

The Welsh Insurance Corporation Limited

Report and accounts for the year ended 31 December 2006



The Welsh Insurance Corporation Limited

Financial Statements 2006

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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 2006

Business Review and Principal activity

During the year, the Company disposed of its financial investments. The Company has not retained any income-earning assets and the directors are considering the future of the Company

Ultimate holding company

The ultimate holding company is Aviva plc

Principal risks and uncertainties

The major assets and liabilities of the Company are balances with fellow Aviva Group companies and tax liabilities. In the opinion of the directors, the major risks and uncertainties are connected with the ultimate holding company, Aviva plc

Results and dividends

The results for the year are on page 7. The directors settled an interim dividend of £6,136,000 on 21 April 2006 (2005 £58,098,000) but do not recommend the payment of a final dividend (2005 nil). The total dividends for the year amounted to £6,136,000 (2005 £58,098,000)

Authority to purchase own shares

At an Extraordinary General Meeting held on 11 May 2006 shareholders authorised the Company authority to purchase 242,537,346 ordinary shares of £1 each in accordance with S164 of the Companies Act 1985

On 23 June 2006 the Company purchased 242,537,346 of its ordinary shares from Aviva Insurance Limited for a consideration of £263,290,000

Directors

The current directors, and those in office during the year, were 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, Resigned 22 April 2006)
Aviva Director Services Limited	(Appointed 29 March 2006, Resigned 22 April 2006)
S A R Mead	(Appointed 22 April 2006)
D R Rose	(Appointed 22 April 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

None of the directors who held office at 31 December 2006 had an interest in the share capital of the Company

The table on page 3 shows the interests of the directors at the end of the financial year in the ordinary shares of 25 pence each in Aviva plc

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Directors' report (continued)

Directors' interests (continued)

	At date of appointment	At 31 December 2006
	Number	Number
S A R Mead	1,320	1,320
D R Rose	4,813	4,960

Details of any options and awards held through Aviva plc's share schemes and incentive plans are shown below
All the disclosed interests are beneficial

Incentive plans

Details of Messrs Mead's and Rose's options to subscribe for ordinary shares of Aviva plc or awards over shares in Aviva plc, pursuant to Aviva plc's share based incentive plans, are set out below

	At date of appointment	Options granted during year	Options exercised or lapsed during year	At 31 December 2006
	Number	Number	Number	Number
S A R Mead				
Savings related options ¹	601	223	-	824
D R Rose				
Savings related options ¹	4,096	-	-	4,096
Executive options ²	2,543	-	-	2,543
Bonus Plan options ³	18,634	-	-	18,634

- (1) "*Savings related options*" are options granted under the HMRC approved Savings Related Share Option Scheme. Options are normally exercisable during the six month period following the relevant (three, five or seven year) savings contract
- (2) "*Executive options*" are those granted under the Aviva Executive Share Option Schemes, or predecessor schemes. Options, granted on various dates from 1998 to 2003, are normally exercisable between the third and tenth anniversaries of their date of grant. Options are only exercisable if certain performance conditions are met
- (3) "*Bonus Plan options*" are the options granted in 1999 and 2000 under the CGU Deferred Bonus Plan. Participants, who deferred their annual cash bonuses and instead received an award of shares, also received a matching award over an equivalent number of options. These options, which are not subject to performance conditions, are normally exercisable between the third and tenth anniversary of their grant

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

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Directors' report (continued)

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.

Auditor and 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 the 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 ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

Ernst & Young LLP will be re-appointed as the Company's auditors in accordance with the elective resolution passed by the Company under section 385 of the Companies Act 1985.

By order of the Board



Aviva Company Secretarial Services Limited
Secretary

16 July 2007

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 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 reasonably and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts,

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 Welsh Insurance Corporation Limited

Independent auditor's report to the members of Welsh Insurance Corporation Limited

We have audited the Company's financial statements for the year ended 31 December 2006 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 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Registered Auditor

London

31 July 2007

The Welsh Insurance Corporation Limited

Profit and loss account

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Investment income	1(b) & 2	-	177
Administrative expenses		-	(19)
Interest payable and similar charges	2		(2)
Foreign exchange losses	1(c)	-	(37)
Profit on ordinary activities before tax		-	119
Tax on profit on ordinary activities	1(e) & 3(a)	82	6,017
Profit on ordinary activities after tax		82	6,136

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 2006

	Notes	2006 £'000	2005 £'000
Balance at 1 January		269,441	321,403
Profit for the financial year		82	6,136
Dividends	8	(6,136)	(58,098)
Share buy-back – Ordinary shares	7	(242,537)	-
Share buy-back – Share premium	7	(20,753)	-
Balance at 31 December		97	269,441

The notes on pages 9 to 12 are an integral part of these accounts

The Welsh Insurance Corporation Limited

Balance sheet

At 31 December 2006

	Notes	2006 £'000	2005 £'000
Current assets			
Investments - other investments	1(d) & 6	-	3,300
Debtors - amounts due from holding companies		744	277,977
Debtors - amounts due from other Group undertakings		82	8,677
Debtors - other debtors		-	325
Cash at bank and in hand		-	145
		<u>826</u>	<u>290,424</u>
Creditors: Amounts falling due within one year			
Other creditors including tax and social security	9	(729)	(20,942)
Accruals and deferred income		-	(41)
		<u>(729)</u>	<u>(20,983)</u>
Net assets		<u>97</u>	<u>269,441</u>
 Represented by			
Capital and reserves			
Called up share capital	7	14	242,551
Share premium account	7	1	20,754
Profit and loss account	8	82	6,136
Equity shareholders' funds		<u>97</u>	<u>269,441</u>

Approved by the board on 16 July 2007



D R Rose
Director

The notes on pages 9 to 12 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 2006

(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. Interest income is recognised as it accrues taking into account the effective yield on the investment. 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.

(c) 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.

(d) Financial investments

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

(e) Tax

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

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Notes to the accounts (continued)

2. Analysis of investment return

	2006 £'000	2005 £'000
The total investment return before tax comprises		
Income from other investments (note 6)	-	177
Expenses and charges, including allocated interest charges	-	(2)
Total investment return before tax	-	175

3. Tax

(a) Tax on profit on ordinary activities

	2006 £'000	2005 £'000
Tax credited in the profit and loss account comprises		
Current tax		
UK corporation tax (credit) / charge	-	42
Prior year adjustments	(82)	(6,059)
Total tax credit in the profit and loss account	(82)	(6,017)

(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

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	-	119
Current tax charge at standard UK corporation tax rate of 30% (2005 30%)	-	36
Adjustment to tax charge in respect of prior years	(82)	(6,059)
Other disallowable expenses	-	6
Current tax credit in the profit and loss account	(82)	(6,017)

4. Directors' emoluments and employees

None of the directors received any emoluments in respect of his services as a director of the Company during the year (2005 £nil)

The Company has no employees

5. Auditors' remuneration

Fees for the audit of the financial statements of the Company were £5,000 for 2006 (2005 £4,750) which have been borne by Aviva plc

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Notes to the accounts (continued)

6. Financial investments

Financial investments at 31 December 2005 comprised deposits with credit institutions with a maturity date of less than 90 days. These were disposed of at 1 January 2006 and did not generate any investment income in the current year.

7. Ordinary share capital

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

	2006 £'000	2005 £'000
Authorised share capital 263,305,152 (2005 263,305,152) ordinary shares of £1 each	263,305	263,305
Allotted, called up and fully paid share capital 13,818 (2005 242,551,164) ordinary shares of £1 each	14	242,551

(b) Movements in the year comprise:

	Number of shares	Share capital £'000	Share premium £'000
At 1 January 2006	242,551,164	242,551	20,754
Purchase of own shares	(242,537,346)	(242,537)	(20,753)
At 31 December 2006	13,818	14	1

On 23 June 2006, the Company purchased 242,537,346 of its ordinary shares of £1 each from Aviva Insurance Limited for a consideration of £263,290,000. This represented 99.99% of the issued share capital. The company purchased its own shares in preparation for the possible future liquidation of the company.

8. Profit and loss account

	Profit and loss account £'000
At 1 January 2006	6,136
Profit for the financial year	82
Dividends	(6,136)
At 31 December 2006	82

9. Other creditors including tax and social security

	2006 £'000	2005 £'000
Corporation tax payable	687	729
Amounts due to other Group companies	-	15,633
Group relief	42	4,580
	729	20,942

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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 Aviva Insurance Limited

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