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NORWICH UNION CENTRAL SERVICES LIMITED

FINANCIAL STATEMENTS

2006

Norwich Union Central Services Limited

Contents

Norwich Union Central Services Limited

Directors and officer

The current directors and those who served during the year are as follows:

I Butterworth

S Egan (appointed 17 September 2007)

M S Hodges (appointed 29 June 2007)

S C J Machell (appointed 1 February 2006, resigned 12 July 2007)

I M Mayer (appointed 29 June 2007)

N Nicandrou (resigned 1 February 2006)

A R Robinson (appointed 1 February 2006, resigned 17 September 2007)

D Rowlinson (resigned 1 February 2006)

P J R Snowball (resigned 3 May 2007)

Officer:

Company Secretary

Aviva Company Secretarial Services Limited

Auditors:

Ernst & Young LLP

Registered Auditor

1 More London Place

London

SE1 2AF

Registered office:

8 Surrey Street

Norwich

NR1 3NG

Registered in England and Wales No 3259447

The Company is a member of the Aviva plc group of companies ("the Group")

Norwich Union Central Services Limited

Directors' report

For the year ended 31 December 2006

The directors present their annual report and audited financial statements for Norwich Union Central Services Limited ("the Company") for the year ended 31 December 2006

Principal activity

The principal activity of the Company is the provision of physical infrastructure and associated support services to other companies within the Aviva plc Group

Business review

Basis of preparation
This business review is addressed to, and written for, the members of the Company with the aim of providing a fair review of the business development, performance and position at the current time, during the financial period and at the end of the financial period In providing this review, the aim is to present a view that is both balanced and comprehensive and that is consistent with the size and complexity of the business

Objectives and future developments
High level strategies are determined by Aviva plc and these are shown in their financial statements The directors consider that the Company's principal activity will continue unchanged into the foreseeable future

Financial key performance indicators
The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows

- increase/(decrease) in turnover
- profit before tax as a percentage of turnover

A summary of the KPIs is set out below

Measure	**2006**	**2005**
Increase/(decrease) in turnover	86%	(8%)
Profit before tax as a percentage of turnover	0 1%	0 1%

Financial position and performance
The financial position of the Company at 31 December 2006 is shown in the balance sheet on page 15, with the trading results shown in the income statement on page 14 and the cash flow on page 17

Profit before tax increased from £475 thousand in 2005 to £1,144 thousand in 2006 This is due to several factors as summarised by the KPIs and also detailed below

Following a reorganisation during the first half of 2006, responsibility for the costs of a number of areas including Information Technology ("I T ") and Finance, was transferred from a fellow subsidiary undertaking to the Company As a result of the transfer, the Company's expense base and turnover increased accordingly

Norwich Union Central Services Limited

Directors' report (continued)

Business review (continued)

Risk management
Description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 17 to the financial statements

Risk factors beyond the Company's control, that could cause actual results to differ materially from those estimated include, but are not limited to

- UK domestic economic business conditions, and
- the impact of inflation and deflation

Financial instruments

The business of the Company includes the use of financial instruments Details of the Company's risk management objectives and policies and exposure to risk relating to financial instruments are set out in note 17 to the financial statements

Dividends

No interim dividend was paid during the year (2005 £nil) The directors do not recommend the payment of a final dividend (2005 £nil)

Norwich Union Central Services Limited

Directors' report (continued)

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 below and on page 5 All the disclosed interests are beneficial

	At 1 January 2006 (or date of appointment if later)	At 31 December 2006
	Number	Number
I Butterworth	28,745	56,253
S C J Machell	12,695	13,272
A R Robinson	13,680	14,227

P J R Snowball was 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 set out below

(i) Share options

	At 1 January 2006 (or date of appointment if later)	Options granted during the year	Options exercised or cancelled during the year	At 31 December 2006
	Number	Number	Number	Number
I Butterworth				
Savings related options	-	-	-	-
S C J Machell				
Savings related options	4,426	-	-	4,426
A R Robinson				
Savings related options	4,096	-	-	4,096

"Savings related options" are options granted under the Inland Revenue-approved SAYE Share Option Scheme Options granted from 1999 to 2006 are normally exercisable during the six month period following either the third, fifth or seventh anniversary of the relevant savings contract

During the year no director exercised any share options and therefore no gains on such options were made

Norwich Union Central Services Limited

Directors' report (continued)

Directors' interests (continued)

