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## Undershaft (No.2) B.V.

Report and accounts for the year ended 31 December 2007



 **ERNST & YOUNG**  
ACCOUNTANTS LLP  
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IDENTIFICATION PURPOSES ONLY

# **Undershaft (No.2) B.V.**

**Report and accounts for the year ended 31 December 2007**

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# **Undershaft (No.2) B.V.**

## **General information**

### **Directors**

Aviva Company Secretarial Services Limited  
P C Easter (Resigned 25 01 07)  
T Harris (Appointed 25 01 07)  
A J Moss

### **Auditors**

Ernst & Young Accountants  
Vivaldistraat 150  
1083 HP 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 2007

#### 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.

#### Parent undertaking

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

#### Directors Interest

The requirement for directors to disclose their share interest in the Company's ultimate holding company was repealed by the Companies Act 2006 with effect from 6 April 2007. None of the directors who held office at 31 December 2007 had any interest in the company's shares.

#### Results for the year and dividend

The loss for the year is shown on page 6. The loss arose as the result of recognising an estimate of interest payable resulting from a tax assessment received in 2005 from the Australian Tax Office ("ATO") in respect of the 2000 reorganisation of Aviva's Australian businesses.

Currently there are no new developments regarding the ATO claim. A court hearing is set for October 2008 but a judgement is not expected to be given at this hearing.

The directors do not recommend the payment of any dividend for the year (2006 £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

Under Section 487 of the Companies Act 2006 the Auditors are deemed to have been reappointed.


By order of the Board

Aviva Company Secretarial Services Limited

T Harris

A J Moss

London, 20 October 2008

  
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## Undershaft (No.2) B.V.

### Balance sheet

At 31 December 2007  
(after treatment of loss)

	Notes	2007 £	2006 £
<b>Current assets</b>			
Debtors	2(b) & 3	49,561,314	48,716,507
Current tax asset	9	1,712,764	869,535
<b>Current liabilities</b>			
Creditors	4	(47,931,487)	(40,829,715)
<b>Current assets less current liabilities</b>		<u>3,342,591</u>	<u>8,756,327</u>
<b>Capital and reserves</b>			
Called up share capital	5	33,871,631	31,071,436
Legal reserve	6	236,999	236,999
Translation reserve	7	(6,750,777)	(3,950,582)
Retained earnings	8	(24,015,262)	(18,601,526)
<b>Equity shareholders' funds</b>		<u>3,342,591</u>	<u>8,756,327</u>

Approved by the Board on *20 October* 2008

Aviva Company Secretarial Services Limited X

T Harris X

A J Moss X

The notes on pages 7 to 11 form an integral part of these accounts. The auditor's report is on page 13

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## Undershaft (No.2) B.V.

### Income statement

For the year ended 31 December 2007

	Notes	2007 £	2006 £
<b>Income</b>			
Realised exchange (losses) / gains		(1,346,113)	246,408
		<u>(1,346,113)</u>	<u>246,408</u>
<b>Expenses</b>			
Interest payable		(4,363,100)	(3,047,859)
Administrative expenses		-	(97,000)
<b>Loss on ordinary activities before tax</b>		<u>(5,709,213)</u>	<u>(2,898,451)</u>
Tax on loss on ordinary activities	2(f) & 9	295,477	2,463,225
<b>Net loss for the financial year</b>	8	<u>(5,413,736)</u>	<u>(435,226)</u>

The notes on pages 7 to 11 form an integral part of these accounts. The auditor's report is on page 13

# 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) Exchange gains or losses

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Income and expenses denominated in foreign currencies are translated at the actual rates prevailing on the date of the transaction. Exchange gains or losses are taken to the profit and loss account.

#### (f) Expenses

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

#### (g) 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

	2007	2006
	£	£
Amounts due from Immediate Parent	48,691,779	-
Amounts due from fellow Group companies	-	46,017,064
Group relief receivable	869,535	2,699,443
	<u>49,561,314</u>	<u>48,716,507</u>

Amounts due from related parties are interest free.

