3381519

COMMERCIAL UNION CORPORATE MEMBER LIMITED

FINANCIAL STATEMENTS

2007

Commercial Union Corporate Member Limited

Contents

Commercial Union Corporate Member Limited

Directors and officer

Directors:

F K Dyson
D J R McMillan

Officer:

Company Secretary
Aviva Company Secretarial Services Limited

Auditor:

Ernst & Young LLP
Registered Auditor
1 More London Place
London
SE1 2AF

Registered office:

St Helen's
1 Undershaft
London
EC3P 3DQ

Registered in England and Wales No 3381519

Commercial Union Corporate Member Limited ("the Company") is a member of the Aviva plc group of companies ("the Group")

Commercial Union Corporate Member Limited

Directors' report
For the year ended 31 December 2007

The directors present their annual report and audited financial statements for the Company for the year ended 31 December 2007

Directors

The names of the current directors of the Company appear on page 1

Seán Egan was appointed as an alternate director to J Seaton on 1 January 2007 and resigned on 10 May 2007

Scott Egan resigned as a director on 2 October 2007

D J R McMillan and J Seaton served as a directors throughout the year J Seaton resigned as a director on 25 April 2008 and F K Dyson was appointed on the same date

Principal activity

The principal activity of the Company during the year was that of a Corporate Underwriting Member of Lloyd's Following a strategic review during 2000 by Aviva plc, the Company's ultimate parent undertaking, a decision was made to withdraw fully from the London Market On 21 December 2000, Tonicstar Limited, a member of the Berkshire Hathaway Group, agreed to replace the Company and provide capacity for 2001 and subsequent years of account In a separate agreement a Berkshire Hathaway affiliated company agreed to provide Aviva plc with protection on the Company's results for underwriting years prior to 2001

Business review

Basis of preparation

This business review is addressed to, and written for, the members of the Company with the aim of providing a fair review of the business development, performance and position at the current time, during the financial period and at the end of the financial period In providing this review, the aim is to present a view that is both balanced and comprehensive and is consistent with the size and complexity of the business

Objectives and future developments

High level strategies are determined by Aviva plc and these are shown in its financial statements

The Company remains a member of one syndicate, 1047, participating in the 2000 year of account, which is yet to close The managing agents of the syndicate are endeavouring to facilitate a "reinsurance to close contract" on 31 December 2008 in respect of this syndicate for the Company's participating year of account

Financial position and performance

The financial position of the Company at 31 December 2007 is shown in the balance sheet on page 12, with the trading results shown in the income statement on page 11 and the cash flow statement on page 14

As the Company's total result for each year is wholly reinsured with the Berkshire Hathaway Group, the profit or loss retained by the Company consists purely of any tax charge or credit arising, if any

Risk management

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 16 to the financial statements

Commercial Union Corporate Member Limited

Directors' report (continued)

Financial instruments

The business of the Company includes use of financial instruments Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 16 to the financial statements

Dividends

No interim dividend was paid during the year (2006 £ nil) The directors do not recommend the payment of a final dividend (2006 £ nil)

Employees

All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited Disclosures relating to employees may be found in the Annual Report and Accounts of Aviva plc

Payment policy

It is the Company's policy to pay creditors when they fall due for payment Terms of payment are agreed with suppliers when negotiating each transaction and the policy is to abide by those terms, provided that the suppliers also comply with all relevant terms and conditions

There were no amounts due to trade creditors at 31 December 2007 or 31 December 2006

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 (s 1195 and SI 2007/1093) with effect from 6 April 2007 None of the directors who held office at 31 December 2007 had any interest in the Company's shares

Directors' liabilities

Aviva plc, the ultimate parent undertaking, 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

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 his 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

Commercial Union Corporate Member Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 1985 and of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), and which present fairly the financial position, financial performance and cash flows of the Company at the end of the accounting period A fair presentation of the financial statements in accordance with IFRS requires the directors to

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business,

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,

- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and

- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which are intended to disclose with reasonable accuracy, at any time, the financial position of the Company They are also ultimately responsible for the systems of internal control maintained by the Company for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities

By order of the Board

N-S.