(ii) Share awards

	At 1 January 2006 (or date of appointment if later) Number	Awards granted during the year Number	Awards vested during the year Number	Awards lapsed during the year Number	At 31 December 2006 Number
I Butterworth					
Aviva Long Term Incentive Awards	107,202	24,390	(28,069)	(15,181)	88,342
Aviva Annual Bonus Plan 2005	-	15,772	-	-	15,772
Aviva Deferred Bonus Plan	64,026	-	(15,440)	-	48,586
S C J Machell					
Aviva Long Term Incentive Awards	120,643	35,365	(30,016)	(16,234)	109,758
Aviva Annual Bonus Plan 2005	-	32,725	-	-	32,725
Aviva Deferred Bonus Plan	86,704	-	(18,176)	-	68,528
A R Robinson					
Aviva Long Term Incentive Awards	120,024	34,146	(30,827)	(16,673)	106,670
Aviva Annual Bonus Plan 2005	-	27,846	-	-	27,846
Aviva Deferred Bonus Plan	95,926	-	(37,334)	-	58,592

(1) Aviva Long Term Incentive Awards, awards are made on an annual basis in March Awards are subject to the attainment of performance conditions over a three year period

(2) The Aviva Annual Bonus Plan 2005 was approved by shareholders in April 2005 and it replaced the Aviva Deferred Bonus Plan The awards disclosed include those made in lieu of some of the cash bonus earned that are paid in the form of shares and deferred for three years The vesting of the awards on the third anniversary of their grant is not subject to performance conditions

(3) 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 Plan 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

Payment policy

It is the Company's policy to pay creditors when they fall due for payment Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions

The amounts due to trade creditors as at 31 December 2006 represented approximately 13 days of average daily purchases through the year (2005 8 days)

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 Central Services Limited

Directors' report (continued)

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

Resolutions

On 6 June 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

Directors' statement as to disclosure of information to auditors

Each person who was a director of the Company on the date that this report was approved, confirms that so far as the director is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware Each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

Statement of directors' responsibilities

The directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 1985 and of International Financial Reporting Standards ("IFRS") as adopted by the European Union, and which present fairly the financial position, financial performance and cash flows of the Company at the end of the accounting period A fair presentation of the financial statements in accordance with IFRS requires the directors to

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which are intended to disclose with reasonable accuracy, at any time, the financial position of the Company They are also ultimately responsible for the systems of internal control maintained by the Company for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities

By order of the Board

Authorised signatory
Aviva Company Secretarial Services Limited
Secretary

9 October 2007

Norwich Union Central Services Limited

Independent auditors' report

To the members of Norwich Union Central Services Limited

We have audited the Company's financial statements for the year ended 31 December 2006, which comprise the Accounting Policies, the Income Statement, the Balance Sheet, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement and the related notes 1 to 18 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' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are 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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether the information given in the Directors' Report is consistent with the financial statements In addition we 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

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 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 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

Norwich Union Central Services Limited

Independent auditors' report (continued)

To the members of Norwich Union Central Services Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2006 and of its profit 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

Ernst & Young LLP
Registered Auditor
London

11 October 2007

Norwich Union Central Services Limited

Accounting policies

The Company is a limited liability company incorporated and domiciled in the United Kingdom ("UK") The principal activity of the Company is to provide physical infrastructure and associated support services to other companies within the Aviva plc Group The directors consider that this will continue unchanged into the forseeable future

The principal accounting policies adopted in the preparation of these financial statements are set out below

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as endorsed by the European Union, applicable at 31 December 2006

In August 2005, the IASB issued IFRS 7, Financial Instruments Disclosures, and an amendment to IAS 1, Capital Disclosures Although their requirements are applicable for accounting periods beginning on or after 1 January 2007, the Company has decided to adopt IFRS 7 early and reflect its impact in these financial statements The amendment to IAS 1 brings the capital disclosures into line with those already required by FRS 27 and, although the Company is not adopting it early, this is not expected to result in any material additional disclosures

In August 2005, the IASB issued an amendment to IAS 39, Financial Guarantee Contracts, which requires financial guarantees issued to be recognised initially at their fair value, and subsequently measured at the higher of the expected liability (or receivable) under the guarantee and the amount initially recognised, less any cumulative amortisation This amendment affects the Company in respect of intercompany guarantees given and taken in the ordinary course of business, where guarantee fees had not necessarily reflected the fair value to each party of the issued instrument This value must now be reflected in the Company's financial statements, and will result in additional accruals (for fee income) and prepayments (for fees payable) in the balance sheet, with movements in these values credited or charged to profit in the income statement

