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CHALLENGER (NORWICH) LIMITED

Annual Report

31 December 2006

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Challenger (Norwich) Limited

CONTENTS

	Page
Directors and Officers	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Independent Auditors' Report	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7-8

Challenger (Norwich) Limited

Registered No 3427512

DIRECTORS AND OFFICERS

EXECUTIVE DIRECTORS

M P Hodgkinson
R Fairman

SECRETARY

B Gerrard

AUDITORS

KPMG LLP
6 Lower Brook Street
Ipswich IP4 1AP

BANKERS

Lloyds TSB plc
City Office
PO Box 72
Bailey Drive
Gillingham Business Park
Gillingham
Kent ME8 0LS

REGISTERED OFFICE

Discovery House
Whiting Road
Norwich NR4 6EJ

Challenger (Norwich) Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

RESULTS AND DIVIDENDS

The company did not trade throughout 2006 and is not expected to trade in the future. Accordingly, no further Business Review has been presented. Dividends of £Nil were declared and paid in the year (2005 £79,086,202.81) – see note 4.

DIRECTORS AND THEIR INTERESTS

The names of the current directors are listed on page 1. All directors served for the entire year.

None of the directors who held office at the end of the year had any disclosable interests in the shares of the company, or other group companies.

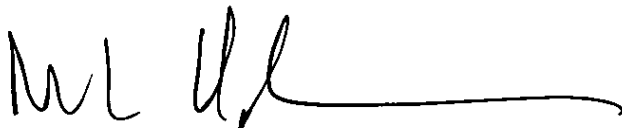
AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware.

Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The members of the company have passed elective resolutions in accordance with section 366A, 252 and 386 of the Act dispensing with the previous statutory requirement of holding annual general meetings, laying accounts before the company in general meetings and reappointing auditors annually. KPMG LLP will continue as auditors of the company until further notice.

On behalf of the Board



M P Hodgkinson
Chief Executive Officer
16 April 2007

Challenger (Norwich) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Challenger (Norwich) Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHALLENGER (NORWICH) LIMITED

We have audited the financial statements of Challenger (Norwich) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's 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 Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Director's report is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants

Registered Auditor

Ipswich

16 April 2007

Challenger (Norwich) Limited

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006

	<i>Note</i>	<i>2006</i> £	<i>2005</i> £
TURNOVER		-	-
OPERATING PROFIT	2-3	-	-
RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on result on ordinary activities		-	-
RESULT FOR THE YEAR		-	-

All of the amounts above are in respect of continuing operations

There were no other recognised gains or losses in the year, other than the loss for the year as reported above. As a result no Statement of Total Recognised Gains & Losses has been provided.

The accounting policies and notes on pages 7 to 8 form an integral part of these financial statements.

Challenger (Norwich) Limited

BALANCE SHEET at 31 December 2006

	<i>Notes</i>	<i>2006</i> £	<i>2005</i> £
Net Assets		100	100
CAPITAL AND RESERVES			
Called up share capital	5	100	100
Profit and loss account	6	-	-
SHAREHOLDERS' FUNDS	6	100	100

The accounting policies and notes on pages 7 to 8 form an integral part of these financial statements

The financial statements on pages 5 to 8 were approved by the Board of Directors on 16 April 2007 and were signed on its behalf by



M P Hodgkinson
Chief Executive Officer

Challenger (Norwich) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention of accounting and in accordance with applicable accounting standards

Cash flow statement

The company is a wholly-owned subsidiary of Virgin Money Holdings (UK) Limited and is included in the consolidated financial statements of Virgin Money Holdings (UK) Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996)

Related Party Transactions

In accordance with the exemption provided in FRS 8 paragraph 3(c) the company does not disclose transactions with related parties that are part of the Virgin Money Holdings (UK) Limited group

2. DIRECTORS' EMOLUMENTS

None of the directors were remunerated primarily for their services to the company. The directors are employed by Virgin Money Management Services Limited, a fellow subsidiary undertaking, and the emoluments are disclosed within the financial statements of that company

3. EMPLOYEE INFORMATION

The company did not directly employ any staff during the year

4. DIVIDENDS

No dividends were declared in 2006

On 13 June 2005, the company declared a dividend of £79,086,202.81 to its parent, Virgin Money Holdings (UK) Limited. The dividend was set off against an equivalent amount of intercompany debt owed by Virgin Money Holdings (UK) Limited to the Company

5. SHARE CAPITAL

Class	Authorised 2006 No	Allotted, called up and fully paid 2006		Authorised 2005 No	Allotted, called up and fully paid 2005	
		No	£		No	£
Virgin A Ordinary shares of 0.1p each	105,390,868	100,100	100	105,390,868	100,100	100
	105,390,868	100,100	100	105,390,868	100,100	100

The Ordinary shares of 0.1p have equal rights

Challenger (Norwich) Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 1 January 2006	100	-	100
Result for the year	-	-	-
At 31 December 2006	<u>100</u>	<u>-</u>	<u>100</u>

7. ULTIMATE PARENT COMPANY

The company is a subsidiary of Virgin Money Holdings (UK) Limited, which is incorporated in Great Britain. Virgin Money Holdings (UK) Limited is the largest group in which the financial statements of the company are consolidated. The consolidated financial statements of Virgin Money Holdings (UK) Limited may be obtained from Companies House, Crown way, Cardiff, CF4 3UZ.

The directors consider the company's ultimate parent company to be Virgin Group Holdings Limited, a company incorporated in the British Virgin Islands.