Authorised signatory
For and on behalf of Aviva Company Secretarial Services Limited
Company Secretary
23 OCTOBER 2008

Commercial Union Corporate Member Limited

Independent auditor's report

To the members of Commercial Union Corporate Member Limited

We have audited the Company's financial statements for the year ended 31 December 2007, which comprise the Accounting Policies, the Income Statement, the Balance Sheet, the Statement of Changes in Shareholder's Equity, the Cash Flow Statement, and the related notes 1 to 18 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 financial statements in accordance with the applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 judgements 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 IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2007 and of its result 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

Ernst & Young LLP
Registered Auditor
London

24 October 2008

Commercial Union Corporate Member Limited

Accounting policies

The Company is a limited liability company incorporated and domiciled in Great Britain and is a Corporate Underwriting Member of Lloyd's In December 2000, Tonicstar Limited, a member of the Berkshire Hathaway Group, replaced the Company and provided capacity for 2001 and subsequent years of account In a separate agreement, a Berkshire Hathaway affiliated company agreed to provide Aviva plc with protection on the Company's results for underwriting years prior to 2001

The principal accounting policies adopted in the preparation of these financial statements are set out below

(A) Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") as endorsed by the EU, applicable at 31 December 2007

The IASB issued IAS 1, Presentation of Financial Statements A Revised Presentation, and an amendment to IAS 23, Borrowing Costs, during 2007, neither of which has yet been endorsed by the EU These are not applicable for the current accounting period and, on adoption, they will not have any material impact on the Company's financial reporting

Since the year end, the IASB has issued a revised version of IFRS 3, Business Combinations, and an amendment to IAS 27, Consolidated and Separate Financial Statements, which are applicable to accounting periods beginning on or after 1 July 2009, and amendments to IAS 1, Presentation of Financial Statements, IAS 32, Financial Instruments Presentation, and IFRS 2, Share-based Payments Vesting Conditions and Cancellations, which are applicable to accounting periods beginning on or after 1 January 2009 None of these has yet been endorsed by the EU and, on adoption, will not have any material impact on the Company's financial reporting

IFRIC interpretation 11, IFRS 2 – Group and Treasury Share Transactions, and interpretation 12, Service Concession Agreements, were issued during 2006 but neither of them is applicable for the current accounting period In addition, IFRIC interpretation 13, Customer Loyalty Programmes and IFRIC interpretation 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, have been issued during 2007 They have not yet been endorsed by the EU but neither of them is applicable for the current accounting period On adoption, none of these interpretations will have any material impact on the Company's financial reporting

In accordance with IFRS 4, Insurance Contracts, the Company has applied existing accounting practices for insurance contracts, modified as appropriate to comply with the IFRS framework and applicable standards Further details are given in policy E overleaf

The financial statements are stated in British pounds, which is the Company's functional and presentation currency Unless otherwise noted, the amounts shown in these financial statements are in thousands of British pounds ("£000")

(B) Recognition of insurance transactions

In preparing these financial statements, the Company recognises its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ("the syndicates")

For each syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's income statement Similarly, its proportion of the syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading "syndicate") The syndicate assets are held subject to trust deeds for the benefit of the Company's insurance creditors

The proportion referred to above is calculated by reference to the Company's participation as a percentage of the syndicate's total capacity

(C) Use of estimates

The preparation of financial statements requires the Company to make estimates and assumptions that affect items reported in the balance sheet and income statement and the disclosure of contingent assets and liabilities at the date of the financial statements This is particularly so in the estimation of amounts for insurance liabilities, for which further details are given in policy H overleaf and in note 10 to these financial statements Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, actual results ultimately may differ from those estimates, possibly significantly

Commercial Union Corporate Member Limited

Accounting policies (continued)

(D) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement

Translation differences on debt securities and other monetary financial assets measured at fair value and designated at fair value through profit and loss (as defined in policy L) are included in foreign exchange gains and losses in the income statement

(E) Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract Such contracts remain insurance contracts until all rights and obligations are extinguished or expire Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant Any contracts not considered to be insurance contracts under IFRS are classified as investment or service contracts

As noted in policy A above, insurance contracts in general continue to be measured and accounted for under existing accounting practices at the date of transition to IFRS Accounting for insurance contracts is determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006)

(F) Premiums written

Insurance premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties or levies Written premiums include an estimate of pipeline premiums less a provision for anticipated lapses

(G) Net investment income

Investment income consists of dividends, interest and rents receivable for the year, movements in amortised cost on debt securities, realised gains and losses, and unrealised gains and losses on FVPL investments (as defined in policy L) Dividends on equity securities are recorded as revenue on the ex-dividend date Interest income is recognised as it accrues, taking into account the effective yield on the investment

The realised gain or loss on disposal of an investment is the difference between the proceeds received, net of transaction costs and its original cost or amortised cost as appropriate Unrealised 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, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year

(H) Insurance contract liabilities

Claims

Insurance claims incurred include all losses occurring during the year, whether reported or not, loss adjustment expenses, a reduction for the value of salvage and other recoveries, and any adjustments to claims incurred in previous years

