

Company No 99375

The Northern Assurance Company Limited

Report and accounts for the year ended 31 December 2007

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The Northern Assurance Company Limited

Report and accounts for the year ended 31 December 2007

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The Northern Assurance Company Limited

Directors' report

The directors present their report and accounts for the Company for the year ended 31 December 2007

Directors

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

R J Harvey (resigned 29 June 2007)

A J Moss

P G Scott

T C Thiam (appointed 29 June 2007 and resigned 28 September 2007)

There were no contracts of significance in existence at any time during the year in which a director of the Company was materially interested

Business review and principal activities

In 2005, the principal activity of the Company comprised the run-off of the general insurance business of its overseas branches. With effect from 27 October 2005, the Company's general insurance business was transferred to fellow Aviva Group subsidiaries. All the liabilities and matching reinsurance assets were transferred to other Aviva group members during the year. The directors are considering the future of the company.

Ultimate holding company

The ultimate holding company is Aviva plc

Results and dividend

The results for the year are on page 6. No interim dividend was paid during the year (2006 £4,132,989). The directors are not proposing a final dividend for 2007 (2006 £nil).

Directors' interests

The requirement for directors to disclose their share interests in Aviva plc in the directors' report was repealed by the Companies Act 2006 with effect from 6 April 2007.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

Auditor and the disclosure of information to the auditor

Each person who was a director of the Company on the date that this report was approved confirms that so far as each director is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each director has taken all the steps that he is obliged to take as a director in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

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

The Northern Assurance Company Limited

Directors' report (continued)

Directors' liabilities

Aviva plc, the ultimate parent company, has granted an indemnity to one or more of its directors against liability in respect of any proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. This indemnity and the provisions in the Company's Articles of Association constitute "qualifying third party indemnities" for the purposes of sections 309A to 309C of the Companies Act 1985. Such qualifying third party indemnity provisions remain in force as at the date of approving the Directors' report.

By order of the Board

Authorised Signatory
Aviva Company Secretarial Services Limited
Secretary

21 July 2008

Registered Office
St Helen's, 1 Undershaft, London EC3P 3DQ

The Northern Assurance Company Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare accounts for each financial year which 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

The Northern Assurance Company Limited

Independent auditor's report to the members of The Northern Assurance Company Limited

We have audited the Company's accounts for the year ended 31 December 2007 which comprise the profit and loss account, Reconciliation of movements in equity shareholder's funds, Balance sheet, and the related notes 1 to 12. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

25 July 2008

The Northern Assurance Company Limited

Profit and loss account

For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Net investment income		-	668
Other income		-	14,463
Exchange gain on assets denominated in foreign currency		84	-
Profit on ordinary activities before tax		84	15,131
Tax on profit on ordinary activities	2	(25)	(2,420)
Profit on ordinary activities after tax	8	59	12,711

The company has no recognised income or expense other than those included in the results above. Accordingly, a statement of recognised income and expense is not presented.

Reconciliation of movements in equity shareholder's funds

For the year ended 31 December 2007

	2007 £'000	2006 £'000
Balance at 1 January	12,223	951,135
Share buy-back	-	(947,490)
Total recognised gains and losses arising in the year	59	12,711
Dividends paid	-	(4,133)
Balance at 31 December	12,282	12,223

The notes on pages 8 to 11 are an integral part of these accounts. The auditors' report is on page 5.

The Northern Assurance Company Limited

Balance sheet

At 31 December 2007

	Notes	2007 £'000	2006 £'000
Current assets			
Other Financial investments		-	123
Other debtors	6	11,373	30,698
Cash at bank and in hand		934	719
Current assets		12,307	31,540
Current liabilities			
Other creditors including tax and social security	7	(25)	(19,317)
Current assets less current liabilities		12,282	12,223
Shareholders' equity			
Ordinary share capital	8	10	10
Retained earnings	9	12,272	12,213
Total capital and reserves		12,282	12,223

Approved and signed on behalf of the Board on 21 July 2008

Director



The notes on pages 8 to 11 are an integral part of these accounts The auditors' report is on page 5

The Northern Assurance Company Limited

Notes to the accounts

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's accounts

(a) Basis of accounts

The accounts have been prepared under the historical cost convention. The accounting policies adopted reflect United Kingdom financial reporting standards and statements of standard accounting practice applicable at 31 December 2007.

