Directors

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

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

P J R Snowball resigned as director of the Company on 10 April 2006. M S Hodges resigned as director of the Company on 23 May 2006.

S Egan and J Seaton were appointed as directors of the Company on 10 April 2006. D McMillan was appointed as director of the Company on 23 May 2006.

### 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 on pages 4 and 5. All the disclosed interests are beneficial.

	At 1 January 2005 Number	At 31 December 2005 Number
K L Sale	7,369	8,065

M S Hodges is a director of the Company's immediate parent undertaking, Norwich Union Insurance Limited, and details of his interests are given in that company's financial statements.

P J R Snowball is a director of the Company's ultimate parent undertaking, Aviva plc, and details of his interests are given in that company's financial statements.

### 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 Aviva plc or hold or held awards over shares in Aviva plc, pursuant to Aviva plc's share based incentive plans, are shown on page 4.

# Norwich Union Mortgages (General) Limited

## Directors' report (continued)

### Share options

	At 1 January 2005	Options granted during year	Options exercised or lapsed during year	At 31 December 2005
	Number	Number	Number	Number
<b>K L Sale</b>				
Savings related options	4,096	-	-	4,096
Executive options	27,061	-	(1,063)	25,998

- (1) *Savings related options* are options granted under the H M Revenue and Customs-approved Save As You Earn (SAYE) Share Option Scheme. Options are normally exercisable during the six-month 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 have been granted on various dates from 1995 to 2005, 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.

During the year K L Sale exercised his share options.

### (i) Share awards

	At 1 January 2005	Awards granted during year	Awards vested during year	Awards lapsed during year	At 31 December 2005
	Number	Number	Number	Number	Number
<b>K L Sale</b>					
Aviva Deferred Bonus Plan	15,130	4,704	(3,206)	-	16,628

*The Aviva Deferred Bonus Plan;* awards disclosed include those made in lieu of some or all of the cash bonus earned and deferred under Aviva plc's Annual Bonus in 2005 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.

### Employees

All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the consolidated financial statements of Aviva plc.

# Norwich Union Mortgages (General) Limited

## Directors' report (continued)

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### Resolutions

On 10 August 2001, the members of the Company passed a resolution 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.

### Statement of directors' responsibilities in respect of the financial statements

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

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.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' report are listed on page 1 of these financial statements. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

### Directors' liabilities

Aviva plc, the ultimate parent undertaking, 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. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

By order of the Board



Aviva Company Secretarial Services Limited Secretary

- 8 SEP 2006

2006



# Norwich Union Mortgages (General) Limited

## Independent auditors' report

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### Independent Auditor's Report to the Members of Norwich Union Mortgages (General) Limited

We have audited the Company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholder's Funds and the related notes 1 to 17. These financial statements have been prepared 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, are properly prepared in accordance with the Companies Act 1985 and that 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

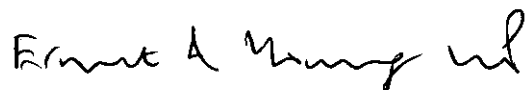
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2005 and of its result for the year then ended;
- 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

18 SEP 2006

**Norwich Union Mortgages (General) Limited**  
**Profit and loss account**  
**For the year ended 31 December 2005**

	Note	2005 £'000	2004 £'000
<b>Turnover</b>	1	-	25,034
Operating expenses	2	-	(3,426)
		-	21,608
Other operating income	3	-	469
<b>Operating profit</b>		-	22,077
Other interest receivable		-	42
Interest payable and similar charges	4	-	(21,227)
Profit on disposal of investment properties		-	2,446
<b>Profit on ordinary activities before taxation</b>	5	-	3,338
Tax on profit on ordinary activities	7	-	(1,406)
<b>Profit for financial year after taxation</b>		-	1,932
Dividends	8	-	(2,500)
<b>Retained loss for the financial year</b>	12	-	(568)

All activities of the Company were discontinued during 2004.

A statement of the movement in reserves is given in note 12.

The notes on pages 10 to 14 are an integral part of these financial statements.

**Norwich Union Mortgages (General) Limited**  
**Statement of total recognised gains and losses**  
**For the year ended 31 December 2005**

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There are no recognised gains or losses other than the profit attributable to the shareholder of the Company of £nil in the year ended 31 December 2005 and £1,931,760 in the year ended 31 December 2004.

**Reconciliation of movements in shareholder's funds**  
**For the year ended 31 December 2005**

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	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
Profit for the financial year	-	1,932
Dividend paid	-	(2,500)
Opening shareholder's funds	189	757
Closing shareholder's funds	189	189

The notes on pages 10 to 14 are an integral part of these financial statements.

# Norwich Union Mortgages (General) Limited

## Balance sheet

As at 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Current assets</b>			
Debtors	9	7,560	9,795
<b>Creditors: amounts falling due within one year</b>	10	7,371	9,606
<b>Net assets</b>		<u>189</u>	<u>189</u>
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Profit and loss account	12	<u>89</u>	<u>89</u>
<b>Equity shareholders' funds</b>		<u>189</u>	<u>189</u>

The financial statements on pages 7 to 14 were approved by the Board and were signed on its behalf by



K L Sale *Director*

- 8 SEP 2006

2006

The notes on pages 10 to 14 are an integral part of these financial statements.