Loss adjustment expenses include internal and external costs incurred in connection with the negotiation and settlement of claims Internal costs include all direct expenses of the claims handling department and any part of the general administrative costs directly attributable to the loss adjustment function

Outstanding claims provisions

Insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related loss adjustment expenses Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date Any estimate represents a determination within a range of possible outcomes Further details of estimation techniques are given in note 10(c)

Outstanding claims provisions are valued net of an allowance for expected future recoveries Recoveries include non-insurance assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts

Commercial Union Corporate Member Limited

Accounting policies (continued)

(I) Reinsurance

The Company cedes reinsurance in the normal course of business The cost of reinsurance is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies Gains or losses on buying retroactive reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract

If a reinsurance asset is impaired, the Company reduces the carrying amount accordingly and recognises that impairment loss in the income statement A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Company may not receive all amounts due to it under the terms of the contract, and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer

(J) Reinsurance to close (RITC)

Each syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for a closed year and all previous years in return for a premium calculated by the underwriter and approved by the managing agent

The payment of a reinsurance to close does not eliminate the liability of the closed year for outstanding claims If the reinsuring syndicate were to be unable to meet its obligations and other elements of the Lloyd's chain of security were to fail, then the members of the closed underwriting year would have to settle outstanding claims The directors consider the likelihood of such failure of the reinsurance to close is extremely remote and, therefore the reinsurance to close has been deemed to settle liabilities oustanding at the closure of the underwriting year and no provision is made for the ultimate liability of that year of account

The Company remains a member of Syndicate 1047, participating in the 2000 year of account, which is yet to close A reinsurance to close contract has yet to be agreed in respect of this syndicate for the Company's participating year of account

(K) Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where

(i) the rights to receive cash flows from the asset have expired,

(ii) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or

(iii) the Company has transferred its rights to receive cash flows from the asset and either

   (a) has transferred substantially all the risks and rewards of the asset, or
   (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Commercial Union Corporate Member Limited

Accounting policies (continued)

(L) Financial investments

The Company classifies its investments as financial assets at fair value through profit or loss ("FVPL") The FVPL category is used as, in most cases, the Company's strategy is to manage its financial investments on a fair value basis

The FVPL category has two sub-categories – those that meet the definition as being "held for trading" and those the Company chooses to designate as FVPL (referred to in this accounting policy as "other than trading") Fixed maturities, purchased loans and equity securities, which the Company buys with the intention to resell in the near term (typically between three and six months), are classified as being held for trading All other securities in the FVPL category are classified as other than trading

Purchases and sales of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the assets, at their fair values less transaction costs Debt securities are initially recorded at their fair value, which is taken to be amortised cost, with amortisation credited or charged to the income statement Investments classified as trading and other than trading are subsequently carried at fair value Changes in the fair value of trading and other than trading investments are included in the income statement in the period in which they arise

The fair values of investments are based on quoted bid prices or amounts derived from cash flow models

(M) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value Such investments are normally those with less than three months' maturity from the date of acquisition, and include certificates of deposit

(N) Contingent liabilities

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reliably estimated

(O) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years Tax, including tax relief for losses if applicable, is allocated over profits before taxation 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 temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements

The principal temporary differences arise from future cash calls The rates enacted or substantively enacted at the balance sheet date are used to determine the deferred tax

(P) Share capital and dividends

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Accordingly, a financial instrument is treated as equity if

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable, and

(ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets

Dividends

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid Final dividends on these shares are recognised when they have been approved by shareholders

Commercial Union Corporate Member Limited

Accounting policies (continued)

(Q) Operating cash flows

Purchases and sales of financial investments, and related investment income, are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims

Commercial Union Corporate Member Limited

Income statement
For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Income	1		
Gross written premiums		47	71
Premiums ceded to reinsurers		155	(8,530)
Premiums written net of reinsurance and net earned premiums		202	(8,459)
Net investment income		346	796
		548	(7,663)
Expenses	2		
Claims paid, net of reinsurance		1,976	4,330
Change in insurance liabilities, net of reinsurance		(1,511)	(12,637)
Fee and commission expense		-	17
Other operating expenses		185	374
Foreign exchange (gains)/losses		(102)	253
		548	(7,663)
Profit before tax		-	-
Tax credit/(expense)	6	302	(45)
Profit/(loss) for the year		302	(45)

The Company has no recognised income and expenses other than those included in the results above and therefore a statement of recognised income and expense has not been presented

The accounting policies on pages 6 to 10 and notes on pages 15 to 29 are an integral part of these financial statements

