

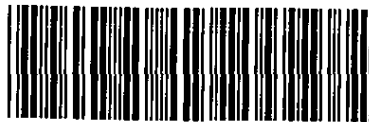
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UNDERSHAFT (NO.2) BV

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

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EY ERNST & YOUNG
ACCOUNTANTS LLP
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IDENTIFICATION PURPOSES ONLY

UNDERSHAFT (NO.2) BV

Contents

Page

3 Directors and officers

4 Directors' report

Financial Statements

6 Balance sheet

7 Income statement

8 Notes to the financial statements

13 Other information

14 Auditor's report

UNDERSHAFT (NO.2) BV

Directors and Officers

Directors

Aviva Company Secretarial Services Limited
T W Harris
A J Moss

Auditor

Ernst & Young Accountants
Antonio Vivaldistraat 150
1083 HP Amsterdam
The Netherlands

Main business address

St Helen's,
1 Undershaft,
London,
EC3P 3DQ.

Company Number

Registered in the Netherlands
Chamber of Commerce 33 21 90 52
Registered in England and Wales as a foreign company number FC023732

Other Information

The Company is a member of the Aviva plc group of companies ("the Group").

UNDERSHAFT (NO.2) BV

Directors' report

The directors present their annual report and financial statements for the Company for the year ended 31 December 2008.

Directors

The current directors and those in office during the year are as follows:

Aviva Company Secretarial Services Limited
T W Harris
A J Moss

Principal Activities

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.

In February 2009, a court case was settled in the Company's favour in relation to disputed tax provisions. This has resulted in the release of tax and interest provisions of £33,834,487 which have been credited to the income statement.

Parent undertaking

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

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in this report. In addition the financial statements include notes on its capital structure (see note 5).

The Company and its ultimate holding company, Aviva plc, have considerable financial resources. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. 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.

Financial Position and Performance

The financial position of the Company at 31 December 2008 is shown in the balance sheet on page 6 and the results shown in the income statement on page 7.

The profit for the year is shown on page 7. The profit arose as a result of the release of the tax provision and accrued interest upon the settlement of the court case relating to the tax assessment of the Company by the Australian Tax Office.

Dividend

The directors do not recommend the payment of any dividend for the year (2007: £Nil).

UNDERSHAFT (NO.2) BV

Directors' report (continued)

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.

Approved by the Board on 21 August 2009

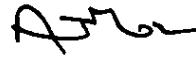
Aviva Company Secretarial Services Limited



T W Harris

ABROAD

A J Moss



UNDERSHAFT (NO.2) BV

Financial Statements

Balance sheet

At 31 December 2008

	Notes	2008 £	2007 £
Current assets			
Debtors	2(b) & 3	37,269,461	49,561,314
Current tax asset		-	1,712,764
Current liabilities			
Creditors	4	(5,028,666)	(47,931,487)
Current assets less current liabilities		32,240,795	3,342,591
Capital and reserves			
Called up share capital	5	44,586,895	33,871,631
Legal reserve	6	236,999	236,999
Translation reserve	7	(17,466,041)	(6,750,777)
Retained earnings	8	4,882,942	(24,015,262)
Equity shareholders' funds		32,240,795	3,342,591

Approved by the Board on 21 August 2009

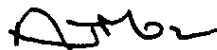
Aviva Company Secretarial Services Limited



T Harris

ABROAD

A J Moss



The notes on pages 8 to 12 form an integral part of these accounts. The auditor's report is on page 14.

UNDERSHAFT (NO.2) BV

Income statement

For the year ended 31 December 2008

	Notes	2008 £	2007 £
Income			
Realised exchange losses		-	(1,346,113)
		-	(1,346,113)
Expenses			
Interest payable	9	17,549,133	(4,363,100)
Administrative expenses		89,649	-
Profit/ (loss) before tax		17,638,782	(5,709,213)
Tax on profit/(loss)	2(g) & 10	11,259,422	295,477
Profit/ (loss) for the year	8	28,898,204	(5,413,736)

The notes on pages 8 to 12 form an integral part of these accounts. The auditor's report is on page 14.

UNDERSHAFT (NO.2) BV

Notes to the financial statements

1. General

Undershaft (No.2) BV (formerly Norwich Union Overseas Holdings BV), (the "Company") was incorporated in Amsterdam, The Netherlands in April 1990. The Company is a wholly-owned subsidiary of Aviva 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 subsidiaries 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 recognised 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 income statement. Translation differences on non-monetary items are reported as part of the currency translation reserve.

(f) Expenses

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

(g) Tax

The Company is subject to UK corporate income tax at the rate of 28.5 % (2007:30%) on its taxable profit, calculated in accordance with UK legislation.

3. Debtors

	2008 £	2007 £
Amounts due from fellow Group companies	35,553,963	48,691,779
Group relief receivable	1,715,498	869,535
	<u>37,269,461</u>	<u>49,561,314</u>

Amounts due from related parties are interest-free.

