

Company number SC011476

North British and Mercantile Insurance Company Limited

Report and accounts for the year ended 30 June 2007

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North British and Mercantile Insurance Company Limited

Report and accounts for the year ended 30 June 2007

Contents

Page

2	Directors' report
4	Statement of directors' responsibilities
5	Independent auditor's report
6	Profit and loss account
6	Reconciliation of movements in equity shareholder's funds
7	Balance sheet
8	Notes to the accounts

North British and Mercantile Insurance Company Limited

Directors' report

The directors present their report and accounts for the Company for the year ended 30 June 2007

Principal activity

The Company ceased its previous principal activity of carrying on general insurance business in 2003. All business had been reinsured to Aviva International Insurance Limited (formerly known as CGU International Insurance plc), the immediate holding company, and on 31 December 2003 the remaining business was commuted to that company. The Company's insurance licence was cancelled with effect from 30 June 2004.

The directors are considering the future of the Company.

Going concern

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 accounts.

Business risk and uncertainties

In the opinion of the directors, the principal risk and uncertainty is a credit risk. This is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The Company's significant financial assets comprise amounts due from its parent, Aviva International Insurance Limited, and as such the credit risk arising from counterparties failing to meet all or part of their obligations is considered remote.

Ultimate holding company

The ultimate holding company is Aviva plc.

Results and dividend

The results for the year are shown on page 6. No dividends were paid during the year (2006: £nil). The directors do not recommend the payment of a final dividend for the year (2006: £nil).

Share capital

On 31 August 2006, the Company purchased 4,490,000 of its own shares of £1 at par, which was 99.8% of the allotted share capital on that date. The shares were purchased because the former level of capitalisation was no longer necessary as the Company is no longer active in the general insurance business.

North British and Mercantile Insurance Company Limited

Directors' report (continued)

Directors

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

A M Commons (appointed 9 April 2008)
R J Harvey (resigned 29 June 2007)
I M Mayer (appointed 29 June 2007 and resigned 9 April 2008)
A J Moss (resigned 9 April 2008)
D R Rose (appointed 9 April 2008)
P G Scott (resigned 9 April 2008)
P J R Snowball (resigned 30 June 2006)

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

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, accounts and auditor's reports before the members in general meeting and the obligation to appoint auditors annually

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 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 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 234Z of the Companies Act 1985

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

Directors' liabilities

Aviva plc, the 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

By order of the Board


Authorised Signatory
Aviva Company Secretarial Services Limited
Secretary

21 April 2008

Registered Office
Pitheavlis, Perth, Scotland, PH2 ONH
Registered in Scotland No SC011476

North British and Mercantile Insurance 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.

North British and Mercantile Insurance Company Limited

Independent auditor's report to the members of North British and Mercantile Insurance Company Limited

We have audited the Company's accounts for the year ended 30 June 2007 which comprise the Profit and loss account, Reconciliation of movements in equity shareholder's funds, Balance sheet, and the related notes 1 to 7. 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 30 June 2007,
- 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

23 April 2008

North British and Mercantile Insurance Company Limited

Profit and loss account

For the year ended 30 June 2007

The Company did not trade during the current or prior years and has made neither profits nor losses. Consequently, no profit and loss account has been prepared.

The Company has no recognised gains and losses and therefore a statement of total recognised gains and losses has not been presented.

Reconciliation of movements in equity shareholder's funds

For the year ended 30 June 2007

	<u>2007</u> <u>£</u>	<u>2006</u> <u>£</u>
Balance at 1 July	4,500,000	4,500,000
Purchase of own shares (note 4b)	(4,490,000)	
Balance at 30 June	<u>10,000</u>	<u>4,500,000</u>

The notes on pages 8 and 9 are an integral part of these accounts. The auditor's report is on page 5.

North British and Mercantile Insurance Company Limited

Balance sheet

As at 30 June 2007

	Notes	2007 £	2006 £
Current assets			
Amounts due from parent company		10,000	4,501,336
Creditors: amounts falling due within one year			
Other creditors including tax and social security			(1,336)
Net assets		10,000	4,500,000
Represented by:			
Capital and reserves			
Called up share capital	4	10,000	4,500,000
Equity shareholder's funds		10,000	4,500,000

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



Director

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The notes on pages 8 and 9 are an integral part of these accounts The auditor's report is on page 5

North British and Mercantile Insurance Company Limited

Notes to the accounts

1. 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 30 June 2007.

The accounts are prepared in accordance with the provisions of Section 226 of the Companies Act 1985. The Company has not transacted any insurance business in either the current or previous year.

2. Directors and employees

None of the directors received any emoluments in respect of his services as a director of the Company during the year (2006 £nil).

The Company has no employees.

3. Auditor's remuneration and other expenses

Fees for the audit of the Company were £3,000 for 2007 (2006 £nil) which have been borne by Aviva plc. The Company was dormant during the prior year and consequently dormant company accounts were prepared which did not require an audit.

All other expenses have been borne by the parent company, Aviva International Insurance Limited.

4. Called up share capital

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

	2007 £	2006 £
Authorised share capital		
4,500,000 (2006 4,500,000) ordinary shares of £1 each	4,500,000	4,500,000
Allotted, called up and fully paid share capital		
10,000 (2006 4,500,000) ordinary shares of £1 each	10,000	4,500,000

(b) Movements in the year comprise:

	Number of shares	Share capital £
At 1 July 2006	4,500,000	4,500,000
Share buy back	(4,490,000)	(4,490,000)
At 30 June 2007	10,000	10,000

On 31 August 2006, the Company bought back 4,490,000 of its ordinary shares from its parent company Aviva International Insurance Limited, (formerly CGU International Insurance plc) at par value. This represented 99.8% of the allotted share capital on that date.

As the Company is no longer actively trading, the former level of share capital was no longer required.

North British and Mercantile Insurance Company Limited

Notes to the accounts (continued)

5. Holding company details

The immediate holding company is Aviva International Insurance Limited, (formerly CGU International Insurance plc)

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

6. 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

7. 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