Commercial Union Corporate Member Limited

Balance Sheet
As at 31 December 2007

	Note	2007 Syndicate £000	2007 Other £000	2007 Total £000	2006 Syndicate £000	2006 Other £000	2006 Total £000
ASSETS							
Financial investments	7	8,933	-	8,933	9,034	-	9,034
Reinsurance assets	8	7,335	-	7,335	8,790	-	8,790
Receivables and other financial assets	9	128,219	31,299	159,518	161,652	14	161,666
Cash and cash equivalents	15b	1,885	-	1,885	5,885	-	5,885
Total assets		146,372	31,299	177,671	185,361	14	185,375
LIABILITIES							
Insurance liabilities	10	22,148	-	22,148	25,029	-	25,029
Deferred tax	11 (b)	-	4,449	4,449	-	15,337	15,337
Liability for current tax	11 (a)	-	10,586	10,586	-	876	876
Payables and other financial liabilities	12	122,968	13,844	136,812	127,996	12,763	140,759
Total liabilities		145,116	28,879	173,995	153,025	28,976	182,001
Net assets / (liabilities)		1,256	2,420	3,676	32,336	(28,962)	3,374
EQUITY							
Ordinary share capital	13	-	30,000	30,000	-	30,000	30,000
Retained earnings		1,256	(27,580)	(26,324)	32,336	(58,962)	(26,626)
Total equity		1,256	2,420	3,676	32,336	(28,962)	3,374

The accounting policies on pages 6 to 10 and notes on pages 15 to 29 are an integral part of these financial statements

Approved by the Board on 23 OCTOBER 2008

Director

Commercial Union Corporate Member Limited

Statement of changes in shareholder's equity
For the year ended 31 December 2007

	Ordinary share capital	Retained earnings	Total equity
	£000	£000	£000
Balance at 1 January 2006	30,000	(26,581)	3,419
Total recognised income and expense for the year	-	(45)	(45)
Total movements in the year	-	(45)	(45)
Balance at 31 December 2006	30,000	(26,626)	3,374
Total recognised income and expense for the year	-	302	302
Total movements in the year	-	302	302
Balance at 31 December 2007	30,000	(26,324)	3,676

The accounting policies on pages 6 to 10 and notes on pages 15 to 29 are an integral part of these financial statements

Commercial Union Corporate Member Limited

Cash flow statement
For the year ended 31 December 2007

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Net cash used in operating activities	15(a)	(4,000)	(311)
Net cash used in operating activities		(4,000)	(311)
Net decrease in cash and cash equivalents		(4,000)	(311)
Cash and cash equivalents at 1 January		5,885	6,196
Cash and cash equivalents at 31 December	15(b)	1,885	5,885

The accounting policies on pages 6 to 10 and notes on pages 15 to 29 are an integral part of these financial statements

Commercial Union Corporate Member Limited

Notes to the financial statements

1. Details of income

	2007 £000	2006 £000
Premiums earned		
Gross written premiums	47	71
Less premiums ceded to reinsurers	155	(8,530)
Total revenue	202	(8,459)
Net investment income		
Interest and similar income - from investments designated as trading and other than trading	406	848
Realised gains and losses	(2)	(4)
Unrealised gains and losses	3	31
Gains on investments	1	27
Other investment expenses	(61)	(79)
Net investment income	346	796
Total income	548	(7,663)

2. Details of expenses

	2007 £000	2006 £000
Claims paid, net of reinsurance		
Claims paid to policyholders	3,202	4,988
Less Claims recoveries from reinsurers	(1,226)	(658)
	1,976	4,330
Change in insurance liabilities, net of reinsurance		
Change in insurance liabilities	(2,971)	(18,209)
Less Change in reinsurance asset for insurance provisions	1,460	5,572
	(1,511)	(12,637)
Fees and commission expense		
Acquisition costs		
Commission expenses	-	17
Other operating expenses		
Operating expenses	185	374
Other net foreign exchange (gains)/losses	(102)	253
Total expenses	548	(7,663)

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

3. Employee information

All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited Disclosures relating to employees may be found in the Annual Report and Accounts of Aviva plc

4. Directors

All directors of the Company are remunerated as employees by Aviva Employment Services Limited This remuneration is recharged to all operating divisions of the Aviva Group under management service agreements However, no cost is borne by the Company for the services of the directors in their capacity as directors

5. Auditor's remuneration

The total remuneration paid by the Company, excluding VAT, to its auditor, Ernst & Young LLP, in respect of the audit of these financial statements is shown below The Company is exempt from disclosing other fees payable, to its auditor, in respect of other work, by virtue of regulation 4(1)(b) of The Companies (Disclosure of Auditor Remuneration) Regulations 2005, as it is disclosed within the Annual Report and Accounts of Aviva plc, the Company's ultimate controlling entity (note 18(c))

	2007 £000	2006 £000
Audit services		
Statutory audit of the Company's financial statements	7	6

6. Tax

(a) Tax charged to the income statement

(i) The total tax (credit)/charge comprises.