The financial statements are stated in British pounds, which is the Company's functional and presentation currency Unless otherwise noted, the amounts shown in these financial statements are in thousands of British pounds ("£ 000")

The Company is exempt from preparing group accounts by virtue of Section 228 of the Companies Act 1985, as it is a subsidiary of an EU parent (note 18c) The financial statements present information about the Company as an individual undertaking and not about its group

(B) Use of estimates

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported in the balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly

Norwich Union Central Services Limited

Accounting policies (continued)

(C) Subsidiaries

Shares in subsidiary undertakings are included at fair value as estimated using their net asset value They are classified as available for sale ("AFS") financial assets, with changes in their fair value being recorded in a separate investment revaluation reserve within equity Impairments in the value below cost are charged to the income statement On derecognition of the subsidiary the accumulated gain or loss previously reported in equity is included in the income statement

(D) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement

(E) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value added tax, rebates and discounts

(i) Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided

(ii) Interest income is recognised on a time proportion basis using the effective interest method

(iii) Dividend income is recognised when the right to receive payment is established

(F) Property and equipment

Investment properties under construction are included within property and equipment until completion, and are stated at cost less provision for any impairment in their values

Land is not depreciated Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows

Properties under construction	No depreciation
Motor vehicles	Three years
Computer equipment	Three to five years
Other assets	Three to five years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount Gains and losses on disposal of property and equipment are determined by reference to their carrying amount

All borrowing costs are expensed as they are incurred Repairs and maintenance are charged to the income statement during the financial period in which they are incurred The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing asset will flow to the Group and the renovation replaces an identifiable part of the asset Major renovations are depreciated over the remaining useful life of the related asset

Norwich Union Central Services Limited

Accounting policies (continued)

(G) Impairment of non-financial assets

Property and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows

(H) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where

- the rights to receive cash flows from the asset have expired,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Company has transferred its rights to receive cash flows from the asset and either
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

(I) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate The amount of the provision is recognised in the income statement

(J) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are included within trade and other payables on the balance sheet

Norwich Union Central Services Limited

Accounting policies (continued)

(K) Leases

Leases include hire purchase contracts that have characteristics similar to operating or finance leases

(i) Finance leases

Leases, in which a significant portion of the risks and rewards of ownership is passed to the Company, are classified as finance leases Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives, as described in Policy F above The capital elements of future obligations under the leases are included as liabilities in the balance sheet The interest element of the rental obligations is charged to the income statement over the period of the leases and represents a sum of the digits proportion of the balance of capital repayments outstanding

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Assets held for use in such leases are included in property and equipment, and are depreciated to their residual values over their estimated useful lives Rentals from such leases are credited to the income statement on a straight-line basis over the period of the relevant leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the relevant leases

(L) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is more probable than not

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract Provision is made on a discounted basis for the future rent expense and related costs of leasehold provisions (net of estimated sub-lease income) where the space is vacant or currently not planned to be used for ongoing operations

Contingent liabilities are disclosed if the future obligation is probable and the amount cannot be reasonably estimated

Norwich Union Central Services Limited

Accounting policies (continued)

(M) Income taxes

The current tax expense 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 before taxation and amounts charged or credited to reserves as appropriate

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities and general provisions The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised

Deferred tax is not provided on revaluations of investments in subsidiaries as, under current tax legislation, no tax will arise on their disposal

(N) Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Accordingly, a financial instrument is treated as equity if

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable, and

(ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid Final dividends on these shares are recognised when they have been approved by shareholders

(O) Inventories

Inventories are stated at the lower of cost and net realisable value Cost is determined using the first-in, first-out ("FIFO") method Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses

Norwich Union Central Services Limited

Income statement

For the year ended 31 December 2006

	Note	2006 £000	2005 £000
Revenue		906,583	488,088
Cost of sales		(906,439)	(489,076)
Gross profit / (loss)		144	(988)
Dividend income		-	42
Interest receivable and similar income		2,811	2,238
Impairment of subsidiary		(420)	-
Finance costs		(1,391)	(874)
Profit on sale of subsidiaries		-	57
Profit before tax	1	1,144	475
Tax credit	4	1,633	2,490
Profit for the year		2,777	2,965

The accounting policies on pages 9 to 13 and notes on pages 18 to 31 are an integral part of these financial statements

The Company has no recognised income and expense other than those included in the results above, and therefore no separate statement of recognised income and expense has been presented

Norwich Union Central Services Limited

Balance sheet

As at 31 December 2006

	Note	2006 £000	2005 £000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	397	-
Deferred tax	10	9,869	-
Property and equipment	6	180,790	143,198
Trade and other receivables	8	5,314	5,809
		196,370	149,007
Current assets			
Inventories	7	10,309	-
Trade and other receivables	8	238,312	221,974
Cash and cash equivalents		176,593	44,317
		425,214	266,291
LIABILITIES			
Current liabilities			
Provisions	9	(18,686)	(14,276)
Liability for current tax		(2,411)	(3,234)
Trade and other payables	11	(510,541)	(300,440)
		(531,638)	(317,950)
Net current liabilities		(106,424)	(51,659)
Non-current liabilities			
Provisions	9	(33,139)	(52,573)
Liability for current tax	10	(14,838)	(5,463)
Trade and other payables	11	(25,392)	(25,512)
		(73,369)	(83,548)
Net assets		16,577	13,800
EQUITY			
Ordinary share capital	12	50,001	50,001
Other reserves	13	3,000	3,000
Retained earnings		(36,424)	(39,201)
Total equity		16,577	13,800

The accounting policies on pages 9 to 13 and notes on pages 18 to 31 are an integral part of these financial statements

Approved by the Board on 9 October 2007

Director

Norwich Union Central Services Limited

Statement of changes in shareholder's equity

For the year ended 31 December 2006

	Ordinary share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
Balance at 1 January 2005	50,001	3,000	(42,166)	10,835
Total recognised income and expense for the year	-	-	2,965	2,965
Total movement in the year	-	-	2,965	2,965
Balance at 31 December 2005	50,001	3,000	(39,201)	13,800
Total recognised income and expense for the year	-	-	2,777	2,777
Total movement in the year	-	-	2,777	2,777
Balance at 31 December 2006	50,001	3,000	(36,424)	16,577

The accounting policies on pages 9 to 13 and notes on pages 18 to 31 are an integral part of these financial statements

Norwich Union Central Services Limited

Cash flow statement

For the year ended 31 December 2006

	Note	2006 £000	2005 £000
Cash flows from / (used in) operating activities			
Net cash inflow / (outflow) from operating activities	16a	91,244	(13,808)
Interest paid		(1,391)	(874)
Net cash from / (used in) operating activities		89,853	(14,682)
Cash flows from / (used in) investing activities			
Purchases of property and equipment		(74,732)	(78,228)
Proceeds on sale of property and equipment		509	9,731
Interest received		2,811	2,238
Net cash used in investing activities		(71,412)	(66,259)
Cash flows used in financing activities			
Capital element of finance leases		(12,120)	(7,930)
Net cash used in financing activities		(12,120)	(7,930)
Net increase / (decrease) in cash and cash equivalents		6,321	(88,871)
Cash and cash equivalents at 1 January		(24,981)	63,890
Cash and cash equivalents at 31 December	16b	(18,660)	(24,981)

The accounting policies on pages 9 to 13 and notes on pages 18 to 31 are an integral part of these financial statements

Norwich Union Central Services Limited

Notes to the financial statements

1. Profit before tax

The following items have been included in arriving at profit before tax

	2006	2005
	£000	£000
Depreciation of property and equipment		
- Owned assets	36,793	26,094
- Under finance leases and hire purchase contracts	14,955	13,152
Profit on disposal of subsidiary undertakings	-	(57)
(Profit) / loss on disposal of property and equipment	(155)	34
Impairment of cost of subsidiary undertaking		
- Impairment	(2,103)	-
- Less Provision in prior years	1,683	-
	(420)	-
Operating lease rentals payable		
- Equipment	7,871	5,943
- Property	88,501	85,001
Provision in respect of onerous leases	6,909	6,585
Finance costs		
Other finance charges payable under finance leases and hire purchase contracts	1,391	874
Interest income		
Bank interest receivable	2,811	2,238

2. Directors

All directors are remunerated by Aviva Employment Services Limited, a subsidiary undertaking The emoluments of these directors are recharged, as part of a head office management charge under management service agreements, to all operating divisions of the Aviva Group and it is not practicable to calculate the exact charge borne by the Company

3. Auditors' remuneration

The total remuneration payable by the Company, excluding VAT, to its auditors, Ernst & Young LLP, in respect of the audit of these financial statements is shown below The Company is exempt from disclosing other fees payable, to its auditors, in respect of other work, by virtue of regulation 5(2) of The Companies Regulations 2005, as it is disclosed within the annual Report and Accounts of Aviva plc, the Company's ultimate controlling entity (see note 18(c))

