

The Welsh Insurance Corporation Limited

Report and accounts for the year ended 31 December 2005



The Welsh Insurance Corporation Limited

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The Welsh Insurance Corporation Limited

Directors' report

The directors submit their report and accounts for the Company for the year ended 31 December 2005.

Principal activity

During the year, the Company continued to hold financial investments and derive income from these. The Company has ceased its trade and 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. The directors settled an interim dividend of £58,098,000 on 28 November 2005 (2004: £300,000,000) but do not recommend the payment of a final dividend (2004: nil). The total dividends for the year amounted to £58,098,000 (2004: £300,000,000).

Directors

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

R J Harvey (Resigned 29 March 2006)
P G Scott (Resigned 29 March 2006)
P J R Snowball (Resigned 29 March 2006)
A J Moss (Resigned 29 March 2006)
Aviva Company Secretarial Services Limited (Appointed 29 March 2006)
Aviva Director Services Limited (Appointed 29 March 2006)

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

Directors' interests

The directors who held office at 31 December 2005 are also all directors of the Company's ultimate holding company, Aviva plc, and under the Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985 (SI 1985/802) are not required to disclose their share interests in Aviva plc in the Company's accounts. Their interests can be found in the Report and Accounts of Aviva plc.

None of the directors who held office at 31 December 2005 had any beneficial interest in the Company's shares.

Resolutions

On 15 October 1999, the members of the Company passed resolutions to dispense with the holding of Annual General Meetings, the laying of directors' reports, financial statements and auditors' reports before the members in general meetings and the obligation to appoint auditors annually.

The Welsh Insurance Corporation Limited

Directors' report (continued)

Auditors

Ernst & Young LLP will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 386 of the Companies Act 1985.

Directors' liabilities

Aviva plc, the ultimate parent company, has granted an indemnity to the directors against liability in respect of 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 provision remains in force as at the date of approving the directors' report.

Creditor payment policy and practice

The Company has no trade creditors.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Authorised Signatory
Aviva Company Secretarial Services Limited
Secretary
20 April 2006

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

The Welsh Insurance Corporation Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonably and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 financial statements 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 Welsh Insurance Corporation Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WELSH INSURANCE CORPORATION LIMITED

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and loss account, the Reconciliation of movements in equity shareholders' funds, the Balance Sheet, and the related notes 1 to 12. These financial statements 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 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 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 financial statements 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.

Our responsibility is to audit the financial statements 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 financial statements 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 financial statements, 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 other 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

20 APRIL 2006

The Welsh Insurance Corporation Limited

Profit and loss account

For the year ended 31 December 2005

	Notes	2005 £'000	Restated 2004 £'000
Investment income	1(b) & 2	177	1,681
Investment expenses and charges	2	(2)	(15,010)
Administrative expenses		(19)	-
Foreign exchange (losses) / gains	1(e)	(37)	46
Profit / (loss) on ordinary activities before tax		119	(13,283)
Tax on profit / (loss) on ordinary activities	1(c) & 3(a)	6,017	15,784
Profit on ordinary activities after tax		6,136	2,501

The Company has no recognised gains or losses other than those included in the results above. Accordingly, a statement of recognised gains and losses is not presented.

Reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000
Balance at 1 January		321,403	618,902
Profit for the financial year		6,136	2,501
Dividends	8	(58,098)	(300,000)
Balance at 31 December		269,441	321,403

The notes on pages 8 to 11 are an integral part of these accounts.

The Welsh Insurance Corporation Limited

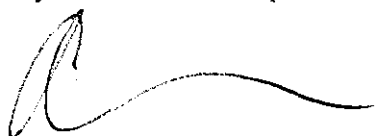
Balance sheet

At 31 December 2005

	Notes	2005 £'000	2004 £'000
Current assets			
Amounts due from holding companies		277,977	318,611
Amounts due from other Group undertakings		8,677	24,782
Overseas tax recoverable		-	274
Other debtors		53	49
Prepayments and accrued interest		-	19
Financial investments	1(d) & 6	3,300	1,800
Cash at bank		145	1,539
		290,152	347,074
Creditors: Amounts falling due within one year			
Other creditors including tax and social security	9	(20,670)	(25,653)
Accruals and deferred income		(41)	(18)
		(20,711)	(25,671)
Net assets		269,441	321,403
 Represented by:			
Capital and reserves			
Called up share capital	7	242,551	242,551
Share premium account	8	20,754	20,754
Profit and loss account	8	6,136	58,098
Equity shareholders' funds		269,441	321,403

Approved by the board on 20 April 2006

Director



The notes on pages 8 to 11 are an integral part of these accounts.

The Welsh Insurance Corporation 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

These 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 2005.

(b) Investment income and unrealised gains and 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 carrying value at the previous year end or purchase value this year. 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.

In prior periods, consistent with the Statement Of Recommended Practice issued by the Association of British Insurers in 2003, realised investment gains and losses represented the difference between the net sales proceeds and the cost of the acquisition and unrealised investment gains and losses included adjustments in respect of unrealised gains and losses recorded in prior years which had been realised during the year and were reported as realised gains and losses in the current profit and loss account. This change in accounting policy has had no impact on shareholders funds at 1 January 2004 and 31 December 2004 or the profit before tax for the year ending 31 December 2004.

(c) Tax

The tax credit is based on the taxable results for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits on ordinary activities and amounts charged or credited to reserves as appropriate.

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 taxation 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) Financial investments

Financial investments are stated at their current values at the end of the year.

(e) Exchange rates

Transactions denominated in foreign currencies are translated at the exchange rate at the date of transaction. Foreign currency assets and liabilities held at the year end are translated at year end rates of exchange. The resulting exchange gains or losses are included in the profit and loss account.

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Notes to the accounts (continued)

2. Analysis of investment return

The total investment return before tax comprises:

	2005 £'000	Restated 2004 £'000
Income from other investments	177	1,681
Realised investment losses	-	(15,241)
Expenses and charges, including allocated interest charges	(2)	231
Total investment return before tax	175	(13,329)

3. Tax

(a) Tax on profit / (loss) on ordinary activities

Tax credited in the profit and loss account comprises:

	2005 £'000	2004 £'000
Current tax:		
UK corporation tax	42	540
Prior year adjustments	(6,059)	(1,808)
	(6,017)	(1,268)
Deferred tax:		
Origination and reversal of timing differences	-	(16,716)
Decrease in discount	-	2,200
Total deferred tax	-	(14,516)
Total tax credit in the profit and loss account	(6,017)	(15,784)

(b) Factors affecting current tax charge for the year

The tax assessed in the profit and loss account is lower than the standard UK corporation tax rate, because of the following factors:

	2005 £'000	2004 £'000
Profit / (loss) on ordinary activities before tax	119	(13,283)
Current tax charge at standard UK corporation tax rate of 30% (2004: 30%)	36	(3,985)
Adjustment to tax charge in respect of prior years	(6,059)	(1,808)
Other disallowable expenses	6	(14)
Other deferred tax movements	-	4,443
Other items	-	96
Current tax credit in the profit and loss account	(6,017)	(1,268)

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Notes to the accounts (continued)

(c) Deferred tax

Movements in the deferred tax balances in the year are as follows:

	2005 £'000	2004 £'000
Provision at 1 January	-	14,516
Amounts credited to the profit and loss account	-	(14,516)
Provision at 31 December	-	-

4. Directors' emoluments

None of the directors received any emoluments in respect of his services as a director of the Company during the year (2004: £nil).

5. Auditors' remuneration

Auditors' remuneration has been borne by Aviva plc in both the current and prior year.

6. Financial investments

Financial investments comprise deposits with credit institutions with a maturity date of less than 90 days.

7. Ordinary share capital

	2005 £'000	2004 £'000
Authorised share capital		
263,305,152 (2004: 263,305,152) ordinary shares of £1 each	263,305	263,305
Allotted, called up and fully paid share capital		
242,551,164 (2004: 242,551,164) ordinary shares of £1 each	242,551	242,551

8. Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	20,754	355,597	376,351
Profit for the financial year	-	2,501	2,501
Dividends	-	(300,000)	(300,000)
At 1 January 2005	20,754	58,098	78,852
Profit for the financial year	-	6,136	6,136
Dividends	-	(58,098)	(58,098)
At 31 December 2005	20,754	6,136	26,890

9. Other creditors including tax and social security

	2005 £'000	2004 £'000
Corporation tax payable	457	716
Amounts due to other Group companies	15,633	15,665
Group relief	4,580	9,272
	20,670	25,653

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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 are 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 company details

The immediate holding company is CGU Insurance plc. Its group accounts are available to the public, on payment of the appropriate fee, from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

The ultimate holding company is Aviva plc. Its group accounts are available on application to the Group Company Secretary, Aviva plc, St. Helen's, 1 Undershaft, London EC3P 3DQ.