	2007 £000	2006 £000
Current tax:		
For this year	10,586	877
Total current tax	10,586	877
Deferred tax:		
Origination and reversal of temporary differences	(10,570)	(832)
Changes in tax rates or tax laws	(318)	-
Total deferred tax	(10,888)	(832)
Total tax (credited)/charged to income statement	(302)	45

(i) Deferred tax credited to the income statement represents movements on the following items:

	2007 £000	2006 £000
Temporary differences arising on insurance items	(10,888)	(832)
Total deferred tax credited to income statement	(10,888)	(832)

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

6. Tax (continued)

(b) Tax reconciliation

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate in the United Kingdom as follows

	2007	2006
	£000	£000
Net profit before tax	-	-
Tax calculated at standard UK corporation tax rate of 30% (2006 30%)	-	-
Disallowable expenses	16	19
Impact of changes in tax rates and tax laws	(318)	-
Other	-	26
Tax (credit)/charge for the year (note 6(a))	(302)	45

7. Financial investments

(a) Financial investments comprised

	Other than trading at fair value through profit or loss	
	2007	2006
	£000	£000
Debt securities	8,933	9,034

The Company has met its funds at Lloyd's requirements to support its underwriting capacity by way of letters of credit to the value of £109,079 thousand (2006 £105,477 thousand) The current letters of credit have been arranged by Aviva plc

Of the above total, £5,265 thousand (2006 £3,400 thousand) is expected to be recovered in more than one year after the balance sheet date

(b) The following is a summary of the cost / amortised cost, gross unrealised gains and losses and fair value of financial investments

				2007
	Cost/amortised cost	Unrealised gains	Unrealised losses	Fair value
	£000	£000	£000	£000
Debt securities	8,899	48	(14)	8,933

				2006
	Cost/amortised cost	Unrealised gains	Unrealised losses	Fair value
	£000	£000	£000	£000
Debt securities	9,003	42	(11)	9,034

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

8. Reinsurance assets

(a) Carrying amounts

The following is a summary of the reinsurance assets and related insurance provisions as at 31 December

	2007			2006		
	Gross insurance provisions	Reinsurance assets	Net	Gross insurance provisions	Reinsurance assets	Net
	£000	£000	£000	£000	£000	£000
Provisions for outstanding claims	13,060	4,946	8,114	15,247	6,488	8,759
Provisons for claims incurred but not reported	9,088	2,389	6,699	9,782	2,302	7,480
Total	22,148	7,335	14,813	25,029	8,790	16,239

Of the above total, £6,210 thousand (2006 £7,053 thousand) of the reinsurance assets is expected to be recovered in more than one year after the balance sheet date

(b) Assumptions

The assumptions used for reinsurance contracts follow those used for insurance contracts, described in note 10(c)

Reinsurance assets are valued net of any provisions for their recoverability

(c) Movements

Reinsurance assets

	2007	2006
	£000	£000
Carrying amount at 1 January	8,790	15,384
Reinsurers' share of claims losses and expenses incurred in prior years	(234)	(4,914)
Less		
Reinsurance recoveries received on claims incurred in prior years	(1,226)	(658)
Change in reinsurance asset recognised as income	(1,460)	(5,572)
Foreign exchange rate movements	5	(1,022)
Carrying amount at 31 December	7,335	8,790

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

9. Receivables and other financial assets

	2007 £000	2006 £000
Amounts owed by insurance contract holders	43	656
Amounts due from reinsurers	19,686	55,298
Other financial assets	2,100	2,695
Amounts due from related undertakings (note 18(a)(i))	137,689	103,017
Total	159,518	161,666
Expected to be recovered in less than one year	137,689	138,754
Expected to be recovered in more than one year	21,829	22,912
	159,518	161,666

10. Insurance liabilities

(a) Carrying amount

Gross insurance liabilities at 31 December comprised

	2007 £000	2006 £000
Provisions for outstanding claims	13,060	15,247
Provision for claims incurred but not reported	9,088	9,782
Total	22,148	25,029

(b) Provisions for outstanding claims

Significant delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the balance sheet date The reserves are based on information currently available However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses ("LAE") in respect of all claims that have already occurred The provisions established cover reported claims and associated LAE, as well as claims incurred but not yet reported and associated LAE