UNDERSHAFT (NO.2) BV

Notes to the financial statements (continued)

4. Creditors

	2008 £	2007 £
Amount due to ultimate parent company	-	9,000,000
Amount due to fellow Group companies	-	5,000,000
Current tax liability	5,028,666	16,285,354
Interest payable to Australian Tax Office (see note 9)	-	17,549,133
Accruals	-	97,000
	5,028,666	47,931,487

Amounts due to related parties are interest-free.

5. Share Capital

	2008 £	2007 £
Authorised:		
2,000,000 (2007: 2,000,000) ordinary shares of EUR45 each	87,015,373	66,103,563
100,000 (2007: 100,000) Australian convertible redeemable preference shares of EUR45 each	4,350,769	3,305,178
200,000 (2007: 200,000) New Zealand convertible redeemable preference shares of EUR45 each	8,701,537	6,610,356
	100,067,679	76,019,097
Allotted and fully paid:		
926,992 (2007: 926,992) ordinary shares of EUR45 each	40,331,277	30,638,738
52,015 (2007: 52,015) Australian convertible redeemable preference shares of EUR45 each	2,263,053	1,719,188
45,798 (2007: 45,798) New Zealand convertible redeemable preference shares of EUR45 each	1,992,565	1,513,705
Closing ordinary shares allotted and fully paid	44,586,895	33,871,631
	€	€
Closing ordinary shares allotted and fully paid (EUR)	46,116,225	46,116,225

UNDERSHAFT (NO.2) BV

Notes to the financial statements (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:

	2008 £	2007 £
Opening balance	33,871,631	31,071,436
Foreign exchange rate movements (see below)	10,715,264	2,800,195
Closing balance	<u>44,586,895</u>	<u>33,871,631</u>

The paid up capital balance has been retranslated at the balance sheet date using the euro/sterling exchange rate at that date of 1.0343 (2007: 1.3615). The adverse movement in the year of £10,715,264 (2007: £2,800,195) 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 (euro 45.37802) to euro 45. The difference arising is treated as a non-distributable component of shareholders' equity.

7. Translation reserve

	2008 £	2007 £
Opening balance	(6,750,777)	(3,950,582)
Foreign exchange movement on paid up capital (See note 6)	(10,715,264)	(2,800,195)
Closing balance	<u>(17,466,041)</u>	<u>(6,750,777)</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) BV

Notes to the financial statements (continued)

8. Retained earnings

	2008	2007
	£	£
At 1 January	(24,015,262)	(18,601,526)
Profit / (loss) for the year	28,898,204	(5,413,736)
At 31 December	<u>4,882,942</u>	<u>(24,015,262)</u>

9. Interest payable

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 disputed this assessment, full provision for the tax liability and for the interest charges due to late submission of the tax return has been made in the financial statements. Since then, in February 2009, the tax court case was settled in the Company's favour resulting in the release of accumulated interest provisions of £17,549,133 and tax provisions of £16,285,354 (see note 10) to the income statement.

10. Tax

(a) Tax credited to the income statement comprises:

	2008	2007
	£	£
UK corporation tax (charge)/credit	(5,028,666)	1,712,764
Prior year adjustment	16,288,088	(1,417,287)
Total tax credited to the income statement	<u>11,259,422</u>	<u>295,477</u>

Tax provisions of £16,285,354 have been released to the income statement in relation to the settlement of the Australian tax court case in the Company's favour (see note 9).

(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

	2008	2007
	£	£
Profit/(loss) before tax	17,638,782	(5,709,213)
Tax calculated at standard UK corporation tax rate of 28.5% (2007: 30%)	(5,027,053)	(1,712,764)
Adjustment to tax charge in respect of prior years	16,288,088	1,417,287
Disallowable expenses	(2,095)	-
Other items	482	-
Total tax credited to the income statement	<u>11,259,422</u>	<u>295,477</u>

UNDERSHAFT (NO.2) BV

Notes to the financial statements (continued)

11. Employee information

The Company does not have any employees.

12. Parent undertakings

The Company is a wholly-owned subsidiary of Aviva Overseas Holdings Limited, which is registered in 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.

13. Directors' remuneration

The members of the Board of Directors did not receive any payment from the Company in respect of management services. (2007: nil).

14. Related party transactions

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

UNDERSHAFT (NO.2) BV

Other information

1. Statutory arrangements in respect of profit distribution

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

2. Proposed appropriation of result for the year

The profit for the financial year of £28,898,204 has been taken to retained earnings.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2008 of Undershaft (No.2) B.V., Amsterdam, which comprise the balance sheet as at 31 December 2008, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and 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 control 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 misstatement.

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 judgment, 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 control 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 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 financial statements.

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 financial statements give a true and fair view of the financial position of Undershaft (No.2) B.V. as at 31 December 2008, 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 f 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,

2009.