## Undershaft (No.2) B.V.

### Notes to the accounts (continued)

#### 4 Creditors

	2007	2006
	£	£
Amount due to ultimate parent company	9,000,000	120,883
Amount due to immediate parent company	-	175,410
Amount due to fellow group companies	5,000,000	13,728,434
Tax payable to Australian Tax Office ( See Note 9 )	16,285,354	14,868,068
Interest payable to Australian Tax Office ( See Note 9 )	17,549,133	11,839,920
Accruals	97,000	97,000
	<u>47,931,487</u>	<u>40,829,715</u>

Amounts due to related parties are interest free

#### 5. Share Capital

	2007	2006
	£	£
Authorised		
2,000,000 (2006 2,000,000) ordinary shares of EUR45 each	66,103,563	60,638,728
100,000 (2006 100,000) Australian convertible redeemable preference shares of EUR45 each	3,305,178	3,031,936
200,000 (2006 200,000) New Zealand convertible redeemable preference shares of EUR45 each	6,610,356	6,063,873
	<u>76,019,097</u>	<u>69,734,537</u>
Allotted and fully paid		
926,992 (2006 926,992) ordinary shares of EUR45 each	30,638,738	28,105,808
52,015 (2006 52,015) Australian convertible redeemable preference shares of EUR45 each	1,719,188	1,577,062
45,798 (2006 45,798) New Zealand convertible redeemable preference shares of EUR45 each	1,513,705	1,388,566
Closing ordinary shares allotted and fully paid	<u>33,871,631</u>	<u>31,071,436</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)

#### 5. 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 summarised as follows:

	2007 £	2006 £
Opening balance	31,071,436	31,686,289
Foreign exchange rate movements	2,800,195	(614,853)
Closing balance	<u>33,871,631</u>	<u>31,071,436</u>

The paid up capital balance has been retranslated at the balance sheet date using the euro/sterling exchange rate at that date of 1.3615 (2006: 1.4842). The adverse movement in the year of £2,800,195 (2006: £614,853 - favourable) has been taken to the translation reserve (see note 7).

#### 6. Legal Reserve

In 2001 the Company changed the par value of the shares from 100 Dutch guilders (Euros 45.37802) to Euros 45. The difference arising appears as a non-distributable component of shareholders' equity.

#### 7. Translation Reserve

	2007 £	2006 £
Opening balance	(3,950,582)	(4,565,435)
Foreign exchange on paid up capital (See note 5)	(2,800,195)	614,853
Closing balance	<u>(6,750,777)</u>	<u>(3,950,582)</u>

The translation reserve arises on the translation of the share capital from euro to sterling (see note 5) and is a distributable component of shareholders' equity.

## Undershaft (No.2) B.V.

### Notes to the accounts (continued)

#### 8. Retained Earnings

	2007 £	2006 £
At 1 January	(18,601,526)	(18,166,300)
Loss for the financial year	(5,413,736)	(435,226)
At 31 December	<u>(24,015,262)</u>	<u>(18,601,526)</u>

#### 9. Tax

Tax Credit for tax comprises

	2007 £	2006 £
UK corporation tax credit	1,712,764	869,535
Prior year adjustment	(1,417,287)	1,593,690
<b>(Charge)/Credit to accounts</b>	<u>295,477</u>	<u>2,463,225</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 £16,285,355 (2006 £14,868,068). The movement in the year, a foreign exchange loss of £1,417,287 (2006 £1,593,690 gain) is included in the prior year adjustment above.

A provision for interest on late payment of this tax assessment of £17,549,133 (2006 £11,839,920) is included in creditors in the balance sheet. An increase in this provision of £4,363,100 (2006 £3,047,859) is included within finance costs in the income statement, whilst a foreign exchange loss on the total provision of £1,346,113 (2006 £246,182 gain) is included as expenses in the income statement.

## **Undershaft (No.2) B.V.**

### **Notes to the accounts (continued)**

#### **10. Employee information**

The Company has not employed any personnel in the current and prior year

#### **11. 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.

#### **12. 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, a public limited company incorporated and domiciled in the United Kingdom. Its group accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London, EC3P 3DQ, England.

#### **13. Directors' remuneration**

The members of the Board of Directors did not receive any payment from the Company in respect of their management services (2006 nil).

#### **14. Related Party transactions**

There are no other related party transactions other than the amounts due to fellow group companies.

## **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 £5,413,736 has been taken to retained earnings

# **Undershaft (No.2) B.V.**

## **Auditor's Report**

### **Report on the financial statements**

#### **Introduction**

We have audited the accompanying financial statements 2007 of Undershaft (No 2) B V , Amsterdam, which comprise the balance sheet as at 31 December 2007, the profit and loss account for the year then ended and the notes

#### **Management's responsibility**

Management is responsible for the preparation and the fair presentation of the financial statements 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 controls relevant to the preparation and fair presentation of the financial statements 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 financial statements 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 financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. 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 financial statements.

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Undershaft (No 2) B V as at 31 December 2007, 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 financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam,

2008

**for Ernst & Young Accountants**

signed by M Koning

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