Provisions for outstanding claims are based on undiscounted estimates of future claims payments

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

10. Insurance liabilities (continued)

(c) Assumptions

Provisions for outstanding claims are estimated based on known facts at the date of estimation Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims The ultimate cost of outstanding claims is then estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods The main assumption underlying these techniques is that the syndicates' past claims development experience can be used to project future claims development and hence ultimate claims costs As such these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios

Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate Claims development is separately analysed for each line of business Certain lines of business are also further analysed by claims type or type of coverage In addition, large claims are usually separately assessed, either by being reserved at the face value of loss adjuster estimates, or separately projected in order to reflect their future development

In most cases no explicit assumptions are made regarding future rates of claims inflation or loss ratios Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and loss adjustment procedures, in order to arrive at the estimated ultimate cost of claims, that represent the most likely outcome, from the range of possible outcomes, taking account of all the uncertainties involved

(d) Movements

The following changes have occurred in the claims provisions during the year

	2007 £000	2006 £000
Carrying amount at 1 January	25,029	45,904
Increase/(decrease) in estimated claims losses and expenses incurred in prior years	231	(13,221)
Less		
Payments made on claims incurred in prior years	(3,202)	(4,988)
Changes in claims provisions reserve recognised as an expense	(2,971)	(18,209)
Foreign exchange rate movements	90	(2,666)
Carrying amount at 31 December	22,148	25,029

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

10. Insurance liabilities (continued)

(e) Loss development tables

The Company ceased to write business in the London Market in 2000 In the same year all business was wholly reinsured with the Berkshire Hathaway Group Therefore all claims fall into the category of 2000 and prior years

	Gross 2000 and prior years £000	Net of reinsurance 2000 and prior years £000
Oustanding claims provisions recognised in the balance sheet	22,148	14,813

11. Tax assets and liabilities

(a) General

Liabilities for current tax of £10,586 thousand (2006 £876 thousand) are payable in more than one year

(b) Deferred taxes

(i) The balance at the year end comprises

	2007 £000	2006 £000
Temporary differences arising on insurance items	4,449	15,337
Net deferred tax liability	4,449	15,337

(ii) The movement in the net deferred tax liability was as follows

Net liability at 1 January	15,337	16,169
Amounts credited to income statement (note 6(a))	(10,888)	(832)
Net liability at 31 December	4,449	15,337

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

12. Payables and other financial liabilities

	2007 £000	2006 £000
Payables arising out of direct insurance and assumed reinsurance	9	61
Payables arising out of ceded reinsurance	16,044	24,183
Other financial liabilities	306	516
Amounts due to related undertakings (note 18(a)(ii))	120,453	115,999
Total	136,812	140,759
Expected to be settled within one year	120,453	124,340
Expected to be settled in more than one year	16,359	16,419
	136,812	140,759

13. Ordinary share capital

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

	2007 £000	2006 £000
Authorised, allotted, called up and fully paid		
30,000,000 (2006 30,000,000) Ordinary shares of £1 each	30,000	30,000

14. Contingent liabilities and other risk factors

Uncertainty over claims provisions

Note 10(c) gives details of the estimation techniques used in determining the outstanding claims provisions which are designed to allow for prudence These are estimated to give a result within the normal range of outcomes To the extent that the ultimate cost falls outside this range, for example where future claims inflation differs from that expected, there is uncertainty in respect of this liability

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

15. Cash flow statement

	2007 £000	2006 £000
(a) The reconciliation of profit before tax to the net cash flow from operating activities is.		
Profit before tax	-	-
Adjustments for		
Gains on investments (note 1)	(1)	(27)
Changes in working capital		
(Increase) / decrease in reinsurance assets	1,455	6,594
(Increase) / decrease in receivables and other financial assets	2,148	(21,109)
Increase / (decrease) in insurance liabilities	(2,881)	(20,875)
Increase / (decrease) in payables and other financial liabilities	(4,823)	32,522
Net (purchases) / sales of operating assets		
Financial investments	102	2,584
Net cash flow from operating activities	(4,000)	(311)

In 2007, the decrease in payables and other financial liabilities is stated after eliminating an increase in amounts due to related undertakings of £876 thousand for settlement of a corporation tax liability that was settled by Group relief

	2007 £000	2006 £000
(b) Cash and cash equivalents in the cash flow statement at 31 December comprised		
Cash at bank and in hand	1,807	3,698
Cash equivalents	78	2,187
Cash and cash equivalents at 31 December	1,885	5,885

