

Norwich Union Mortgages (General) Limited

Registered in England No. 2129286

Registered Office 8 Surrey Street, Norwich Norfolk NR1 3NG

Directors and Officers

Directors

M S Hodges
K L Sale
P J R Snowball

Secretary

Aviva Company Secretarial Services Limited

Auditor

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



Contents

	Page
Directors' report	3
Independent auditors' report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

Directors' report

The directors present their annual report and audited financial statements for Norwich Union Mortgages (General) Limited (the Company) for the year ended 31 December 2003.

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.

Profit and loss account

Details of the results are given in the profit and loss account on page 7.

Dividends

An interim dividend for the year of £2,000,000 was paid (2002: £2,000,000). The directors do not recommend the payment of a final dividend (2002: £nil).

Directors

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

M N Biggs resigned as a director of the Company on 31 December 2003.

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

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 3 to 4. All the disclosed interests are beneficial.

	At 1 January 2003 Number	At 31 December 2003 Number
K L Sale	5,732	6,581

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 accounts.

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 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 Aviva plc or hold or held awards over shares in Aviva plc, pursuant to Aviva plc's share based incentive plans, are set out below.

Directors' report**(i) Share options**

	At 1 January 2003	Options granted during year	Options Exercised or cancelled during year	At 31 December 2003
	Number	Number	Number	Number
K L Sale				
Savings related options	4,096	-	-	4,096
Executive Options	11,921	9,459	732	20,648

- (1) *"Savings related options"* are options granted under the Inland Revenue-approved SAYE Share Option Scheme. Options granted from 2002 to 2003 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 2000 to 2003, 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.
- (3) During the year no directors exercised any share options and therefore no gains on such were made.

(ii) Share awards

	At 1 January 2003	Awards granted during year	Awards vested during year	Awards lapsed during year	At 31 December 2003
	Number	Number	Number	Number	Number
K L Sale					
Aviva Deferred Bonus Plan	6,252	6,756	-	-	13,008

- (1) *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 2003 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.

Creditor payment policy and practice

Norwich Union Commercial Finance Limited, a fellow Group undertaking, makes a charge for the provision of all goods and services to the Company.

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 accounts of Aviva plc.

Directors' report

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.

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 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



Date 14 July 2004

Aviva Company Secretarial Services Limited
Secretary

Independent auditors' report

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 2003 which comprise the profit and loss account, balance sheet, funds and the related notes 1 to 16. These financial statements 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 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.

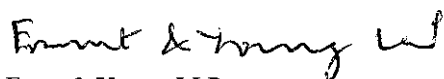
Basis of audit opinion

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 2003 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

17 July 2004

Profit and loss account

for the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover	1	31,808	29,997
Operating expenses	2	(2,007)	(1,519)
		<u>29,801</u>	<u>28,478</u>
Other operating income	3	1,244	580
Operating profit		<u>31,045</u>	<u>29,058</u>
Interest payable	4	(26,941)	(25,353)
Profit on ordinary activities before taxation	5	<u>4,104</u>	<u>3,705</u>
Tax on profit on ordinary activities	7	(1,753)	(1,944)
Profit for the financial year after taxation		<u>2,351</u>	<u>1,761</u>
Dividends paid		(2,000)	(2,000)
Retained profit/(loss) for the financial year	12	<u>351</u>	<u>(239)</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 12.

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

Reconciliation of movements in shareholder's funds

for the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year	2,351	1,761
Opening equity shareholder's funds	406	645
Dividend paid	(2,000)	(2,000)
Closing equity shareholder's funds	<u>757</u>	<u>406</u>

Balance sheet

as at 31 December 2003

	Note	2003 £'000	2002 £'000
Current assets			
Mortgages on property	1		
Amounts falling due within one year		64,752	73,958
Amounts falling due after more than one year		457,751	316,355
		<u>522,503</u>	<u>390,313</u>
Debtors	8	<u>27,032</u>	<u>11,813</u>
		549,535	402,126
Creditors			
Amounts falling due within one year	9	<u>96,323</u>	<u>88,591</u>
Net current assets		<u>453,212</u>	<u>313,535</u>
Total assets less current liabilities		<u>453,212</u>	<u>313,535</u>
Creditors			
Amounts falling due after more than one year	10	<u>452,455</u>	<u>313,129</u>
Net assets		<u>757</u>	<u>406</u>
Capital and reserves			
Called up share capital	11	100	100
Profit and loss account	12	657	306
Equity shareholder's funds	12	<u>757</u>	<u>406</u>

The financial statements on pages 7 to 13 were approved by the Board and were signed on its behalf by:



Director

14 July 2004

The notes on pages 9 to 13 are an integral part of these accounts. The auditors' report is on page 6.

Notes to the accounts

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 2003.

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. All turnover arises from continuing activities.

Investments in mortgages

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

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.

Tax

The tax charge in the profit and loss account 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 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

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

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

3 Other operating income

	2003 £'000	2002 £'000
Fee income	1,244	580

Notes to the accounts

4 Interest payable

	2003 £'000	2002 £'000
<i>Interest on loans repayable in more than 5 years:</i>		
Parent undertaking	2,343	530
Other	4	2
<i>Interest on loans repayable within 5 years:</i>		
Parent undertaking	24,594	24,821
	26,941	25,353

5 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
<i>Profit on ordinary activities before taxation is stated after (crediting)/ charging:</i>		
Bad and doubtful debts	(4)	(923)
Amortisation of premium of mortgages acquired at market value (see below)	1,740	2,778
Early repayment fees on Mortgages acquired at market value	(134)	(739)

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.

In May 2001, the Company purchased mortgages from Norwich Union Mortgages Finance Limited 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.

6 Directors and employees

Directors' emoluments

During the year, one (2002: one) 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 Aviva Employment Services Limited and apportioned to the Company was £15,779 (2002: £8,020). This director (2002: 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.

Employees

As stated in note 2, 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.

Notes to the accounts

7 Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

Tax charged in the non-technical account comprises:

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax	1,753	1,944
Total current tax	1,753	1,944
Deferred tax	-	-
Total tax charged to the profit and loss account	1,753	1,944

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

The tax assessed in the non-technical account is lower than the standard UK corporation tax rate, because of the following factors:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax:	4,105	3,705
Current tax charge at standard UK corporation tax rate of 30% (2002: 30%)	1,231	1,111
Non allowable amortisation of premium on mortgage portfolio	522	833
Current tax charge for the year	1,753	1,944

(c) Factors that may affect future tax charges

The Company will continue to amortise over the term of the mortgages the premium on the portfolio of mortgages purchased. The premium is not allowable. The balance of the premium at 31 December 2003 was £1,349,577 (2002: £3,089,241).

8 Debtors

	2003 £'000	2002 £'000
Amounts owed by Group undertakings	20,486	6,502
Trade debtors	678	586
Taxation	2	2
Accrued income	5,866	4,723
	27,032	11,813

Notes to the accounts

9 Creditors: Amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to Group undertakings	11,938	6,819
Loans from parent undertaking	64,003	73,204
Taxation	1,753	1,945
Trade creditors	189	56
Deposits	18,440	6,548
Accruals and deferred income	-	19
	96,323	88,591

10 Creditors: Amounts falling due after more than one year

	2003 £'000	2002 £'000
Due between one and two years	84,858	56,990
Due between two and five years	296,841	248,358
Due after more than five years	70,756	7,781
	452,455	313,129

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.

11 Share capital

	2003 £'000	2002 £'000
<i>Authorised:</i>		
5,000,000 ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid:</i>		
100,000 ordinary shares of £1 each	100	100

12 Reserves

	Profit and loss account £000
Balance as at 1 January 2003	306
Retained profit for the financial year	351
Balance at 31 December 2003	657

13 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.

Notes to the accounts

14 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.

15 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.

16 Capital commitments

	2003 £'000	2002 £'000
Contracted but not provided for	26	-

These represent new and further advances under mortgage loans.