On 3 February 2006, the Company's Part IV insurance permissions were cancelled, and as a result the Company now prepares accounts in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act. Previously, the accounts were prepared under the provisions of Section 225 of, and Schedule 9A to, the Companies Act.

The profit and loss account for the year reflects all income, expenditure and investment gains and losses, other than items charged to provisions set up in earlier years.

(b) Investment income and unrealised investment gains or losses

Investment income comprises interest receivable and dividends declared and appropriately approved during the year, together with realised investment gains and losses. Realised investment gains and losses represent the difference between the net sale proceeds and the cost of acquisition. Unrealised investment gains and losses represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year.

(c) Tax

The tax credit or charge is based on the taxable profit for the year, after any adjustments in respect of prior years.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise and discounted to take into account the likely timing of payments and pattern of expected realisation of investments.

The discount rates used are the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets or liabilities.

(d) Investments

Investments are stated at their current values at the end of the year. Current values, for this purpose, comprise stock exchange mid-market values for listed securities.

The Northern Assurance Company Limited

Notes to the accounts (continued)

2. Tax

(a) Tax on profit on ordinary activities

	2007 £'000	2006 £'000
Tax charged in the profit and loss account comprises		
Current tax		
UK corporation tax	25	4,388
Prior year adjustments	-	(1,968)
Total tax charge in the profit and loss account	<u>25</u>	<u>2,420</u>

(b) Factors affecting current tax charge for the year

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the UK tax rate of 30% as follows

	2007 £'000	2006 £'000
Profit on ordinary activities before tax	84	15,131
Current tax charge at standard UK corporation tax rate of 30% (2006 30%)	25	4,388
Adjustment to tax charge in respect of prior years	-	(1,968)
Total tax charge	<u>25</u>	<u>2,420</u>

(c) Factors that may affect future tax charges

There are no unrecognized deferred tax assets

3. Directors' emoluments and employee information

All directors are remunerated by Aviva Employment Services Limited, a fellow subsidiary of the ultimate holding company, Aviva plc. The emoluments of these directors are not recharged to the Company.

The Company had no employees during the current and prior years.

4. Auditor's remuneration

Fees for the audit of the Company were £6,000 (2006 £5,000) which have been borne by Aviva plc.

The Northern Assurance Company Limited

Notes to the accounts (continued)

5. Investments in Group undertakings

(a) Movement in the Company's investments in Group undertakings are set out below

	2007 £'000	2006 £'000
Cost		
Balance at 1 January	-	2,605
Disposals	-	(2,605)
Balance at 31 December	-	-

6 Other debtors

	2007 £'000	2006 £'000
Amount due from parent company	11,254	28,014
Amounts due from fellow subsidiary undertakings	99	2,656
Other	20	28
	11,373	30,698

7. Other creditors including tax and social security

	2007 £'000	2006 £'000
Amounts due to ultimate parent undertaking	-	8,145
Amounts due to fellow subsidiary undertakings	-	5,160
Group relief	-	1,622
Corporation Tax	25	4,388
Other	-	2
	25	19,317

8. Ordinary share capital

Details of the Company's ordinary share capital are as follows:

	2007 £'000	2006 £'000
Authorised share capital		
947,500,000 (2006 947,500,000) ordinary shares of £1 each	947,500	947,500
Allotted, called up and fully paid share capital		
10,000 (2006 10,000) ordinary shares of £1 each	10	10

9. Retained earnings

	Profit and loss account 2007 £'000	Profit and loss account 2006 £'000
Balance at 1 January	12,213	3,635
Transfer from non-technical account	59	12,711
Dividend	-	(4,133)
Balance at 31 December	12,272	12,213

The Northern Assurance Company Limited

Notes to the accounts (continued)

10. Related party transactions

As consolidated accounts for Aviva plc are publicly available, the Company has taken advantage of the exemption in Financial Reporting Standard 8 from the requirement to disclose transactions with related parties who are 90% or more owned within the same group

11. Cash flow statement

As the Company is a wholly-owned subsidiary within the Aviva Group, the cash flows of the Company were included in the consolidated group cash flow statement of Aviva plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard 1 from publishing a cash flow statement

12. Holding companies' details

The immediate holding company is Aviva International Insurance Limited

The ultimate holding company 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