Company Number 3290130

Norwich Union Limited

Annual Report and Accounts 2006

Norwich Union Limited

Report and accounts for the year ended 31 December 2006

Contents

Norwich Union Limited

Directors' report

The directors submit their report and accounts for the Company for the year ended 31 December 2006

Business review and principal activity

The Company is a wholly-owned subsidiary of Aviva plc During 2006, the income of the Company continued to consist of interest from loans to its parent company

Future outlook

Following the Aviva Group restructuring activity in 2005, the Company no longer acts as a holding company and the directors are considering its future

Principal risks and uncertainties

The risks and uncertainties are set out in note 9 of these financial statements but, in the opinion of the directors, the principal risks and uncertainties are maturity periods and interest rate risk as the fair value or net asset value of the Company's financial resources is exposed to potential fluctuations in interest rates The effect of a 100 basis point increase in interest rates would be an increase in net interest income of £5 million (*2005 increase of £127 million*)

Key Performance Indicators ("KPIs")

The performance of the business can be assessed through the use of key performance indicators ("KPIs") These are

(a) Effective interest rate earned on the loans was 5 1% (*2005 4 9 %*)

(b) Level of bad debts The value of loans that perform without defaulting on interest due or loan repayments expressed as a percentage of all loans was 100% during 2006 (*2005 100%*)

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the financial statements

Results

The Company's results for the year are shown in the income statement on page 7

Dividend

The directors are proposing a final ordinary dividend for 2006 of £21 million (*2005 £nil*) Interim dividends for 2006 of £230 million (*2005 £8,887million*) were declared and paid on 24 April 2006 (£130 million) and 8 December 2006 (£100 million) The total cost of dividends paid in 2006 amounted to £230 million (*2005 £10,644 million*)

Authority to purchase own shares

At the Extraordinary General Meeting held on 11 May 2006, shareholders gave the Company authority to purchase its own shares

On 11 May 2006 the Company purchased 39,640 million of its ordinary shares of 10 pence each from Aviva plc for a consideration of £12,300 million

Norwich Union Limited

Directors' report (continued)

Directors

The current Directors, and those in office during the year, are as follows

Richard Harvey
Andrew Moss
Philip Scott
Patrick Snowball

There were no contracts of significance in existence during or at the end of the year in which a director of the Company was materially interested

Directors' interests

The directors who held office at 31 December 2006 are also directors of the Company's parent company, Aviva plc, and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) are not required to disclose their share interests in Aviva plc in the Company's financial statements Their interests can be found in the report and accounts of Aviva plc None of the directors who held office at 31 December 2006 had any interest in the share capital of the Company

Creditor payment policy and practice

The Company has no trade creditors

Auditor and disclosure of information to the auditor

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 auditor in connection with preparing its report, of which the auditor is unaware Each director has taken all the steps that he ought to have taken as a director in order to become aware of any relevant audit information and to establish that the auditor is aware of that information This confirmation is given and should be interpreted in accordance with the provisions of section 234A of the Companies Act 1985

In accordance with section 385 of the Companies Act 1985, a resolution is to be proposed at the forthcoming Annual General Meeting for the reappointment of Ernst & Young LLP as the auditor of the Company A resolution will also be proposed authorising the directors to determine the auditor's remuneration

Directors' liabilities

Aviva plc, the parent company, has granted an indemnity to the directors against liability in respect of any 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

Richard Whitaker

Company Secretary

30/03/2007

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

Registered in England No 3290130

Norwich Union Limited

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 the 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 ensure 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 maintaining 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 for safeguarding its assets, and for the prevention and detection of fraud and other irregularities

Norwich Union Limited

Independent auditors' report to the shareholders of Norwich Union Limited

We have audited the Company's financial statements for the year ended 31 December 2006 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Reconciliation of Movements in Shareholders' Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11 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 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

Norwich Union Limited

Independent auditors' report to the members of Norwich Union Limited (continued)

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
30/3/2007

Norwich Union Limited

Income statement
For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Income			
Net investment income	1(c) & 2	313	10,739
Other income		-	4
		313	10,743
Expenses			
Finance costs	10	(38)	(32)
Profit before tax		275	10,711
Tax (expenses)/credit	1(f) & 5	(85)	6
Profit for the year		190	10,717

Statement of recognised income and expense
For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Fair value gains on investment in subsidiary	7	-	739
Fair value gains transferred to profit	7	-	(8,922)
Profit for the year		190	10,717
Total recognised income and expense for the year		190	2,534

Reconciliation of movements in shareholders' equity
For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Balance at 1 January		12,410	19,990
Total recognised income and expense for the year		190	2,534
Dividends	8	(230)	(10,644)
Issue of share capital		-	530
Share buy-back	6	(12,300)	-
Balance at 31 December		70	12,410

The notes on pages 10 to 16 are an integral part of these financial statements The auditors' report is on pages 5 and 6

Norwich Union Limited

Balance sheet
At 31 December 2006

	Notes	2006 £m	2005 £m
Assets			
Non-current assets			
Amounts owed by Group companies	10	**465**	13,428
Current assets			
Amounts owed by Group companies	10	**68**	2,680
Total assets		**533**	16,108
Equity			
Capital and reserves			
Ordinary share capital	6	**16**	3,980
Share premium account	6	**33**	8,369
Retained earnings	7	**21**	61
Total equity		**70**	12,410
Liabilities			
Non-current liabilities			
Amounts owed to Group companies	10	**-**	1,188
Current liabilities			
Amounts owed to Group companies	10	**373**	2,430
Tax liability		**85**	3
Bank overdrafts	1(e)	**-**	18
Other creditors		**5**	59
Total liabilities		**463**	3,698
Total equity and liabilities		**533**	16,108

Approved by the Board on 30 | 03 | 2007

AJ Moss
Director

The notes on pages 10 to 16 are an integral part of these financial statements The auditors' report is on pages 5 and 6

Norwich Union Limited

Cash flow statement
For the year ended 31 December 2006

All the Company's operating and investing cash requirements are met by fellow Group companies and settled through inter-company loan accounts As the direct method of presentation has been adopted for these activities, no further disclosure is required In respect of financing activities, the following items pass through the Company's own bank account

	2006	2005
	£m	£m
Cash flows from financing activities		
Amounts paid to former policyholders of Norwich Union	**(10)**	-
Net drawdown / (repayment) of related party borrowings	**229**	98
Interest paid on related party borrowings	**(34)**	(33)
Funding provided by / (to) fellow Group companies	**(167)**	37
Net cash from financing activities	**18**	102
Net increase in cash and cash equivalents	**18**	102
Cash and cash equivalents at 1 January	**(18)**	(120)
Cash and cash equivalents at 31 December	**-**	(18)

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

	2006	2005
	£m	£m
Bank overdrafts	**-**	(18)

The notes on pages 10 to 16 are an integral part of these financial statements The auditors' report is on pages 5 and 6

Norwich Union Limited

Notes to the Financial Statements

1. Accounting policies

Norwich Union Limited (the "Company"), is a private limited company incorporated and domiciled in the United Kingdom and, until 12 December 2005, was the holding company for most of the Aviva Group's subsidiaries

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union The date of transition to IFRS was 1 January 2004 Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling (£m)

In August 2005, the IASB issued IFRS 7, *Financial Instruments Disclosures* Although its requirements are applicable for accounting periods beginning on or after 1 January 2007, the Company has decided to adopt this standard early and reflect its impact in these financial statements

(b) Use of estimates

The preparation of the financial statements require 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

(c) Net investment income

Investment income consists of interest receivable for the year and dividends Interest income is recognised as it accrues, taking into account the effective yield on the investment Dividends received from subsidiary companies are recognised when approved by their shareholders The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost as appropriate

(d) Financial Instruments

Loans to, or from other Aviva Group companies are recognised when cash is advanced to, or received from these companies These loans are carried at their unpaid principal balances

The Company reviews the carrying value of loans on a regular basis If the carrying value of the loan is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment

(e) 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 90 days or less to maturity from the date of acquisition For the purposes of the cash flow statement, cash and cash equivalents also include bank overdrafts, which are classified as a current liability on the balance sheet

Norwich Union Limited

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(f) Income taxes

The current tax expense is based on the taxable profit 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 base of assets and liabilities and their carrying amounts in the financial statements

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

(g) Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are declared and, for the final dividend, approved by its shareholders

Norwich Union Limited

Notes to the Financial Statements (continued)

2. Net investment income

Net investment income comprises

	2006 £m	2005 £m
Profit on sale of subsidiary	-	8,922
Dividend income from subsidiary (note 10)	-	1,775
Interest receivable from parent company (note 10)	312	42
Interest receivable from fellow Group companies (note 10)	1	-
	313	10,739

3. Directors and employees

All directors are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate holding company, Aviva plc The emoluments of these directors are not recharged to the Company

The Company has no employees

4. Auditors' remuneration

Fees for the audit of the Company were £4,100 for 2006 *(2005 £3,800)* which have been borne by Aviva plc

5. Tax

(a) Tax expensed to the income statement

	2006 £m	2005 £m
Current tax		
For this year	(85)	(3)
Prior year adjustments	-	9
Total tax (expensed) / credited to the income statement	(85)	6

(b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows

	2006 £m	2005 £m
Profit in the income statement	275	10,711
Tax calculated at standard UK corporation tax rate of 30% *(2005 30%)*	(83)	(3,213)
Adjustment to tax in respect of prior years	-	9
Non-assessable dividends	-	533
Non taxable profit on sale of subsidiary	-	2,677
Disallowable expenses	(2)	-
Total tax (expensed) /credited to the income statement	(85)	6

Norwich Union Limited

Notes to the Financial Statements (continued)

6. Ordinary share capital and share premium

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

The ordinary share capital of the Company at 31 December 2006 was	2006 £m	2005 £m
Authorised		
100 *(2005 100)* A ordinary shares of 10 pence each	-	-
41,999,999,900 *(2005 41,999,999,900)* ordinary shares of 10 pence each	**4,200**	4,200
Allotted, called up and fully paid		
100 *(2005 100)* A ordinary shares of 10 pence each	-	-
161,382,601 (*2005 39,801,249,758*) ordinary shares of 10 pence each	**16**	3,980

(b) Movements in the year comprise

	Number of shares £m	Share capital £m	Share premium £m
At 1 January 2006	**39,801**	**3,980**	**8,369**
Share buy-back	**(39,640)**	**(3,964)**	**(8,336)**
At 31 December 2006	**161**	**16**	**33**

On 11th May 2006, the Company purchased 39,640 million of its ordinary shares of 10 pence each from Aviva plc for a consideration of £12,300 million This represented 99 6% of the allotted share capital

The reason for the share buy-back is that as the Company no longer acts as a holding company the former level of share capital is no longer required

Ordinary shares in issue in the Company rank pari passu All the ordinary shares in issue carry the same right to receive dividends and other distributions declared, made or paid by the Company

7. Reserves

	Investment valuation reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2005	8,183	(12)	8,171
Arising in the year			
Profit for the year and reserve transfer	(8,922)	10,717	1,795
Dividends (note 8)	-	(10,644)	(10,644)
Fair value gains	739	-	739
Balance at 31 December 2005	**-**	**61**	**61**
Arising in the year			
Profit for the year	-	**190**	**190**
Dividends (note 8)	-	**(230)**	**(230)**
Balance at 31 December 2006	**-**	**21**	**21**

Notes to the Financial Statements (continued)

8. Dividends

Ordinary dividends declared and charged to equity in the year comprise

	2006 £m	2005 £m
Final 2004 – declared and settled on 20 June 2005	-	1,757
Interim 2005 – declared and settled on 19 December 2005	-	8,887
First interim 2006 – declared and settled on 24 April 2006	130	-
Second interim 2006 – declared and settled on 8 December 2006	100	-
	230	10,644