	2006	2005
	£000	£000
Audit services		
Statutory audit of the Company's financial statements	39	48
Audit-related regulatory and supplementary reporting	-	68
	39	116

Norwich Union Central Services Limited

Notes to the financial statements (continued)

4. Tax

(a) Tax credited to income statement

(i) The total tax credit comprises

	2006	2005
	£000	£000
Current tax:		
For this year	7,838	1,055
Prior year adjustments	398	(3,545)
Total tax charged / (credited) to income statement	8,236	(2,490)
Deferred tax:		
Origination and reversal of temporary differences	(9,869)	-
Total deferred tax	(9,869)	-
Total tax credited to income statement	(1,633)	(2,490)

(ii) Unrecognised temporary differences of previous years were used to reduce current tax expense and deferred tax expense by £5,492 thousand and £9,869 thousand respectively (2005 £7,310 thousand and £nil respectively)

(iii) Deferred tax credited to the income statement represents movements on the following items

	2006	2005
	£000	£000
Provisions and other timing differences	(9,869)	-
Total deferred tax credited to income statement	(9,869)	-

(b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows

	2006	2005
	£000	£000
Net profit before tax	1,144	475
Tax calculated at standard UK corporation tax rate of 30% (2005 30%)	343	142
Adjustment to tax charge in respect of prior years	398	(3,545)
Disallowable expenses	6,669	3,890
Depreciation of non-qualifying assets	1,650	(165)
Deferred tax assets not recognised	(10,693)	(2,650)
Other	-	(162)
Total tax credited for the year (note 4(a))	(1,633)	(2,490)

Norwich Union Central Services Limited

Notes to the financial statements (continued)

5. Investments in subsidiaries

(a) Investments in subsidiaries

The investments of shares in subsidiaries incorporated in Great Britain are as follows

Company	Type of business	Class of share	Proportion
Norwich Union Software Services Limited	Rental and sub-letting of a property in the Republic of Ireland	Ordinary	100%
Aviva Employment Services Limited	Employment of majority of Aviva plc Group's United Kingdom based staff	Ordinary	100%

(b) Impairment of investments in subsidiaries

The Company's principal subsidiary, Aviva Employment Services Limited ("AES"), is the employing company for most of the Aviva staff in the UK It bears all staff-related costs, including contributions to the Aviva Staff Pension Scheme ("the Scheme"), and recharges these to the operating divisions of the Aviva Group as part of an overall charge for payroll-related items The level of recharges for pension and other costs to each business is reviewed annually

The Scheme members receive benefits on either a defined benefit basis (generally related to final salary) or a defined contribution basis With the introduction of IFRS, and in particular the pensions standard IAS 19, the Aviva Group is now required to show its obligation to fund any deficit in the Scheme in the balance sheet(s) of the appropriate company or companies within the Group In the absence of any contractual arrangements to allocate the net defined benefit cost and the deficit for the Scheme to individual businesses, it is the Aviva Group's policy to allocate these costs fully to AES

The deficit or surplus will vary each reporting period, as the value of the Scheme's underlying assets and liabilities vary with time, market conditions and actuarial assumptions At 1 January 2005, 31 December 2005 and 31 December 2006, the Scheme deficit (measured in accordance with IFRS) was, respectively, £688 million, £1,079 million and £830 million After taking credit for the associated deferred tax asset at each date, the deficiency in the shareholder's funds of AES was £481 million at 1 January 2005, £753 million at 31 December 2005 and £489 million at 31 December 2006

The Company's parent undertaking, Aviva Group Holdings Limited ("AGHL") is not charged for any payroll-related items by AES However, as the holding undertaking for all the operating businesses, it can either direct the UK businesses to make payments to AES or make the payments itself out of dividends from the businesses or capital/borrowings from Aviva plc AGHL has therefore given the AES directors a letter of support on behalf of the UK businesses saying that, in the event that AES is unable to meet its obligations, AGHL will ensure those obligations are met as they fall due For this reason, the directors are satisfied that AES should be valued at nil in these financial statements

(c) Movements in the Company's investments in its subsidiaries are as follows:

	2006 £000	2005 £000
Fair value		
At 1 January	-	4
Capital injection	2,500	-
Impairment	(2,103)	-
Disposals	-	(4)
At 31 December	397	-

During the year the Company made a capital injection of £2,500 thousand to Norwich Union Software Services Limited to cover the net liabilities of the subsidiary The capital injection was settled by reducing the intercompany receivable due from the subsidiary

Norwich Union Central Services Limited

Notes to the financial statements (continued)

6. Property and equipment

	Properties under construction	Motor vehicles	Computer equipment	Other assets	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 January 2005	-	3,969	256,933	11,004	271,906
Additions	2,310	-	73,248	25,612	101,170
Disposals	-	(1,901)	(19,324)	(131)	(21,356)
At 31 December 2005	2,310	2,068	310,857	36,485	351,720
Additions	-	-	66,950	29,475	96,425
Transfer	(2,310)	-	-	2,310	-
Disposals	-	(282)	(8,586)	-	(8,868)
At 31 December 2006	-	1,786	369,221	68,270	439,277
Depreciation					
At 1 January 2005	-	2,666	175,893	2,308	180,867
Charge for the year	-	170	37,802	1,274	39,246
Disposals	-	(1,136)	(10,324)	(131)	(11,591)
At 31 December 2005	-	1,700	203,371	3,451	208,522
Charge for the year	-	25	46,222	5,501	51,748
Disposals	-	(177)	(1,606)	-	(1,783)
At 31 December 2006		1,548	247,987	8,952	258,487
Carrying amount					
At 31 December 2005	2,310	368	107,486	33,034	143,198
At 31 December 2006	-	238	121,234	59,318	180,790
Assets held under finance leases at 31 December 2006 included in the figures above:					
Gross amount	-	-	99,460	841	100,301
Accumulated depreciation	-	-	58,696	841	59,537
Carrying amount					
At 31 December 2005	-	-	40,501	-	40,501
At 31 December 2006	-	-	40,764	-	40,764

The Company has capitalised additions, shown in 'other assets' above, of £26,878 thousand in respect of leasehold improvements that are currently in progress in 2006 (£25,612 thousand in 2005) Depreciation of £5,501 thousand has been charged to the income statement in respect of these leasehold improvements in 2006 (£1,266 thousand in 2005)

Norwich Union Central Services Limited

Notes to the financial statements (continued)

7. Inventories

	2006	2005
	£000	£000
Finished goods	10,309	-

8. Trade and other receivables

	2006	2005
	£000	£000
Trade receivables	7,630	5,304
Amounts due from related parties (note 18)	167,892	159,396
Prepayments and accrued income	39,907	43,539
Other receivables	28,197	19,544
Total	243,626	227,783
Expected to be recovered within one year	238,312	221,974
Expected to be recovered in more than one year	5,314	5,809

9. Provisions

	Provision for onerous property leases
	£000
At 1 January 2006	66,849
Additional provisions	2,007
Change in the discounted amount arising from passage of time	4,902
Charge to income statement	6,909
Utilised during the year	(21,933)
At 31 December 2006	51,825
Expected to be settled within one year	18,686
Expected to be settled in more than one year	33,139

Norwich Union Central Services Limited

Notes to the financial statements (continued)

10. Tax assets and liabilities

(a) General

Lıabılıtıes for current year tax of £14,838 thousand (2005 £5,463 thousand) are payable ın more than one year

(b) Deferred tax

(ı) The net deferred tax asset arıses on the followıng ıtems

	2006	2005
	£000	**£000**
Provısıons and other tımıng dıfferences	9,869	-
Net deferred tax asset	9,869	-

(ıı) The movement ın the net deferred tax asset was as follows

Net asset at 1 January	-	-
Amounts credıted to profit (note 4a)	9,869	-
Net asset at 31 December	9,869	-

The Company has unrecognısed temporary tımıng dıfferences of £71,702 thousand (2005 £55,659 thousand) to carry forward ındefinıtely agaınst future taxable ıncome

11. Trade and other payables

	2006	2005
	£000	**£000**
Trade payables	49,724	15,479
Fınance lease oblıgatıons (note 14(c))	38,097	35,267
Amounts owed to related partıes (note 18)	63,695	55,943
Other payables ıncludıng other taxes and socıal securıty	2,876	740
Accruals	186,288	149,225
Bank overdrafts	195,253	69,298
Total	535,933	325,952
Expected to be settled wıthın one year	510,541	300,440
Expected to be settled ın more than one year	25,392	25,512

Norwich Union Central Services Limited

Notes to the financial statements (continued)

12. Ordinary share capital

Details of the Company's ordinary share capital are as follows

	2006	2005
	£000	£000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
50,001,000 ordinary shares of £1 each	50,001	50,001

13. Other reserves

	2006	2005
	£000	£000
Capital reserve	3,000	3,000

14. Financial liabilities

(a) Carrying amount of finance lease obligations

	2006	2005
	£000	£000
Future minimum payments due		
Not later than one year	14,862	11,220
After one year but not more than five years	26,973	27,680
Gross lease liabilities	41,835	38,900
Less finance charges allocated to future periods	(3,738)	(3,633)
Present value of minimum lease payments	38,097	35,267

The present value of minimum lease payments is analysed as follows

	2006	2005
Not later than one year	12,705	9,755
After one year but not more than five years	25,392	25,512
	38,097	35,267

(b) Description of Company leasing arrangements

The Company has obligations under finance leases for the provision of Information Technology ("I T ") equipment The secondary rentals are peppercorns based on the original capital amount The majority of the finance leases have agreed renewal costs based on a peppercorn The Company is not aware of any restrictions imposed by the lease arrangement, such as those concerning dividends, additional debt and further leasing

Norwich Union Central Services Limited

Notes to the financial statements (continued)

15. Commitments

(a) Capital commitments

Contractual commitments for acquisitions or capital expenditures of investment property, property and equipment and intangible assets, which are not recognised in the financial statements, are as follows

	2006	2005
	£000	£000
Property and equipment	5,935	2,022

(b) Operating lease commitments

(i) The Company has obligations under operating leases for property and equipment

(ii) Future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2006	2005
	£000	£000
Within 1 year	41,775	41,705
Later than 1 year and not later than 5 years	149,985	139,945
Later than 5 years	524,707	513,580
	716,467	695,230
The total of future minimum sublease payments expected to be received under non-cancellable subleases	(23,810)	(4,531)

(c) Other financial commitments

The Company has commitments in respect of software licences as shown below, which have not been provided but will be recognised in the income statement through the life of the agreements The agreements are due to expire between no less than one year and no later than five years

	2006	2005
	£000	£000
Amounts contracted for but not provided in the financial statements	84,744	57,133

Norwich Union Central Services Limited

Notes to the financial statements (continued)

16. Cash flow statement

(a) The reconciliation of profit before tax to the net cash flow from operating activities is:

	2006 £000	2005 £000
Profit before tax	1,144	475
Adjustments for		
(Profit) / loss on sale of property and equipment	(155)	34
Impairment of subsidiary	420	-
Profit on disposal of subsidiary undertakings	-	(57)
Depreciation of property and equipment	51,748	39,246
Interest received on cash and cash equivalents	(2,811)	(2,238)
Interest expense on borrowings	1,391	874
Changes in working capital		
(Increase) / decrease in trade and other receivables	(15,843)	17,965
(Increase) / decrease in inventory	(10,309)	-
Increase / (decrease) in provisions	(15,024)	(313)
Increase / (decrease) in trade and other payables	80,683	(69,794)
Net cash inflow/ (outflow) from operating activities	91,244	(13,808)

(b) Cash and cash equivalents in the cash flow statement at 31 December comprised:

	2006 £000	2005 £000
Cash at bank and in hand	176,593	44,317
Bank overdrafts	(195,253)	(69,298)
	(18,660)	(24,981)

Norwich Union Central Services Limited

Notes to the financial statements (continued)

17. Risk management policies

The Company's approach to financial risk and capital management

The Company has established a risk management framework with the primary objective of protecting the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failure to exploit opportunities This framework is operated by a group of companies, "the NUI Group" (including the UK general insurance business carried out within Aviva Insurance Limited and Aviva International Insurance Limited), within the Aviva plc group ("the Group"), that are engaged in writing general insurance business and in various non-insurance activities in the United Kingdom Risk is categorised as follows

- market,
- credit,
- liquidity, and
- operational

The NUI Group recognises the critical importance of having efficient and effective risk management systems in place To this end, the NUI Group has an established governance framework which has three elements

- defined terms of reference for the legal entity Boards and the associated executive management and other committees within the NUI Group,
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management, and
- adoption of the Group policy framework which sets out risk appetite, risk management, control and business conduct standards for the Group's worldwide operations Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the NUI Group

The NUI Group monitors risk on an ongoing basis and prepares quarterly reports identifying all material risks, along with information on likelihood, severity and mitigating actions taken or planned The NUI Group has also developed a framework, using Individual Capital Assessment ("ICA") principles, for quantifying the impact of risks on economic capital The ICA combines the results of financial and operating stress tests

17. Risk management policies (continued)

(i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates Market risk arises due to fluctuations in both the value of liabilities and the value of investments held

