

SWINCHAN HOLDINGS LIMITED

Report and Accounts

for the year ended 31 December 2006



Swinchan Holdings Limited

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Swinchan Holdings Limited

Company information

Directors

Non-Destructive Testers Limited

Roysun Limited

Company secretary

Roysun Limited

Registered office

St Mark's Court
Chart Way
Horsham
West Sussex RH12 1XL

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity

The Company is the intermediate holding company for Surfeal Holdings Limited and the parent company for a number of the Royal & Sun Alliance Insurance Group plc's dormant subsidiary companies

Review of the year and future developments

The Company did not trade in the year and is not expected to trade in the foreseeable future

Result and Dividends

The result for the year is shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2005 £nil)

Principal risks and uncertainties and key performance indicators

A discussion on the management of financial instrument risk is set out below. Key performance indicators are not appropriate for the Company and are not maintained.

Post balance sheet event

A number of the Company's subsidiaries were dissolved after the balance sheet date, on the 8th and 9th of April 2007 (see note 20)

Directors

The names of the current directors, who served throughout the year, are listed on page 2

Financial instrument risk management

The Company is a subsidiary of Royal & Sun Alliance Insurance Group plc and its management of risk is set at Group level. The only financial instrument risk to which the Company is exposed is credit risk arising from receivables in the balance sheet. However, the Board considers this risk to be remote.

Auditors

So far as each director is aware, there is no relevant audit information (as defined in Section 234ZA(3) of the Companies Act 1985) of which the Company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of, and to establish that the auditors are aware of, any relevant audit information.

Following an extensive review process by the Royal & Sun Alliance Insurance Group plc (the Company's ultimate parent company), Deloitte & Touche LLP are being proposed for appointment as auditors for all UK companies within the Royal & Sun Alliance Insurance group for the year ending 31 December 2007. PricewaterhouseCoopers LLP will stand down to enable Deloitte & Touche LLP to be proposed for appointment in their place. The Company currently operates an elective regime pursuant to Section 386 of the Companies Act 1985 under which it has elected to dispense with the annual appointment of the Company's auditors. Pursuant to Section 393 of the Companies Act 1985, the Company has today received a notice from a member of the Company proposing that a general meeting be convened for the purposes of considering a resolution that Deloitte & Touche LLP be appointed as auditors of the Company in place of PricewaterhouseCoopers LLP for the year ending 31 December 2007.

By order of the board



L Thomas for and on behalf of Roysun Limited
Company secretary

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JUNE

2007

Swinchan Holdings Limited
Statement of directors' responsibilities

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2006. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Swinchan Holdings Limited
Independent auditors' report

Independent auditors' report to the members of Swinchan Holdings Limited

We have audited the financial statements of Swinchan Holdings Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

22 June

2007

Swinchan Holdings Limited

Profit and loss account for the year ended 31 December 2006

	Notes	2006 £	2005 £
Interest receivable from group undertakings		1,552,123	1 503,409
Other income		9,345	-
Profit on ordinary activities before taxation		1,561,468	1 503,409
Taxation on profit on ordinary activities	6	(299,187)	(196,581)
Profit on ordinary activities after taxation		1,262,281	1,306,828

All figures relate to continuing operations

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

There is no material difference between the results for the current year and the previous year as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly, a note on the historical cost profits and losses for the year is not given.

The notes on pages 8 to 12 form an integral part of these accounts.

Reconciliation of movements in shareholders' funds for the year ended 31 December 2006

	Share capital £	Profit & loss account £	2006 £	2005 £
Shareholders' funds at 1 January	100	23,247,180	23,247,280	21,940,452
Shareholders' recognised profits	-	1,262,281	1,262,281	1,306,828
Shareholders' funds at 31 December	100	24,509,461	24,509,561	23,247,280

Swinchan Holdings Limited

Balance sheet as at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	7	1,896,949	1,920,349
Current assets			
Debtors	8	36,204,096	34,846,740
Cash at bank and in hand		38	37
		<u>36,204,134</u>	<u>34,846,777</u>
Creditors: amount falling due within one year	10	(13,591,522)	(13,510,501)
Net current assets		<u>22,612,612</u>	<u>21,336,276</u>
Total assets less current liabilities		<u>24,509,561</u>	<u>23,256,625</u>
Provisions for liabilities	11	-	(9,345)
Net assets		<u>24,509,561</u>	<u>23,247,280</u>
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	24,509,461	23,247,180
Equity shareholders' funds		<u>24,509,561</u>	<u>23,247,280</u>

The notes on pages 8 to 12 form an integral part of these accounts

The accounts on pages 6 to 12 were approved by the Board of Directors and are signed on its behalf by



D P Cockrem for and on behalf of Non-Destructive Testers Limited
Director

18 JUNE 2007

1. Accounting and disclosure requirements

The financial statements of the Company have been prepared in accordance with applicable UK Accounting Standards and the provisions of Section 226A of, and Schedule 4 to, the Companies Act 1985. The financial statements have been prepared under the historical cost convention on the going concern basis.

2. Accounting policies

A summary of the major accounting policies, which have been consistently applied throughout the year, is set out below.

Investments in subsidiaries

Investments in subsidiaries are included in the balance sheet at net asset value and unrealised gains and losses are dealt with in the revaluation reserve.

Taxation

Taxation is based on the profit and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

Deferred taxation is provided in full and consists of the estimated taxation or relief from taxation which is expected to arise from material timing differences using rates based on tax rates and laws that have been substantively enacted by the balance sheet date. Credit is taken for relief for trading and other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in the foreseeable future.

Group accounts

The Company has taken advantage of the exemption under S228 of the Companies Act 1985 from the requirement to prepare consolidated accounts as it is a wholly-owned subsidiary of Royal & Sun Alliance Insurance Group plc, which prepares group accounts.

3. Auditors' remuneration

The fee for the audit of the Company's accounts was £1,500 (2005: £1,400) which was borne by a group company, Royal & Sun Alliance Insurance plc.

4. Directors' emoluments

None of the directors received any emoluments from the Company during the year (2005: Nil). All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company, and it is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

5. Employees and staff costs

The Company did not employ anyone during the year (2005: nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company.

Swinchan Holdings Limited
Notes to the accounts (continued)

6. Taxation

The charge for taxation in the profit and loss comprises

	2006 £	2005 £
Current tax		
UK corporation tax/group relief	296,384	284,405
Adjustments in respect of prior periods	-	(92,443)
Total current tax	296,384	191,962
Deferred tax		
Origination and reversal of timing differences	2,803	5,326
Adjustment in respect of prior period	-	(1)
Movement in discount	-	(706)
Total deferred tax	2,803	4,619
Tax charge	299,187	196,581

The UK corporation tax charge for the current year is based on a rate of 30% (2005 30%)

Factors affecting the current tax charge

The current tax charge for the year is less than (2005 less than) 30% due to the items set out in the reconciliation below

	2006 £	2005 £
Profit on ordinary activities before tax	1,561,468	1,503,409
Tax at 30%	468,440	451,023
<i>Factors affecting charge</i>		
Tax exempt income and investment gains/losses	(2,803)	-
Fiscal Adjustment	(166,450)	(161,292)
Adjustment to prior year provisions	-	(92,443)
Other timing differences	(2,803)	(5,326)
Current tax charge for the period	296,384	191,962

7. Fixed asset investments

	2006 £	2005 £
Investments in subsidiary undertakings – net asset value		
At 1 January	1,920,349	1,920,349
Dissolutions	(23,400)	-
At 1 January and 31 December	1,896,949	1,920,349

The historical cost of investments in subsidiary undertakings is £2,299,208 (2005 £2,322,607)

Details of subsidiary undertakings at 31 December 2006 are shown in note 19

Swinchan Holdings Limited
Notes to the accounts (continued)

8. Debtors

Amounts falling due within one year:

	2006 £	2005 £
Amounts owed by group undertakings	36,204,096	34,843,937
Other debtors	-	2,803
	<u>36,204,096</u>	<u>34,846,740</u>

Other debtors includes £Nil (2005 £2,803) relating to deferred tax (see note 9)

9. Deferred tax

	2006 £	2005 £
General provision	-	2,803
Deferred tax asset	-	2,803

	2006 £	2005 £
Deferred tax asset at 1 January	2,803	7,422
Credit for the year	(2,803)	(4,619)
Deferred tax asset at 31 December	-	2,803

10. Creditors: amounts falling due within one year

	2006 £	2005 £
Amounts owed to group undertakings	13,295,138	13,318,539
Taxation and social security	296,384	191,962
	<u>13,591,522</u>	<u>13,510,501</u>

Amounts owed to group undertakings are unsecured, non-interest bearing and have no fixed date of repayment

11. Provisions for liabilities

	1 January 2006 £	Charge/(credit) for the year £	31 December 2006 £
Pension PI provision	9,345	(9,345)	-

The Pension PI provision at 31 December 2005 was in respect of potential claims of pensions mis-selling. No further claims are expected.

Swinchan Holdings Limited
Notes to the accounts (continued)

12. Share capital

	2006 £	2005 £
Authorised, allotted, issued and fully paid up 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. Reserves

Reserves and reserve movements are as follows

	Profit and Loss Account 2006 £	2005 £
Balance at 1 January	23,247,180	21,940,352
Retained profit for the year	<u>1,262,281</u>	<u>1,306,828</u>
Balance at 31 December	<u>24,509,461</u>	<u>23,247,180</u>

14. Capital commitments

The Company had no capital commitments at 31 December 2006 (2005 £nil)

15. Contingent liabilities

The Company had no material contingent liabilities at 31 December 2006 (2005 £nil)

16. Cash flow statement

The Company is a wholly-owned subsidiary of Royal & Sun Alliance Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of Royal & Sun Alliance Insurance Group plc. The Company has thus taken advantage of the exemption permitted by FRS 1 (revised 1996) 'Cash Flow Statements' and has elected not to prepare its own cash flow statement.

17. Related party transactions

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries.

18. Parent company

The Company's ultimate parent company and controlling party is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales, and is the parent company of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 9th Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD.

Swinchan Holdings Limited
Notes to the accounts (continued)

19. Subsidiaries

Name	Principal activity	Company's interest in share capital	Country of registration / incorporation
CASCADE NO 1 LIMITED	*In liquidation	100%	England & Wales
CASCADE NO 2 LIMITED	In liquidation	100%	England & Wales
CASCADE NO 3 LIMITED	*In liquidation	100%	England & Wales
CASCADE NO 4 LIMITED	*In liquidation	100%	England & Wales
CASCADE NO 5 LIMITED	In liquidation	100%	England & Wales
CASCADE NO 6 LIMITED	*In liquidation	100%	England & Wales
CASCADE NO 7 LIMITED	*In liquidation	100%	England & Wales
CASCADE NO 8 LIMITED	In liquidation	100%	England & Wales
CASCADE NO 9 LIMITED	*In liquidation	100%	England & Wales
CASCADE NO 11 LIMITED	*In liquidation	100%	England & Wales
Hallco 593 Limited	*In liquidation	100%	England & Wales
Hatfield Group of Companies Limited	*In liquidation	100%	England & Wales
Hatfield Insurance Services Limited	*In liquidation	100%	England & Wales
Home Cover Limited	*In liquidation	100%	England & Wales
Inter-City Leasing Limited	In liquidation	100%	England & Wales
J S Realization Number Three Limited	*In liquidation	100%	England & Wales
J S Realization Number Four Limited	In liquidation	100%	England & Wales
J S Realization Number Five Limited	*In liquidation	100%	England & Wales
J S Realization Number Six Limited	In liquidation	100%	England & Wales
J S Realization Number Seven Limited	*In liquidation	100%	England & Wales
J S Realization Number Eight Limited	*In liquidation	100%	England & Wales
J S Realization Number Ten Limited	In liquidation	100%	England & Wales
Marlborough Investments Limited	In liquidation	100%	England & Wales
Matchline Limited	In liquidation	100%	England & Wales
Surfeal Holdings Limited	Dormant	100%	England & Wales
Wantage Limited	In liquidation	100%	England & Wales
West Midland Trust Limited	In liquidation	100%	England & Wales

The Company holds 100% of voting rights for all of the above companies

* The above Companies were dissolved after the balance sheet date (See note 20)

20. Post balance sheet event

A number of the Company's subsidiaries were dissolved after the balance sheet date (see note 19). The financial effect of these dissolutions was to reduce the Company's investment in subsidiaries and amounts owed to group undertakings by £1,896,949. No gain or loss arose.