9. Risk management policies

The Company's approach to risk and capital management

Governance framework

The primary objective of the Company's risk financial management is to protect it from anything that hinders the sustainable achievement of the Company's objectives and financial performance, including failing to exploit opportunities as they arise

The directors recognise the critical importance of having efficient and effective risk management systems in place and acknowledge that they are responsible for the Company's framework of internal control and of reviewing its effectiveness The framework is designed to manage rather than eliminate the risk of failure to achieve the Company's objectives and can only provide reasonable assurance against misstatement or loss The Company forms part of the Aviva plc Group where the framework had been established for identifying, evaluating and managing the significant financial and non-financial risks faced The directors of the Company are satisfied that their adherence to this Group framework provides an adequate means of managing risk in the Company These are documented below

Management of financial and non-financial risks

Market risk

Market risk is the risk of adverse impact due to changes in fair values of financial instruments from fluctuation in foreign currency exchange rates, interest rates and equity prices

Cashflow interest rate risk arises from the inter-company loans payable and receivable (see related party transactions note 10) The effect of a 100 basis point increase in interest rates would be an increase in net interest income of £5 million (*2005 £127 million*)

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, or changes to the market value of assets caused by changing perceptions of the credit worthiness of such counterparties

The Company's significant financial assets comprise amounts due from its parent, Aviva plc, and fellow group companies, and as such the credit risk arising from counterparties failing to meet all or part of their obligations is considered remote Due to the nature of the financial assets, and the fact that the loans are settled and not traded, the

9. Risk management policies (continued)

Credit risk (continued)

Company is not exposed to the risk of changes to the market value caused by changing perceptions of the credit-worthiness of such counterparties

Liquidity risk

The Company seeks to maintain sufficient financial resources available to meet its obligations as they fall due

Maturity periods and interest rate risk

The fair value or net asset value of the Company's financial resources is exposed to potential fluctuations in interest rates Exposure to interest rate risk is managed through the monitoring of several risk measures

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 all risks to which the Company is exposed Hence operational risks include, for example, information technology, information security, project management, tax, legal, fraud and compliance risks

The line management in the Company has primary responsibility for the effective identification, management, monitoring and reporting of risks to the Company executive management team The Company executive management team is responsible for satisfying 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

10. Related party transactions

Apart from inter-company dividends payable, the only related party transactions are loans to and from related parties that are made on normal arm's length contractual terms The maturity analysis of the related party loans and interest payable on these are as follows

Receivables		Maturity analysis of contractual undiscounted cashflows			
	Denominated currency	Within 1 year £m	1-5 years £m	5-10 years £m	Total £m
2006	**£**	-	**465**	-	**465**
2005	£	-	12,757	671	13,428

Payables		Maturity analysis of contractual undiscounted cashflows			
	Denominated currency	Within 1 year £m	1-5 years £m	5-10 years £m	Total £m
2006	**£**	-	-	-	-
2005	£	-	-	1,188	1,188

Notes to the Financial Statements (continued)

10. Related party transactions (continued)

Services provided to related parties (including dividend income)

	2006		2005	
	Income earned in year £m	**Receivable at year end £m**	Income earned in year £m	Receivable at year end £m
Parent company	312	-	42	13,382
Fellow Group companies	1	533	1,775	2,726
	313	533	1,817	16,108

Services provided by related parties (including dividends declared)

	2006		2005	
	Expense incurred in year £m	**Payable at year end £m**	Expense incurred in year £m	Payable at year end £m
Parent company	268	368	10,675	782
Fellow Group companies	-	5	1	2,836
	268	373	10,676	3,618

The income from related parties in the year comprised interest income of £313 million *(2005 £42 million)* The dividend income for 2005 of £1,755 million was from Norwich Union Holdings Limited The expenses incurred with related parties in the year comprised interest expense of £38 million *(2005 £32 million)* and dividends paid of £230 million *(2005 £10,644 million)*

Compensation of key management
The Company bears no costs in relation to key management personnel, and all such costs are borne by Aviva plc

11. Parent company's details

The immediate and ultimate parent company is Aviva plc Its group financial statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