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

16. Risk management policies

The Company has established a risk management framework with the primary objective of protecting the Company from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities This framework is operated by a group of companies, "the NUI Group" (including the UK general insurance business carried out within Aviva Insurance Limited and Aviva International Insurance Limited) within the Aviva plc Group ("the Group"), that are engaged in writing general insurance business and in various non-insurance activities in the UK Risk is categorised as follows

- market
- credit
- insurance
- liquidity
- operational

The NUI Group recognises the critical importance of having efficient and effective risk management systems in place To this end, the NUI Group has an established governance framework, which has three key elements

- defined terms of reference for the legal entity Boards and the associated executive management and other committees within the NUI Group,

- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management, and

- adoption of the Group policy framework that sets out risk appetite, risk management, control and business conduct standards for the Group's worldwide operations Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the NUI Group

The NUI Group monitors risk on an ongoing basis and prepares quarterly reports identifying all material risks, along with information on likelihood, severity and mitigating actions taken or planned The NUI Group has also developed a framework, using Individual Capital Assessment ("ICA") principles, for quantifying the impact of risks on economic capital The ICA combines the results of financial and operating stress tests

(i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates Market risk arises due to fluctuations in both the value of liabilities and the value of investments held

The NUI Group manages market risk locally within its market risk framework, within local regulatory constraints and in line with established Group policy, including minimum principles for matching liabilities with appropriate assets

For each of the major components of market risk, described in more detail below, the NUI Group has put in place additional policies and procedures to set out how each risk should be managed and monitored, and the approach to setting an appropriate risk appetite

Interest rate risk arises primarily from the Company's investments, which are exposed to fluctuations in interest rates The Company maintains a close matching of assets and the economic value of its technical liabilities, by duration, using derivative instruments if necessary, to minimise this risk

The Company has claims liabilities in foreign currency so has exposure to foreign exchange rates However, there is no net exposure to exchange rate fluctuations due to the reinsurance that has been put in place

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

16. Risk management policies (continued)

(ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations

The NUI Group's management of credit risk is carried out in accordance with the Group credit risk policy, which includes setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's

Financial assets are graded according to current credit ratings issued AAA is the highest possible rating Investment grade financial assets are classified within the range of AAA to BBB ratings Financial assets which fall outside this range are classified as speculative grade Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty concerned

The following table provides information regarding the aggregated credit risk exposure of the Company

	Credit rating						
31 December 2007	**AAA**	**AA**	**A**	**BBB**	**Speculative grade**	**Not-rated**	**Carrying value in the balance sheet**
	£000	£000	£000	£000	£000	£000	£000
Debt securities	5,070	1,420	2,443	-	-	-	8,933
Reinsurance assets	-	1,719	1,636	158	-	3,822	7,335
Amounts due from reinsurers	18,699	-	-	-	-	987	19,686
Cash and cash equivalents	-	45	-	-	-	1,840	1,885

	Credit rating						
31 December 2006	**AAA**	**AA**	**A**	**BBB**	**Speculative grade**	**Not-rated**	**Carrying value in the balance sheet**
	£000	£000	£000	£000	£000	£000	£000
Debt securities	8 206	287	541	-	-	-	9,034
Reinsurance assets	-	2 060	1 961	189	-	4,580	8,790
Amounts due from reinsurers	53,473	-	-	-	-	1 825	55,298
Cash and cash equivalents	-	2,647	-	-	-	3,238	5,885

Of the Company's receivables of £159,518 thousand (2006 £161,666 thousand), £137,689 thousand (2006 £103,017 thousand) is due from related undertakings

At 31 December 2007 and 2006, no financial assets are impaired or overdue

Amounts due from reinsurers of £18,699 thousand (2006 £53,473 thousand) are due from the Berkshire Hathaway Group

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

16. Risk management policies (continued)

(iii) General insurance risk

The Company is in run-off and considers insurance risk within its general insurance activity to be the management of claims and the adequacy of reserving

Increasingly, risk-based capital models are being used to support the quantification of risk under the ICA framework The NUI Group undertakes a quarterly review of insurance risks, the output from which is a key input into the ICA and risk-based capital assessments

The NUI Group has developed mechanisms that identify, quantify and manage accumulated exposures to contain them within the limits of the appetite of the NUI Group

The adequacy of the NUI Group's general insurance claims provisions is overseen by the NUI Reserving Committee Actuarial claims reserving is conducted by NUI Group's actuaries in compliance with the Group General Insurance Reserving Policy There are periodic external reviews by consultant actuaries

All business is reinsured as the Company is party to a reinsurance agreement entered into with the Berkshire Hathaway Group in 2000, which provides substantial protection in excess of current gross liabilities

(iv) Liquidity risk

The Company has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due In extreme circumstances, the Company would approach Group for additional short-term borrowing

