

2129286

Norwich Union  
Mortgages (General) Limited

1998



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# Directors and officers

## Directors

**B F McIntyre**

Chairman

**M S Hodges**

**K L Sale**

## Officers

**K L Sale**

General Manager

**D Parker, ACIS FCII**

Secretary

## Auditors

Ernst & Young

Cambridge House

26 Tombland

Norwich

NR3 1RH

## Head office and registered office

Surrey Street

Norwich

NR1 3NG

Registered in England and Wales - no. 2129286

# Directors' report

to the Annual General Meeting 25 March 1999

The directors have pleasure in presenting their report on the operations of the company for the year ended 31 December 1998 together with the accounts.

## Principal activity

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

## Review

The company continued to trade profitably during the year. There was a strong demand for commercial mortgages during 1998 which is likely to remain the case in 1999.

## Results and dividends

The retained profit for the financial year of £905,000 is set out in the profit and loss account on page 7. An interim dividend of £700,000 has been paid.

## Year 2000

The Norwich Union Group is determined to ensure that its computers and other aspects of its business are not affected by the millennium date change. Comprehensive testing of all business critical systems has already been completed. Disclosures relating to the remainder of the year 2000 testing programme and associated costs may be found in the group consolidated accounts of Norwich Union plc.

## 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.

In addition, Mr J A Heyworth-Dunne was a director until his resignation on 1 October 1998 and Mrs B F McIntyre was appointed on the same date.

(a) The directors at 31 December 1998 and their interests in the share capital of the ultimate holding company were as follows:

	At 1 January 1998 or since date of appointment	At 31 December 1998
	Ordinary shares	Ordinary Shares
M S Hodges	1,185	1,185
B F McIntyre	980	994
K L Sale	1,841	1,865

No director held interests in the shares of the company or in the shares of any other group company at either date.

## Directors' report (continued)

### (b) Interests in options

No director held interests in options in the company at either date.  
Norwich Union plc has two sharesave schemes under which staff are granted options to subscribe for and acquire shares in Norwich Union plc.

The interests of directors were as follows:

	At 1 January 1998 or since date of appointment	Granted during the year or since date of appointment	At 31 December 1998
M S Hodges	2,250	-	2,250
B F McIntyre	3,750	-	3,750
K L Sale	1,125	-	1,125

No director exercised any options during the year.

### (c) Long term incentive plan

Norwich Union plc also has a long term incentive plan (LTIP) which is administered by the Remuneration Committee. The LTIP comprises two parts:

- (1) the Share Participation Scheme (SPS);
- (2) the Restricted Share Plan (RSP).

The SPS is designed to provide an opportunity for executive directors and certain senior managers to earn an additional reward which depends on personal commitment from participants and which is aligned directly with shareholders' interests. The RSP gives the executive directors and a limited group of senior executives who have the greatest influence on the Group's performance an additional potential reward linked to relative corporate performance over the medium term. Full details of both of these schemes are included in the accounts of Norwich Union plc.

The interests of the directors were as follows:

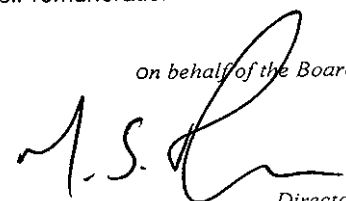
	At 1 January 1998 or since date of appointment	Granted during the year or since date of appointment	At 31 December 1998
M Hodges	-	2,751	2,751
B F McIntyre	-	20,976	20,976
K L Sale	-	3,779	3,779

The numbers of shares shown above are the numbers of shares to which each director would become entitled if all performance criteria under the long term incentive plan are met to the maximum extent.

### 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*



*Director*

*Norwich Union Mortgages (General) Limited*

*25 March 1999*

## 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 1985. 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 7 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

## Respective responsibilities of directors and auditors

As described on page 5 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



*Ernst & Young*

*Registered Auditor  
Norwich  
25 March 1999*

# Profit and loss account

for the year ended 31 December 1998

Notes		1998	1997
		£'000	£'000
1(b)	Turnover	45,789	44,226
2&3	Administrative expenses	1,662	1,561
		44,127	42,665
4	Other operating income	948	409
		45,075	43,074
5	Interest payable	43,039	41,169
	Profit on ordinary activities before taxation	2,036	1,905
6	Taxation	431	602
	Profit for the financial year	1,605	1,303
	Dividend paid	700	1,000
12	Retained profit for the year	905	303



# Statement of total recognised gains and losses

for the year ended 31 December 1998

	1998 £'000	1997 £'000
Profit for the financial year	905	303
Total gains relating to the year	905	303

## Note of historical cost profits and losses

for the year ended 31 December 1998

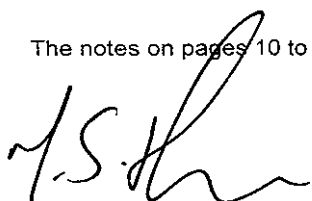
	1998 £'000	1997 £'000
Reported profit on ordinary activities before taxation	2,036	1,905
Historical cost profit on ordinary activities before taxation	2,036	1,905
Historical cost profit for the year retained after taxation and dividends	905	303

# Balance sheet

at 31 December 1998

Notes		1998 £'000	1997 £'000
	<b>Current assets</b>		
1 (d)	<b>Mortgages on property</b>		
	Amounts falling due within one year	120,219	27,793
	Amounts falling due after more than one year	402,257	412,221
		<u>522,476</u>	<u>440,014</u>
7	<b>Debtors</b>	15,625	11,449
		<u>538,101</u>	<u>451,463</u>
	<b>Creditors</b>		
8	Amounts falling due within one year	134,875	37,149
	<b>Net current assets</b>	<u>403,226</u>	<u>414,314</u>
	<b>Total assets less current liabilities</b>	<u>403,226</u>	<u>414,314</u>
	<b>Creditors</b>		
9	Amounts falling due after more than one year	401,918	413,911
		<u>1,308</u>	<u>403</u>
	<b>Capital and reserves</b>		
10	Called up share capital	100	100
12	Profit and loss account	1,208	303
		<u>1,308</u>	<u>403</u>

The notes on pages 10 to 13 form an integral part of these accounts.



Director

Norwich Union Mortgages (General) Limited  
25 March 1999

# 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.

### (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.

	1998 £'000	1997 £'000
<b>2 Administrative expenses</b>		
<i>Included in administrative expenses are:</i>		
Bad and doubtful debts	982	1,095
Auditors' remuneration	4	5

## 3 Directors' emoluments

During the year, one (1997 - two) 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 £10,447 (1997 - £15,315).

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

## Notes to the accounts

	1998 £'000	1997 £'000
<b>4 Other operating income</b>		
Fee income	948	409

	1998 £'000	1997 £'000
<b>5 Interest payable</b>		
Parent undertaking	2,870	1,753
Other	4	-
<i>Interest on loans repayable within 5 years:</i>		
Parent undertaking	40,165	39,416
	<b>43,039</b>	<b>41,169</b>

	1998 £'000	1997 £'000
<b>6 Taxation</b>		
Provision for taxation on the results for the year has been made as shown below.		
UK corporation tax @ 31% (1997 - 31%)	431	602
Charge to profit and loss account	431	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

	1998	1997
7 Debtors	£'000	£'000
Amounts owed by group undertakings	5,303	1,059
Trade debtors	26	212
Accrued income	10,296	10,178
	<u>15,625</u>	<u>11,449</u>

	1998	1997
8 Creditors: Amounts falling due within one year	£'000	£'000
Amounts owed to parent and group undertakings	8,740	7,118
Loans from parent undertaking	120,118	27,907
Taxation	431	602
Trade Creditors	1,103	441
Deposits	4,482	1,059
Deferred Income	1	22
	<u>134,875</u>	<u>37,149</u>

	1998	1997
9 Creditors: Amounts falling due after more than one year	£'000	£'000
Due between one and two years	95,436	135,658
Due between two and five years	257,094	263,406
Due after more than five years	49,388	14,847
	<u>401,918</u>	<u>413,911</u>

The total represents loans from 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.

	1998	1997
10 Share capital	£'000	£'000
<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

	1998 £'000	1997 £'000
<b>11 Reconciliation of movements in shareholders' funds</b>		
Balance at the beginning of the year	403	100
Profit for the financial year	1,605	1,303
Dividend paid	(700)	(1,000)
Balance at the end of the year	<u>1,308</u>	<u>403</u>

	1998 £'000	1997 £'000
<b>12 Reserves</b>		
Balance at the beginning of the year	303	-
Transfer of profit and loss account for the year	905	303
Balance at the end of the year	<u>1,208</u>	<u>303</u>

	1998 £'000	1997 £'000
<b>13 Capital commitments</b>		
Contracted but not provided for	<u>9,666</u>	<u>765</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 company's immediate parent undertaking is Norwich Union Insurance Limited but that company does not prepare consolidated accounts.

The ultimate parent undertaking is Norwich Union plc, which is 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.