

**THE NORTHERN MARITIME INSURANCE COMPANY  
LIMITED**

**Annual Report and Accounts  
for the year ended 31 December 2009**



# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

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# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Company information

### Directors

R J Clayton

D P Cockrem

I A Craston

M G Culmer

M Harris

### Secretary

Roysun Limited

### Registered office

St Mark's Court  
Chart Way  
Horsham  
West Sussex  
RH12 1XL

### Auditors

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
London

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Directors' report for the year ended 31 December 2009

The directors present their annual report on the affairs of the Company and the audited financial statements for the year ended 31 December 2009

### Business review and principal activities

The Company held a share in an investment pool during the year

The Company did not write insurance business during the year and consequently no technical account has been prepared. The results for the Company show a profit on ordinary activities before tax of £204,000 (2008 £388,000). The shareholder funds of the Company were £4,133,000 as at 31 December 2009 (31 December 2008 £3,982,000).

### Future outlook

There is not expected to be any change to the business in the foreseeable future

### Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2009 (2008 £nil)

### Principal risks and uncertainties and key performance indicators

A discussion on the management of financial risk is set out below. Key performance indicators are not appropriate for the Company and are not maintained because the Company no longer conducts insurance business and investment strategy is determined at Group level. Financial KPIs are detailed in the Annual Report & Accounts of the Group which do not form part of this report within the Group CEO review on pages 6 to 10 and the regional business reviews on pages 14 to 25.

### Financial risk management

The Company is a subsidiary of RSA Insurance Group plc and its management of risk is set at Group level. The Group's approach to financial risk, through its management of credit, market and liquidity risks, is set out below.

#### Credit risk

The primary sources of credit risk within the Group are investment and treasury activities. Within the investment management and treasury activities, a range of bank counterparty concentration and credit quality limits together with other controls are in place to ensure that exposure is managed within the Group risk appetite.

#### Market risk

Market risk arises from the Group's investment portfolios. The Global Asset Management Committee is the management committee that oversees the Group's investment strategy under the oversight of the Investment Committee and operating within risk limits set by the Board Risk Committee.

#### Liquidity risk

Liquidity risk is considered to be a low risk category. Group liquidity is managed by Group Treasury and each operation is required to maintain a minimum level of cash or cash equivalents or highly liquid assets that can be liquidated within a maximum stated period of time. Contingency funding plans are prepared and monitored to ensure that these minimum levels are met even in stress conditions.

### Articles of association

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital through the repeal of section 2(5)(a) of the Companies Act 1985, which became effective on 1 October 2009.

Accordingly, by written resolution passed on 15 June 2010, the Company amended its articles of association (the "Old Articles") by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, were treated with effect from 1 October 2009 as provisions of the Old Articles. At the same time the Company adopted new Articles of Association (the "New Articles"). The New Articles do not contain restrictions on the share capital of the Company and consequently, the Company no longer has an authorised share capital.

### Directors

Mr P L Miles served as a director until he resigned on 30 June 2010. The names of the current directors are listed on page 1, they served throughout the year.

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Directors' report (continued) for the year ended 31 December 2008

### Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information


This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have confirmed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed to be reappointed as auditors in the absence of an Annual General Meeting

### Going concern

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the continuing availability of sufficient group resources for the next twelve months and beyond. As a result of this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis

By Order of the Board



Roysun Limited  
Secretary  
5 August 2010

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditors' report to the member of The Northern Maritime Insurance Company Limited**

We have audited the financial statements of The Northern Maritime Insurance Company Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it in an auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and international Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Alexander Arterton (Senior Statutory Auditor),  
For and on behalf of Deloitte LLP,  
Chartered Accountants and Statutory Auditors,  
London, United Kingdom

6 August

2010

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Profit & loss account for the year ended 31 December 2009

### Non-technical account

	Notes	2009 £000	2008 £000
Investment income	5	216	234
Unrealised (losses)/gains on investments		(12)	154
<b>Profit on ordinary activities before tax</b>		<b>204</b>	<b>388</b>
Taxation on profit on ordinary activities	6	(53)	(118)
<b>Profit for the financial year</b>		<b>151</b>	<b>270</b>

All figures relate to continuing operations

There have been no recognised gains or losses in either reporting period other than those recorded in the profit and loss account  
Accordingly, no statement of total recognised gains and losses is presented

The notes on pages 8 to 10 form an integral part of these accounts



**THE NORTHERN MARITIME INSURANCE COMPANY LIMITED****Balance sheet**  
as at 31 December 2009**Assets**

	<b>Notes</b>	<b>2009 £000</b>	<b>2008 £000</b>
<b>Investments</b>			
Participation in investment pool	7	4,461	4,257
<b>Total assets</b>		<b>4,461</b>	<b>4,257</b>

**Liabilities**

	<b>Notes</b>	<b>2009 £000</b>	<b>2008 £000</b>
<b>Capital and reserves</b>			
Called up share capital	8	2,030	2,030
Profit and loss account	9	2,103	1,952
<b>Shareholder funds</b>		<b>4,133</b>	<b>3,982</b>
<b>Creditors</b>			
Amounts owed to group undertakings		275	157
Other creditors including taxation and social security	10	53	118
<b>Total liabilities</b>		<b>4,461</b>	<b>4,257</b>

The notes on pages 8 to 10 form an integral part of these accounts

The financial statements were approved by the Board of Directors and are signed on its behalf by



R J Clayton  
Director  
10 August 2010

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Notes to the accounts

### 1 Financial Statements

The financial statements are prepared in accordance with applicable UK accounting standards and in compliance with the Companies Act 2006, and the Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006). The financial statements have been prepared under the current value rules, as permitted by Schedule 3 of the accounting regulations, on the going concern basis.