The following table shows gross insurance liabilities analysed by duration

	Total	Within 1 year	1-5 years	5-15 years	Over 15 years
	£000	£000	£000	£000	£000
31 December 2007					
Gross insurance liabilities	22,148	4,520	17,628	-	-

	Total	Within 1 year	1-5 years	5-15 years	Over 15 years
	£000	£000	£000	£000	£000
31 December 2006					
Gross insurance liabilities	25,029	6,625	18,404	-	-

For insurance contracts, the analysis of liabilities above is based on the estimated timing of future cash flows

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

16. Risk management policies (continued)

(v) Operational risk

Operational risk arises as a result of inadequately controlled internal processes or systems, human error, or from external events This definition is intended to include the majority of risks the Company is exposed to, other than the financial risks described above and strategic and Company risks considered elsewhere Only financial instrument risk requires quantification under IFRS and consequently no quantification of operational risk is provided

Operational risks include information technology, information security, human resources, project management, outsourcing, tax, legal, financial crime and compliance risks In accordance with Group policies, business unit management has primary responsibility for the effective identification, management, monitoring and reporting of risks to the business unit executive management team and to Group The NUI Group risk management and governance function is responsible for implementing the Group risk management methodologies and frameworks to assist line management in this work They also provide support and independent challenge on the completeness accuracy and consistency of risk assessments, and the adequacy of mitigating action plans As a result, the business unit executive management team satisfies itself that material risks are being mitigated and reported to an acceptable level

Operational risks are assessed according to the potential impact and probability of the event concerned These impact assessments are made against financial, operational and reputational criteria

(vi) Risk and capital management

The Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently Primarily, risk-based capital models and increasingly, ICA are used Sensitivities to economic and operating experience are regularly produced on all of the NUI Group's financial performance measurements to inform the Group's decision-making and planning processes, and as part of the framework for identifying and quantifying the risks to which the NUI Group is exposed

General insurance claims liabilities are estimated by using standard actuarial claims projection techniques These methods extrapolate the claims development for each accident year based on the observed development of earlier years In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims development on which the projections are based As such, the sensitivity of general insurance claims liabilities is primarily based on the financial impact of changes to the reported loss ratio

The Company's activities are the run-off of general insurance business, which is fully reinsured and the Company has no material interest rate risk As such no sensitivity analysis is presented

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

17. Capital structure

The Company maintains an efficient capital structure from equity shareholder's funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business This note describes the way the Company manages capital and shows where this is employed

(a) General

IFRS underpins the Company's capital structure and accordingly, the capital structure is analysed on this basis

(b) Capital management

In managing its capital, the Company seeks to

(i) match the profile of its assets and liabilities, taking account of the risks inherent in each business,
(ii) maintain financial strength,
(iii) retain financial flexibility by maintaining strong liquidity, and
(iv) allocate capital efficiently and repatriate excess capital where appropriate

The Company considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital

(c) Measure of capital

The Company is required to report its results on an IFRS basis

As the Company is a corporate member at Lloyd's, it is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL) The level of FAL that Lloyd's requires a member to maintain is based on its participation in individual syndicates and is determined through Lloyd's implementation of the Financial Services Authority's Individual Capital Assessment regulatory regime As disclosed in note 7, the Company has met its FAL requirements by way of letters of credit arranged by Aviva plc

(d) Capital structure

	IFRS net assets 2007	IFRS net assets 2006
	£000	£000
Corporate underwriting member of Lloyd's	3,676	3,374
Total capital employed	3,676	3,374
Financed by		
Equity shareholder's funds	3,676	3,374

Commercial Union Corporate Member Limited

Notes to the financial statements (continued)

18. Related party transactions

(a) Related party balances

(i) Services provided to related parties

	2007		2006	
	Income earned in year	Receivable at year end	Income earned in year	Receivable at year end
	£000	£000	£000	£000
Fellow subsidiaries	-	137,689	-	103,017

(ii) Services provided by related parties

	2007		2006	
	Expense incurred in year	Payable at year end	Expense incurred in year	Payable at year end
	£000	£000	£000	£000
Parent	-	120,453	-	115,999

(iii) Compensation to those employees classified as key management

The directors and key management of the Company are considered to be the same as for Norwich Union Insurance Limited Information on key management compensation may be found in note 31 - Related party transactions of the Norwich Union Insurance Limited financial statements

(b) Immediate parent undertaking

The Company's immediate parent undertaking is Aviva International Insurance Limited, registered in England and Wales

(c) Ultimate controlling entity

The ultimate controlling entity is Aviva plc Its Annual Report and Accounts are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