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Undershaft (no.2) B.V.
(formerly Norwich Union Overseas Holdings B.V.)

Report and accounts for the year ended 31 December 2005

Amsterdam



Report and accounts for the year ended 31 December 2005

ERNST & YOUNG
Accountants
Signed for identification

Undershaft (no.2) B.V.

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Undershaft (no.2) B.V.

General information

Directors

Aviva Company Secretarial Services Limited
PC Easter
AJ Moss

Auditors

Ernst & Young Accountants
Drentestraat 20
1083 HK Amsterdam
The Netherlands

Head Office and Registered Office

St Helen's
1 Undershaft
London EC3P 3DQ
England

Registered in the Netherlands
Chamber of Commerce 33 21 90 52

Undershaft (no.2) B.V.

Directors' report

The directors have pleasure in presenting their report and accounts for the Company for the year ended 31 December 2005.

Principal activity

The Company previously carried on the business of an investment holding company but following the transfer of all its trading subsidiaries to a fellow Aviva group subsidiary in 2002 and the liquidation of its only remaining subsidiary in 2003, it is no longer trading. The directors are considering the future of the Company.

Change of name

Following shareholder approval, the Company changed its name from Norwich Union Overseas Holdings B.V. to Undershaft (no.2) B.V. on 2 August 2006.

Parent undertaking

The Company is a wholly-owned subsidiary of Norwich Union Overseas Holdings Limited. The ultimate parent undertaking is Aviva plc.

Results for the year

The loss for the year is shown on page 6. The loss arose as the result of receiving and recognizing a prior year tax assessment from the Australian Tax Office in respect of the 2000 reorganisation of Aviva's Australian businesses. The recognized loss includes both the assessment of tax and an estimate of interest payable.

The directors do not recommend the payment of any dividend for the year (2004: £Nil).

Directors

The names of the directors at the date of this report, and those who served during the year, are given on page 3.

Auditors

Ernst & Young Accountants have expressed their willingness to continue in office as auditors and a resolution will be submitted at the Annual General Meeting to re-appoint them as auditor and to authorise the directors to fix their remuneration.

Directors

Aviva Company Secretarial Services Limited

S. New

P C Easter

Abroad

A J Moss

AJM

London,

14 December 2006

Undershaft (no.2) B.V.

Balance sheet (after proposed appropriation of result for the year)

At 31 December 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	2(b) & 3	46,017,023	51,775,615
Current liabilities			
Creditors	4	(36,825,470)	(19,825,991)
Current assets less current liabilities		<u>9,191,553</u>	<u>31,949,624</u>
Capital and reserves			
Called up share capital	6	31,686,289	32,648,655
Legal reserve	7	236,999	236,999
Translation reserve	8	(4,565,435)	(5,527,802)
Retained earnings	9	(18,166,300)	4,591,772
Equity shareholders' funds		<u>9,191,553</u>	<u>31,949,624</u>

The notes on pages 7 to 11 form an integral part of these accounts.

Undershaft (no.2) B.V.

Profit and loss account

For the year ended 31 December 2005

	Notes	2005 £	2004 £
Income			
Interest receivable	11	52,019	-
Realised exchange (losses) / gains		(311)	272
		<u>51,708</u>	<u>272</u>
Expenses			
Interest payable		(9,038,243)	-
Administrative expenses		(50,432)	(12,349)
Loss on ordinary activities before tax		<u>(9,036,967)</u>	<u>(12,077)</u>
Tax on loss on ordinary activities	2(f) & 10	(13,721,105)	1,073,336
Net (loss) / profit for the financial year	9	<u>(22,758,072)</u>	<u>1,061,259</u>

The notes on pages 7 to 11 form an integral part of these accounts.

Undershaft (no.2) B.V.

Notes to the accounts

1. General

Undershaft (no.2) B.V. (the "Company") was incorporated in Amsterdam, The Netherlands in April 1990. The Company is a wholly-owned subsidiary of Norwich Union Overseas Holdings Limited, whose ultimate parent undertaking is Aviva plc which is listed on the London Stock Exchange. The Company has acted as an intermediate holding company for other Aviva plc Group subsidiary and associated undertakings in previous years, although it now has no such investments.

The functional currency of the Company is the Pound Sterling as the majority of transactions are conducted in this currency.

2. Significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the Netherlands and the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code..

(b) Debtors

Debtors are stated at face value less an allowance for doubtful accounts.

(c) Other assets and liabilities

Unless otherwise indicted, other assets and liabilities are stated at face value.

(d) Revenue recognition

Income is recognized in the accounting year to which it relates.

(e) Expenses

Costs and expenses are allocated to the year to which they relate. Losses are recognized in the year in which they are identified.


(f) Tax

The Company is subject to UK corporate income tax at the rate of 30% on its taxable profit, calculated in accordance with UK legislation.

3. Debtors

	2005 £	2004 £
Amounts due from ultimate parent company	-	4,494,474
Amounts due from fellow Group subsidiaries	46,017,023	46,957,452
Dutch corporate income tax recoverable	-	320,066
UK corporate income tax recoverable	-	3,623
	<u>46,017,023</u>	<u>51,775,615</u>

Amounts due from related parties are interest free.

 **ERNST & YOUNG**
Accountants
Signed for identification

Undershaft (no.2) B.V.

Notes to the accounts (continued)

4. Creditors

	2005 £	2004 £
Amount due to ultimate parent company	120,883	-
Amount due to immediate parent company	175,410	4,869,056
Amount due to fellow Group subsidiaries	12,841,824	12,607,106
Group relief payable	886,795	2,285,197
Corporate income tax payable	13,762,315	-
Payable to Australian Tax Office (See note 10)	9,038,243	-
Other creditors and accruals	-	64,632
	36,825,470	19,825,991

Amounts due to related parties are interest free.

5. Financial instruments

Financial instruments in the balance sheet include debtors and short-term liabilities. The estimated fair value of these instruments approximates to their carrying value.

6. Share capital

	2005 £	2004 £
Authorised:		
2,000,000 (2004: 2,000,000) ordinary shares of EUR45 each	61,838,670	63,716,814
100,000 (2004: 100,000) Australian convertible redeemable preference shares of EUR45 each	3,091,933	3,185,841
200,000 (2004: 200,000) New Zealand convertible redeemable preference shares of EUR45 each	6,183,867	6,371,681
	71,114,470	73,274,336
Allotted and fully paid:		
926,992 (2004: 926,992) ordinary shares of EUR45 each	28,661,976	29,532,488
52,015 (2004: 52,015) Australian convertible redeemable preference shares of EUR45 each	1,608,269	1,657,115
45,798 (2004: 45,798) New Zealand convertible redeemable preference shares of EUR45 each	1,416,044	1,459,052
Closing ordinary shares allotted and fully paid	31,686,289	32,648,655
	€	€
Closing ordinary shares allotted and fully paid (EUR)	46,116,225	46,116,225

The Australian and New Zealand convertible redeemable preference shares can be redeemed based upon a proposal from the Board of Directors, which should be approved by the shareholders in General Meeting. The amounts which are then repayable to the holders of those shares have preference over any liabilities due to holders of ordinary shares. The convertible redeemable preference shares can, under certain conditions, be converted into ordinary shares, following approval by the shareholders in General Meeting.

Undershaft (no.2) B.V.

Notes to the accounts (continued)

6. Share capital (continued)

The movements in paid up capital can be summarised as follows:

	2005 £	2004 £
Opening balance	32,648,655	32,494,522
Foreign exchange translation	(962,366)	154,133
Closing balance	31,686,289	32,648,655

The paid up capital balance has been retranslated at the balance sheet date using the euro/sterling exchange rate at that date of 1.4554 (2004: 1.4125). The movement in the year of £962,367 (2004: £154,133) has been taken to the translation reserve (see note 8).

7. Legal reserve

In 2005 the Company changed the par value of the shares from 100 Dutch guilders (euro 45.37802) to euro 45. The difference arising appears as a non-distributable component of shareholders' equity.

8. Translation reserve

	2005 £	2004 £
Opening balance	(5,527,802)	(5,373,669)
Foreign exchange on paid up capital (See note 6)	962,367	(154,133)
Closing balance	(4,565,435)	(5,527,802)

The translation reserve arises on the translation of the share capital from euro to sterling (see note 6) and is a distributable component of shareholders' equity.

9. Retained earnings

	2005 £	2004 £
At 1 January	4,591,772	3,530,513
(Loss) / profit for the financial year	(22,758,072)	1,061,259
At 31 December	(18,166,300)	4,591,772

Undershaft (no.2) B.V.

Notes to the accounts (continued)

10. Tax

The charge for tax comprises:

	2005 £	2004 £
UK corporation tax credit	2,699,443	3,623
Prior year adjustment	(16,420,548)	1,069,713
	<u>(13,721,105)</u>	<u>1,073,336</u>

The prior year adjustment is in respect of the 2000 reorganisation of Aviva's Australian businesses, following receipt in 2005 of a tax assessment from the Australian Tax Office. The Company is disputing the assessment. A provision for interest on late payment of this tax assessment of £9 million is included in interest payable.

11. Related Party

Most of the transactions of the Company occurred with related parties, being companies that form part of the Aviva Group. In addition to the intercompany balances due to and from related parties, as shown in notes 3 and 4, the following amounts reported in the profit and loss account arise from related party transactions.

	2005 £	2004 £
Interest income	<u>52,019</u>	<u>-</u>

12. Employee information

The Company does not employ any personnel.

13. Contingent liabilities

The Company has given standard indemnities and warranties in connection with its disposals in recent years of subsidiaries in Canada, New Zealand and Poland to parties outside the Aviva Group. In the opinion of the directors, adequate provision has been made in these accounts for anticipated claims and no further material loss will arise in respect of these indemnities and warranties.

14. Parent undertakings

The Company is a wholly-owned subsidiary of Norwich Union Overseas Holdings Limited which is registered in London, England.

The ultimate parent undertaking is Aviva plc which is registered in England. Its group accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London, EC3P 3DQ, England.

Undershaft (no.2) B.V.

Notes to the accounts (continued)

15. Directors' remuneration

No members of the Board of Directors received any payment from the Company in respect of management services in 2004 or 2005.

Approved by the Board of Directors in London on 14 December 2006
Directors

Aviva Company Secretarial Services Limited

P C Easter *Abroad*

A J Moss *AJML*

S. Neale

Undershaft (no.2) B.V.

Report of the Auditors

Introduction

We have audited the financial statements of Undershaft (no.2) B.V., Amsterdam, for the year ended 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the Directors' Report is consistent with the company financial statements.

Amsterdam, 2006.

for Ernst & Young Accountants

 **ERNST & YOUNG**
Accountants
Signed for identification: 

Undershaft (no.2) B.V.

Other information

1. Statutory arrangements in respect of profit distribution

In accordance with Article 25 of the Company's articles of association, the loss for the year is at the disposition of the shareholders in General Meeting.

2. Proposed appropriation of result for the year

The loss for the financial year of £22,758,072 has been taken to retained earnings.

AUDITORS' REPORT

Introduction

We have audited the financial statements of Undershaft (no.2) B.V., Amsterdam, for the year ended 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

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Furthermore we have established to the extent of our competence that the Directors' Report is consistent with the financial statements.

Amsterdam, December 15, 2006

For Ernst & Young Accountants



M. Koning