**Norwich Union Mortgages (General) Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2005**

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**1. Accounting policies**

**a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards.

**b) Turnover**

Turnover represents income on mortgage advances within the United Kingdom. Interest is recognised on an accruals basis and is calculated on the appropriate balance outstanding.

During 2004 the fixed rate mortgage assets were beneficially transferred from the Company to the parent undertaking, Norwich Union Insurance Limited, (NUI). As a result of this transaction, turnover is now reflected in the financial statements of NUI and the Company will remain dormant.

**c) Investments in mortgages**

The mortgages were beneficially transferred during 2004 and are now included in the parent undertaking, Norwich Union Insurance Limited.

**d) Tax**

The tax charge is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves as appropriate.

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 taxation 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.

**2. Operating expenses**

In 2004, Norwich Union Commercial Finance Limited, a fellow Group undertaking, made charges for the provision of operational assets and services to the Company.

Under a management agreement Aviva Employment Services Limited, a fellow group undertaking of Aviva Plc, made a charge for all salary and associated payroll costs to the Company.



# Norwich Union Mortgages (General) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2005

### 3. Other operating income

	2005 £'000	2004 £'000
Fee income	-	469

### 4. Interest payable

	2005 £'000	2004 £'000
Interest on loans repayable within 5 years: Parent undertaking	-	21,227

### 5. Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Bad and doubtful debts	-	(4)
Amortisation of premium of mortgages acquired at market value	-	1,350
Early repayment fees on mortgages acquired at market value	-	(623)

Audit fees paid to Ernst & Young LLP and its associates during the year were paid by the immediate parent undertaking, Norwich Union Insurance Limited, on behalf of the Company.

### 6. Directors and employees

#### Directors' emoluments

None of the directors received any emoluments during the year in respect of services as a director of the Company (2004: *£nil*).

#### Employees

As stated in note 2, in 2004 a management charge in respect of staff costs has been made by Aviva Employment Services Limited. Details of UK employees who provide services to the Company are included in the financial statements of that company.

**Norwich Union Mortgages (General) Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2005**

**7. Tax**

**(a) Tax on profit on ordinary activities**

Tax charged in the profit and loss account comprises:

	2005 £'000	2004 £'000
<b>Current tax</b>		
UK corporation tax	-	1,406
Total current tax	-	1,406
<b>Deferred tax</b>	-	-
Total corporation tax charged in the profit and loss account	-	1,406

**(b) Factors affecting current tax charge for the year**

The tax assessed in the profit and loss account is at (2004: higher than) the standard UK corporation tax rate, because of the following factors:

	2005 £'000	2004 £'000
Profit on ordinary activities before tax	-	3,338
Current tax charge at standard UK corporation tax rate of 30% (2004: 30%)	-	1,001
Non allowable amortisation of premium on mortgage portfolio	-	405
Loss on sale of mortgages	-	734
Group relief received at no cost	-	(734)
Current tax charge for the year (note 7(a))	-	1,406

**8. Dividends**

	2005 £'000	2004 £'000
Dividend paid of £nil per share (2004: £25.00 per share)	-	2,500

**9. Debtors**

	2005 £'000	2004 £'000
Amounts owed by Group undertakings	3,585	9,795
Taxation recoverable	3,975	-
	7,560	9,795



# Norwich Union Mortgages (General) Limited

## Notes to the financial statements (continued)

For the year ended 31 December 2005

### 10. Creditors: amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed to Group undertakings	7,370	7,083
Trade creditors	-	1,117
Taxation	1	1,406
	<u>7,371</u>	<u>9,606</u>

### 11. Share capital

	2005 £'000	2004 £'000
<i>Authorised:</i>		
5,000,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

### 12. Reserves

	Profit and loss account £'000
Balance at 1 January 2005	89
Retained profit for the financial year	-
Balance at 31 December 2005	<u>89</u>

### 13. Commitments and contingent liabilities

There are no capital commitments or contingent liabilities as at the year end (2004: £nil).

### 14. Risk management policies

The primary objective of the Company's risk and financial management framework is to protect it from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company has established a governance framework which has three key elements:

- Clear terms of reference for the Board, its committees, and the associated executive management committees;
- A clear organisational structure with documented delegated authorities and responsibilities from the Board to executive management committees and senior management; and
- A group policy framework which sets out risk appetite, risk management, control and business conduct standards for the Company's operations. Each group policy has a member of senior management who is charged with overseeing compliance with the policy throughout the Company.

This governance structure and policy set is regularly reviewed to reflect changing commercial and regulatory requirements, and the Company's own organisational development.

**Norwich Union Mortgages (General) Limited**  
**Notes to the financial statements (continued)**  
**For the year ended 31 December 2005**

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**15. 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 financial statements are publicly available.

**16. Related party transactions**

Advantage has been taken of the exemption available under FRS 8 not to disclose intra-group related party transactions in respect of 90% subsidiaries.

There were no related party transactions with directors (2004: *£nil*).

**17. Parent undertaking**

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

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.