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the continuing availability of sufficient group resources for the next twelve months and beyond. As a result of this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

A summary of the major accounting policies, which have been applied consistently throughout the year and the preceding year is set out below.

#### a) Investment return

Income from investments is included in the non-technical account on an accruals basis. Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses. Dividends on equity investments are recognised on the date at which the investment is priced 'ex dividend'.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their carrying value at the balance sheet date and their purchase price or their carrying value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

#### b) Taxation

Current tax, based on profits and income for the year, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences (except as set out below) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

#### c) Investments

The beneficial interest in the investment pool is stated at the Company's share of the value of the underlying assets. Movements in carrying value, together with profits and losses arising on disposal of any part of the beneficial interest, are taken to the non-technical account.

Other investments are stated in the balance sheet at market values comprising stock exchange values for listed securities. Profits and losses on the realisation of investments and the differences between market values and book values of the investments, together with the related tax, are taken to the non-technical account.

### 2 Auditors' remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £1,100 (2008 £1,100) which were borne by a parent company, Royal & Sun Alliance Insurance plc. Details of non-audit fees payable to Deloitte LLP are disclosed in the RSA Insurance Group plc 2009 Annual Report & Accounts.

### 3 Directors' emoluments

None of the directors received any emoluments from the Company during the year (2008 £nil). All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

### 4 Employees and staff costs

The Company did not employ anyone during the year (2008 nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company (2008 £nil).

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Notes to the accounts (continued)

### 5 Investment income

	2009 £000	2008 £000
Income from participation in investment pool	215	209
Gains on the realisation of investments	1	25
	<b>216</b>	<b>234</b>

### 6 Taxation

The charge for taxation in the profit and loss account comprises

	2009 £000	2008 £000
<b>Current tax</b>		
UK corporation tax	53	106
Adjustments in respect of prior periods	-	12
<b>Total current tax</b>	<b>53</b>	<b>118</b>
<b>Tax charge</b>	<b>53</b>	<b>118</b>

The UK corporation tax for the current year is based on a rate of 28% (2008 28.5%)

*Factors affecting the current tax charge*

The current tax charge for the year is less than 28% (2008 more than 28.5%) due to the items set out in the reconciliation below

	2009 £000	2008 £000
<b>Profit on ordinary activities before tax</b>	<b>204</b>	<b>388</b>
Tax at 28% (2008 28.5%)	57	110
<i>Factors affecting charge</i>		
Fiscal adjustments	(4)	(4)
Adjustment to tax charge in respect of previous periods	-	12
<b>Current tax charge for the year</b>	<b>53</b>	<b>118</b>

The Company had no deferred tax assets or liabilities at 31 December 2009 (2008 £nil)

### 7 Investments

	2009 £000	2008 £000
Participation in investment pool	4,461	4,257
Listed investments included in the above are as follows		
Debt securities and other fixed income securities	4,365	3,998

The composition of the investment pool is 73% (2008 77%) British government stocks, 26% (2008 18%) other government and corporate bonds and 1% (2008 5%) deposits with credit institutions

The historical cost of other financial investments is £4,092,000 (2008 £3,888,000)

### 8 Share capital

	2009 £000	2008 £000
<b>Allotted and issued</b>		
400,000 (2008 400,000) ordinary shares of £5 each fully paid up	2,000	2,000
10,000 (2008 10,000) ordinary shares of £5 each £3 called up and paid	30	30
	<b>2,030</b>	<b>2,030</b>

# THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

## Notes to the accounts (continued)

### 9 Movements in shareholder funds

	Share capital £000	Profit & loss account £000	2009 £000	2008 £000
Shareholder funds at 1 January	2,030	1,952	3,982	3,712
Profit for the financial year	-	151	151	270
Shareholder funds at 31 December	2,030	2,103	4,133	3,982

### 10 Other creditors

Other creditors including taxation and social security includes £53,000 (2008 £118,000) in respect of corporation tax payable

### 11 Cash flow statement

The Company is a wholly-owned subsidiary of RSA Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of RSA Insurance Group plc. The Company has thus taken advantage of the exemption permitted by FRS 1 (revised 1996) 'Cash flow Statements' and has elected not to prepare its own cash flow statement.

### 12 Related party transactions

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with RSA Insurance Group plc and its subsidiaries and associated undertakings. There were no other related party transactions requiring disclosure.

### 13 Parent companies

The Company's immediate parent company is Sun Alliance and London Insurance plc, which is registered in England and Wales.

The Company's ultimate parent company and controlling party is RSA Insurance Group plc, which is registered in England and Wales and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 9<sup>th</sup> Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD.