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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 2006

Amsterdam

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Undershaft (No.2) B.V.

Report and accounts for the year ended 31 December 2006

Contents

Page

3	General information
4	Directors' report
5	Balance sheet
6	Income statement
7	Notes to the accounts
12	Report of the Auditors
13	Other information

Undershaft (No.2) B.V.

General information

Directors

Aviva Company Secretarial Services Limited
PC Easter (Resigned 25 01 07)
AJ Moss
T Harris (Appointed 25 01 07)

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 2006

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 and dividend

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

The directors do not recommend the payment of any dividend for the year (2005 £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

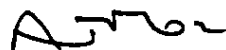
Ernst & Young Accountants have expressed their willingness to continue in office as auditors and a resolution will be submitted at the Annual General Meeting to re-appoint them as auditor and to authorise the directors to fix their remuneration.

Directors

Aviva Company Secretarial Services Limited



A J Moss



T Harris



London, 5 October 2007

Undershaft (No.2) B.V.

Balance sheet At 31 December 2006

	Notes	2006 £	2005 £
Current assets			
Debtors	2(b) & 3	48,716,507	46,017,023
Current tax asset	10	869,535	2,699,443
Current liabilities			
Creditors	4	(40,829,715)	(39,524,913)
Current assets less current liabilities		8,756,327	9,191,553
Capital and reserves			
Called up share capital	6	31,071,436	31,686,289
Legal reserve	7	236,999	236,999
Translation reserve	8	(3,950,582)	(4,565,435)
Retained earnings	9	(18,601,526)	(18,166,300)
Equity shareholders' funds		8,756,327	9,191,553

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

Undershaft (No.2) B.V.

Income statement

For the year ended 31 December 2006

	Notes	2006 £	2005 £
Income			
Interest receivable	11	-	52,019
Realised exchange gains / (losses)		246,408	(311)
		<u>246,408</u>	<u>51,708</u>
Expenses			
Interest payable		(3,047,859)	(9,038,243)
Administrative expenses		(97,000)	(50,432)
Loss on ordinary activities before tax		<u>(2,898,451)</u>	<u>(9,036,967)</u>
Tax on loss on ordinary activities	2(f) & 10	2,463,225	(13,721,105)
Net loss for the financial year	9	<u>(435,226)</u>	<u>(22,758,072)</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 (formerly Norwich Union Overseas Holdings 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 indicated, 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

	2006 £	2005 £
Amounts due from fellow Group companies	46,017,064	46,017,023
Group relief receivable	2,699,443	-
	<u>48,716,507</u>	<u>46,017,023</u>
Amounts due from interested parties are interest free		

Undershaft (No.2) B.V.

Notes to the accounts (continued)

4. Creditors

	2006 £	2005 £
Amount due to ultimate parent company	120,883	120,883
Amount due to immediate parent company	175,410	175,410
Amount due to fellow Group companies	13,728,434	12,841,824
Group relief payable	-	886,795
Tax payable to Australian Tax Office (See Note 10)	14,868,068	16,461,758
Interest payable to Australian Tax Office (See Note 10)	11,839,920	9,038,243
Accruals	97,000	-
	<u>40,829,715</u>	<u>39,524,913</u>

Amounts due to interested 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

	2006 £	2005 £
Authorized		
2,000,000 (2005 2,000,000) ordinary shares of EUR45 each	60,638,728	61,838,670
100,000 (2005 100,000) Australian convertible redeemable preference shares of EUR45 each	3,031,936	3,091,933
200,000 (2005 200,000) New Zealand convertible redeemable preference shares of EUR45 each	6,063,873	6,183,867
	<u>69,734,537</u>	<u>71,114,470</u>
Allotted and fully paid		
926,992 (2005 926,992) ordinary shares of EUR45 each	28,105,808	28,661,976
52,015 (2005 52,015) Australian convertible redeemable preference shares of EUR45 each	1,577,062	1,608,269
45,798 (2005 45,798) New Zealand convertible redeemable preference shares of EUR45 each	1,388,566	1,416,044
Closing ordinary shares allotted and fully paid	<u>31,071,436</u>	<u>31,686,289</u>
	€	€
Closing ordinary shares allotted and fully paid (EUR)	<u>46,116,225</u>	<u>46,116,225</u>

Undershaft (No.2) B.V.

Notes to the accounts (continued)

6. Share Capital (continued)

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.

The movement in paid up capital can be summarized as follows

	2006 £	2005 £
Opening balance	31,686,289	32,648,655
Foreign exchange rate movements	(614,853)	(962,366)
Closing balance	<u>31,071,436</u>	<u>31,686,289</u>

The paid up capital balance has been retranslated at the balance sheet date using the euro/sterling exchange rate at that date of 1.4842 (2005 1.4554). The movement in the year of £614,853 (2005 £962,366) has been taken to the translation reserve (see note 8).

7. Legal reserve

In 2001 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

	2006 £	2005 £
Opening balance	(4,565,435)	(5,527,802)
Foreign exchange on paid up capital (See note 6)	614,853	962,367
Closing balance	<u>(3,950,582)</u>	<u>(4,565,435)</u>

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.

Undershaft (No.2) B.V.

Notes to the accounts (continued)

9. Retained earnings

	2006 £	2005 £
At 1 January	(18,166,300)	4,591,772
Loss for the financial year	(435,226)	(22,758,072)
At 31 December	<u>(18,601,526)</u>	<u>(18,166,300)</u>

10. Tax

The credit / (charge) for tax comprises

	2006 £	2005 £
UK corporation tax credit	869,535	2,699,443
Prior year adjustment	<u>1,593,690</u>	<u>(16,420,548)</u>
	<u>2,463,225</u>	<u>(13,721,105)</u>

In 2005, the Company received a tax assessment from the Australian Tax Office in respect of the 2000 reorganisation of the Aviva Group's Australian businesses. Although the Company is disputing this assessment, full provision has been made in these financial statements, amounting to £14,868,068 (2005 £16,461,758). The movement in the year, a foreign exchange gain of £1,593,690 (2005 £nil) is included in the prior year adjustment above.

A provision for interest on late payment of this tax assessment of £11,839,920 (2005 £9,038,243) is included in creditors in the balance sheet. An increase in this provision of £3,047,859 is included within finance costs in the income statement, whilst a foreign exchange gain on the provision of £246,182 (2005 £nil) is included in income in the income statement.

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

Undershaft (No.2) B.V.

Notes to the accounts (continued)

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.

15. Directors' remuneration

No members of the Board of Directors received any payment from the Company in respect of management services in 2005 or 2006.

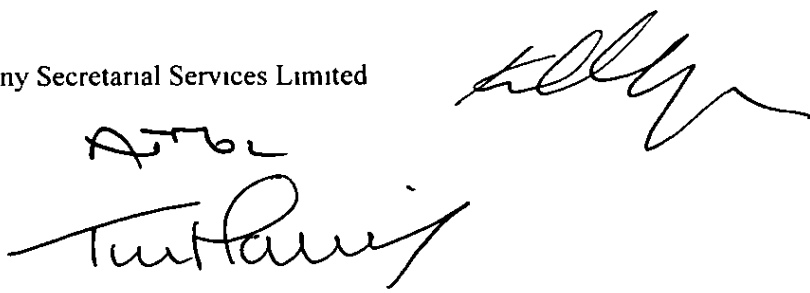
Approved by the Board of Directors in London on 5 October 2007

Directors

Aviva Company Secretarial Services Limited

A J Moss

T Harris

Handwritten signatures of A J Moss and T Harris. The signature for A J Moss is written above the name 'A J Moss' and the signature for T Harris is written above the name 'T Harris'. There is also a larger, more stylized signature to the right of the 'A J Moss' signature.

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 2006. 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 2006 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, 5 October 2007

for Ernst & Young Accountants

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 £435,226 has been taken to retained earnings

To The Directors of Undershaft (no 2) B V

AUDITOR'S REPORT

Report on the annual accounts

We have audited the accompanying annual accounts 2006 of Undershaft (no 2) B V, Amsterdam, which comprise the balance sheet as at 31 December 2006, the income statement for the year then ended and the notes

Management's responsibility

Management is responsible for the preparation and fair presentation of the annual accounts and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the annual accounts that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

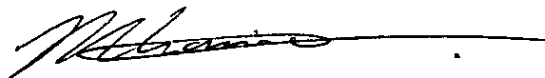
In our opinion, the annual accounts give a true and fair view of the financial position of Undershaft (no 2) B V as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report is consistent with the annual accounts as required by 2:391 sub 4 of the Netherlands Civil Code

Amsterdam, 5 October 2007

for Ernst & Young Accountants



M Koning