The Company has no material market risk exposure

(ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations

The Company's management of credit risk is carried out in accordance with the NUI Group's Credit Risk Policy, which includes the monitoring of exposure levels and setting exposure limits in accordance with rating categories devised by credit rating agencies such as Standard & Poor's

At 31 December 2006, receivables are £243,626 thousand, which includes £167,892 thousand due from related parties (see note 18) The Company's turnover is derived wholly from the provision of physical infrastructure and associated support to other companies within the Group

		Financial assets that are passed due but not impaired					
31 December 2006	Neither past due nor impaired	0 - 3 months	3 - 6 months	6 months - 1 year	Greater than 1 year	Carrying value of impaired financial assets	Carrying value in the balance sheet
	%	%	%	%	%	%	£000
Trade and other receivables	84	15	1	-	-	-	35,827

		Financial assets that are passed due but not impaired					
31 December 2005	Neither past due nor impaired	0 - 3 months	3 - 6 months	6 months - 1 year	Greater than 1 year	Carrying value of impaired financial assets	Carrying value in the balance sheet
	%	%	%	%	%	%	£000
Trade and other receivables	78	21	1	-	-	-	24 848

Financial assets are graded according to current credit ratings issued AAA is the highest possible rating Investment grade financial assets are classified within the range of AAA to BBB ratings Financial assets which fall outside this range are classified as speculative grade Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty concerned

The following table provides information regarding the aggregated credit risk exposure of the Company

	Credit rating						
31 December 2006	AAA	AA	A	BBB	Speculative grade	Not rated	Carrying value in the balance sheet
	%	%	%	%	%	%	£000
Cash and cash equivalents	-	100%	-	-	-	-	176,593

	Credit rating						
31 December 2005	AAA	AA	A	BBB	Speculative grade	Not rated	Carrying value in the balance sheet
	%	%	%	%	%	%	£000
Cash and cash equivalents	-	100%	-	-	-	-	44,317

Norwich Union Central Services Limited

Notes to the financial statements (continued)

17. Risk management policies (continued)

(iv) Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events This definition is intended to include the majority of risks the Company is exposed to, other than the financial risks described above and strategic and Company risks considered elsewhere Only financial instrument risk requires quantification under IFRS and consequently no quantification of this risk is provided Operational risks include information technology, information security, human resources, project management, outsourcing, tax, legal, fraud and compliance risks In accordance with Group policies, business unit management has primary responsibility for the effective identification, management , monitoring and reporting of risks to the business unit executive management team and to Group The NUI Group risk management and govenance function is responsible for implementing the Group risk management methodologies and frameworks to assist line management in this work They also provide support and independent challenge on the completeness, accuracy and consistency of risk assessments, and the completeness, accuracy and consistency of risk assessments, and the adequacy of mitigating action plans As a result, the business unit executive management team satisfies itself that material risks are being mitigated and reported to an acceptable level

Operational risks are assessed according to the potential impact and probability of the event concerned These impact assessments are made against financial, operational and reputational criteria

Norwich Union Central Services Limited

Notes to the financial statements (continued)

18. Related party transactions

(a) The services provided to related parties in the year related to the provision of physical infrastructure and associated support services to other companies in the Aviva plc Group The services provided by related parties in the year related to the provision of staff from Aviva Employment Services Limited

(i) Services provided to related parties

	2006		2005	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£000	£000	£000	£000
Subsidiaries	2,822	549	2,357	2,404
Fellow subsidiaries	903,761	167,343	485,731	156,992
	906,583	167,892	488,088	159,396

The related parties' receivables are not secured and no guarantees were received in respect thereof The receivables will be settled in accordance with normal credit terms

(ii) Services provided by related parties

	2006		2005	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£000	£000	£000	£000
Subsidiaries	235,307	414	139,582	144
Fellow subsidiaries	-	63,281	-	55,799
	235,307	63,695	139,582	55,943

Norwich Union Central Services Limited

Notes to the financial statements (continued)

18. Related party transactions (continued)

(iii) Key management compensation

The total compensation to those employees classified as key management, including the executive and non-executive directors, is as follows

	2006	2005
	£000	£000
Salary and other short-term benefits	371	1,747
Post-employment benefits	6	44
Equity compensation plans	140	709
Total	517	2,500

(b) Immediate parent undertaking

The Company's immediate parent undertaking is Aviva Group Holdings Limited (formerly Norwich Union Holdings Limited), registered in England and Wales

(c) Ultimate controlling entity

The ultimate controlling entity is Aviva plc Its annual Report and Accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