

**SWINCHAN HOLDINGS LIMITED**

**Annual Report and Accounts  
for the year ended 31 December 2007**

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**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**

Deloitte & Touche LLP  
Hill House  
1 Little New Street  
London  
EC4A 3TR

## **Swinchan Holdings Limited**

### **Directors' report**

for the year ended 31 December 2007

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

#### **Business review and principal activity**

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

#### **Future outlook**

All of the Company's subsidiaries were dissolved during the year. The Company did not trade during the current or prior year and is not expected to trade in the foreseeable future.

#### **Result and dividend**

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 (2006 £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 because the Company is non-trading.

#### **Financial instrument risk management**

The Company is a subsidiary of RSA Insurance Group plc (previously 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 because all of the Company's receivables are due from Group undertakings, with the majority of the balance due from its immediate parent.

#### **Directors**

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

#### **Auditors**

At the Extraordinary General Meeting of the Company held on 21 June 2007, PricewaterhouseCoopers LLP stepped down as auditors of the Company and Deloitte & Touche LLP were appointed. PricewaterhouseCoopers LLP have confirmed that there are no circumstances connected with their ceasing to hold office which should be brought to the notice of the shareholders or creditors of the Company pursuant to section 394 of the Companies Act 1985.

Each of the persons who is a director at the date of approval of this report confirms that

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the 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 Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have confirmed their willingness to continue in office as auditors of the Company. The Company has in place an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

By order of the board



J Possener for and on behalf of Roysun Limited  
Company secretary

14 October 2008

**Swinchan Holdings Limited**  
**Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 financial statements, and
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditors' report to the members of Swinchan Holdings Limited**

We have audited the financial statements of Swinchan Holdings Limited for the year ending 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14 including the accounting policies. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing 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).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of audit opinion**

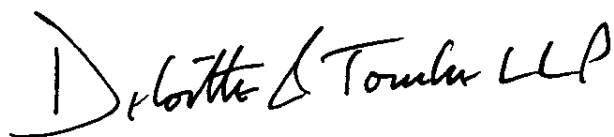
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 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.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London, United Kingdom

17 October 2008

# **Swinchan Holdings Limited**

## **Profit and loss account**

for the year ended 31 December 2007

	Notes	2007 £	2006 £
Other operating income	1	402,256	9,345
Interest receivable from group undertakings		1,985,714	1,552,123
<b>Profit on ordinary activities before taxation</b>		<b>2,387,970</b>	<b>1,561,468</b>
Taxation on profit on ordinary activities	5	(430,265)	(299,187)
<b>Profit for the financial year</b>		<b>1,957,705</b>	<b>1,262,281</b>

All figures relate to discontinued 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.

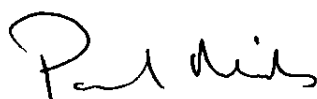
# **Swinchan Holdings Limited**

## **Balance sheet**

as at 31 December 2007

	Notes	2007 £	2006 £
<b>Fixed assets</b>			
Investments	6	-	1,896,949
<b>Current assets</b>			
Debtors	7	38,381,770	36,204,096
Cash at bank and in hand		38	38
		<u>38,381,808</u>	<u>36,204,134</u>
<b>Creditors: amount falling due within one year</b>	9	(11,914,542)	(13,591,522)
<b>Net current assets</b>		<u>26,467,266</u>	<u>22,612,612</u>
<b>Capital and reserves</b>			
Called up share capital	10	100	100
Profit and loss account	11	26,467,166	24,509,461
<b>Shareholder's funds</b>		<u>26,467,266</u>	<u>24,509,561</u>

The financial statements on pages 6 to 11 were approved by the Board of Directors and are signed on its behalf by



P Miles for and on behalf of Non-Destructive Testers Limited

Director

14 October 2008



**Swinchan Holdings Limited**  
**Statement of accounting policies**

**Financial statements**

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, as modified by the revaluation of investments, and on the going concern basis because in the opinion of the directors the Company will continue in existence for the foreseeable future.

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

**(a) Investments in subsidiaries**

Investments in subsidiaries are valued at net asset value unless the subsidiary is in a net liability position, in which case the subsidiary is valued at nil. Where the difference between net asset values and book values of investments in subsidiaries is positive, it is taken to the revaluation reserve. Where the difference is negative and exceeds previous positive revaluation taken to the revaluation reserve, the impairment is taken to the profit and loss account.

**(b) Taxation**

Current tax, based on profits and income for the year, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. A deferred tax asset is recognised for relief for trading losses or other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in the future.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**(c) 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 RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc), which prepares group accounts.

**1. Other operating income**

In 2007, other operating income comprised the net income after the write back of amounts owed by the Company to certain of its subsidiaries following the execution of debt waivers prior to their dissolution in the year (see note 6)

**2. Auditors' remuneration**

The fee for the audit of the Company's financial statements was £1,650 (2006 PricewaterhouseCoopers LLP £1,500) which was borne by a group company, Royal & Sun Alliance Insurance plc

**3. Directors' emoluments**

None of the directors received any emoluments from the Company during the year (2006 £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

**4. Employees and staff costs**

The Company did not employ anyone during the year (2006 nil) All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company (2006 £nil)

**5. Taxation**

The charge for taxation in the profit and loss account comprises

	2007 £	2006 £
<b>Current tax</b>		
UK corporation tax/group relief	389,356	296,384
Adjustments in respect of prior periods	40,909	-
Total current tax	430,265	296,384
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	2,803
Total deferred tax	-	2,803
<b>Tax charge</b>	430,265	299,187

The UK corporation tax charge for the current year is based on a rate of 30% (2006 30%)

*Factors affecting the current tax charge*

The current tax charge for the year is less than (2006 less than) 30% due to the items set out in the reconciliation below

	2007 £	2006 £
Profit on ordinary activities before tax	2,387,970	1,561,468
Tax at 30%	716,391	468,440
<i>Factors affecting charge</i>		
Tax exempt income and investment gains/losses	(120,677)	(2,803)
Fiscal Adjustment	(206,358)	(166,450)
Adjustment to prior year provisions	40,909	-
Other timing differences	-	(2,803)
Current tax charge for the year	430,265	296,384

**Swinchan Holdings Limited**  
**Notes to the accounts (continued)**

**5. Taxation (continued)**

The Company had no deferred tax assets or liabilities at 31 December 2007 (2006 £nil)

The tax charge in future periods will be impacted by the change in the UK corporation tax rate to 28% with effect from 1 April 2008

**6. Fixed asset investments**

	2007 £	2006 £
Investments in subsidiary undertakings – net asset value		
At 1 January	1,896,949	1,920,349
Dissolutions	(1,896,949)	(23,400)
At 31 December	-	1,896,949

The historical cost of investments in subsidiary undertakings is £nil (2006 £2,299,208)

**7. Debtors**

**Amounts falling due within one year:**

	2007 £	2006 £
Amounts owed by group undertakings	38,381,770	36,204,096

**8 Deferred tax**

	2007 £	2006 £
Deferred tax asset at 1 January	-	2,803
Credit for the year	-	(2,803)
Deferred tax asset at 31 December	-	-

**9 Creditors: amounts falling due within one year**

	2007 £	2006 £
Amounts owed to group undertakings	11,484,277	13,295,138
Taxation and social security	430,265	296,384
	11,914,542	13,591,522

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

**Swinchan Holdings Limited**  
**Notes to the accounts (continued)**

**10. Share capital**

	2007 £	2006 £
Authorised allotted, issued and fully paid up 100 ordinary shares of £1 each	100	100

**11. Movements in shareholder's funds**

	Share capital £	Profit & loss account £	2007 £	2006 £
Shareholders' funds at 1 January	100	24,509,461	24,509,561	23,247,280
Profit for the financial year	-	1,957,705	1,957,705	1,262,281
<b>Shareholder's funds at 31 December</b>	<b>100</b>	<b>26,467,166</b>	<b>26,467,266</b>	<b>24,509,561</b>

**12. Cash flow statement**

The Company is a wholly-owned subsidiary of RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc) and the cash flows of the Company are included in the consolidated cash flow statement of RSA Insurance Group plc (previously 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.

**13. Related party transactions**

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with entities that are part of the Royal & Sun Alliance Insurance Group.

**14. Parent company**

The Company's ultimate parent company and controlling party is RSA Insurance Group plc (previously 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 9<sup>th</sup> Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD.