

SWINCHAN HOLDINGS LIMITED

Report and Accounts

for the year ended 31 December 2004



Swinchan Holdings Limited

Contents

Contents	Page
Company information	2
Directors' report	3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Reconciliation of movements in shareholders funds	6
Balance sheet	7
Notes on the accounts	8-12

Swinchan Holdings Limited
Company information

Directors

Non-Destructive Testers Limited

Roysun Limited

Secretary

J E Fox

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

Swinchan Holdings Limited

Directors' report

for the year ended 31 December 2004

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 has not traded during the 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 (2003: £Nil).

Directors

JV Miller and I D Hutchinson resigned as directors as 28 September 2004 and J C Hance resigned on 2 April 2004. Roysun Limited and Non-Destructive Testers Limited were appointed on 27 July 2004 and 2 April 2004 respectively.

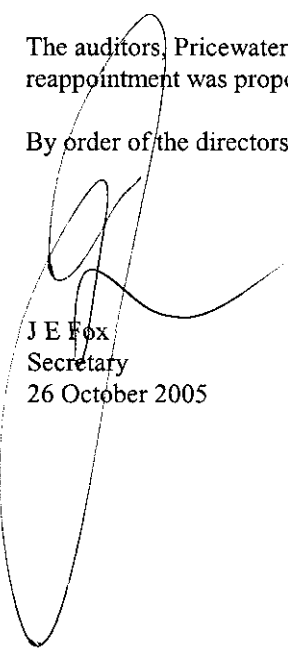
Directors interests

The directors do not have interests in the shares of the Company or in Royal & Sun Alliance Group plc, the ultimate holding Company.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment was proposed at the Annual General Meeting of Royal & Sun Alliance Insurance Group plc.

By order of the directors



J E Fox
Secretary
26 October 2005

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 2004. 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

Independent auditors' report to the members of Swinchan Holdings Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

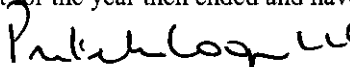
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of affairs of the Company at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 Dec 2005

Swinchan Holdings Limited

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £	2003 £
Release of provision		-	459,364
Interest receivable from parent undertaking		1,350,644	1,052,839
Profit on ordinary activities before tax		1,350,644	1,512,203
Taxation on profit on ordinary activities	2	(371,035)	193,619
Profit after tax		979,609	1,705,822
Transfer to retained profits		979,609	1,705,822

All figures relate to continuing operations.

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

There have been no recognised gains or losses in either reporting year other than those reported in the profit and loss account, and 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 profits and losses for the year is not given.

Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Shareholders' funds at 1 January	20,960,843	19,255,021
Total recognised gains for the year	979,609	1,705,822
Closing shareholders' funds	21,940,452	20,960,843

Swinchan Holdings Limited

Balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Investments	6	1,920,349	1,920,349
Current assets			
Debtors	7	33,347,950	32,469,268
Cash at bank and in hand		37	37
		<u>33,347,987</u>	<u>32,469,305</u>
Creditors: amount falling due within one year	8	(13,300,787)	(13,287,792)
Net current assets		<u>20,047,200</u>	<u>19,181,513</u>
Total assets less current liabilities		<u>21,967,549</u>	<u>21,101,862</u>
Provisions for liabilities and charges	9	(27,097)	(141,019)
Net assets		<u>21,940,452</u>	<u>20,960,843</u>
Capital and reserves			
Share capital	10	100	100
Profit and loss account	11	21,940,352	20,960,743
Equity shareholders' funds		<u>21,940,452</u>	<u>20,960,843</u>

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

The accounts on pages 6 to 12 were approved on 26 October 2005 by the Board of directors and are signed on its behalf by:-



Director

1 Accounting policies

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

A summary of the major accounting policies is set out below. These have been consistently applied except for investment in subsidiaries.

Investment in subsidiaries

Shares in subsidiaries are valued at net asset value. Cost is higher than net asset value and as such the Directors' believe this is the most appropriate accounting policy. If the net asset value is higher than the cost then there is a transfer to realisation reserves. If the net asset value is lower than the cost then there is a transfer to profit and loss reserves.

Taxation

The UK Taxation in the profit and loss account is based on profits/(losses) and income of the year as determined in accordance with the relevant tax legislation, together with adjustments of 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 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 future periods.

Deferred tax balances that derive from undiscounted cash flows and for which the impact of discounting is material have been discounted using appropriate rates.

Group Accounts

The Company has taken advantage of S228 (1) (a) of the Companies Act 1985 under which group accounts need not be prepared where the company is itself a wholly owned subsidiary undertaking of another company.

2 Auditors' remuneration

The costs of auditing the Company's accounts are borne by the parent company.

3 Directors' remuneration

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 throughout the year. All administrative duties are performed by employees of another group company. All staff in the UK are employed by Royal & Sun Alliance Insurance plc and are members of either one of the defined benefit pension schemes or a defined contribution pension scheme, details of which are disclosed in the financial statements of that company. Contributions are based on pension costs across the UK group as a whole

Swinchan Holdings Limited
Notes on the accounts (continued)

5 Taxation on profit on ordinary activities

The charge for United Kingdom corporation tax in the profit and loss comprises:

	2004 £	2003 £
Current Tax		
UK corporation tax/group relief	339,826	259,168
Adjustments in respect of prior periods	1	(662,700)
Total Current Tax	339,827	(403,532)
Deferred Tax		
Origination and reversal of timing differences	34,178	212,214
Movement in discount	(2,970)	(2,301)
Total Deferred Tax	31,208	209,913
Tax Charge	371,035	(193,619)

United Kingdom corporation tax for the current year is based on a rate of 30% (2003:30%).

The current tax charge for the year is less than (2003 less than) 30% due to the items set out in the reconciliation below:

	2004 £	2003 £
Profit on ordinary activities before tax	1,350,644	1,512,203
Tax at 30%	405,193	453,661
<i>Factors affecting charge</i>		
Disallowed expenditure	(31,190)	-
Adjustment to prior year provisions	1	(662,700)
Other timing differences	(34,178)	(194,493)
Current tax charge for the year	339,826	(403,532)

Other debtors: deferred tax

Other debtors included in the balance sheet include £7,422 (2003: £38,630) relating to deferred tax.

	2004 £	2003 £
Other timing differences	8,128	42,306
Discount	(706)	(3,676)
Deferred tax asset	7,422	38,630

Swinchan Holdings Limited
Notes on the accounts (continued)

6 Fixed asset investments

	Shares £
Shares in subsidiary undertakings:	
Cost:	
At 1 January and at 31 December 2004	2,322,607
Adjustment to carrying value at 1 January and 31 December 2004	(402,258)
Net Asset Value:	
At 1 January and 31 December 2004	<u>1,920,349</u>

Details of subsidiary undertakings at 31 December 2004 are shown in note 17.

7 Debtors

Amounts falling due within one year:	2004 £	2003 £
Amounts due from parent undertakings and fellow subsidiary undertakings	<u>33,340,528</u>	31,989,909
Corporation tax recoverable	0	440,729
Deferred tax asset	<u>7,422</u>	38,630
	<u>33,347,950</u>	<u>32,469,268</u>

8 Creditors

Amounts falling due within one year:	2004 £	2003 £
Amounts owed to parent undertaking	<u>2,457,838</u>	2,457,838
Amounts owed to other group companies	8,180,516	8,507,347
Amounts owed to fellow subsidiary undertakings	2,322,607	2,322,607
Taxation and social security	<u>339,826</u>	-
	<u>13,300,787</u>	<u>13,287,792</u>

Amounts due to fellow parent undertaking, other group companies and subsidiary undertakings are unsecured, non-interest bearing and have no fixed date of repayment.

9 Provisions for liabilities and charges

	1 January 2004 £	Paid in the year £	Increase/ (decrease) in the year £	31 December 2004 £
Pension PI provision	<u>141,019</u>	<u>(113,922)</u>	-	<u>27,097</u>

The pension provision is in respect of potential pensions mis-selling. It is based upon claims that the company has been informed of.

10 Share capital

	2004 £	2003 £
Authorised, allotted, issued and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Swinchan Holdings Limited
Notes on the accounts (continued)

11 Reserves

	Profit and Loss Account	
	2004	2003
	£	£
Balance at 1 January	20,960,743	19,254,921
Retained profit for the year	979,609	1,705,822
Balance at 31 December	21,940,352	20,960,743

12 Capital commitments

The Company had no capital commitments at 31 December 2004 (2003: £Nil).

13 Contingent liabilities

The Company had no material contingent liabilities as at 31 December 2004 (2003: £Nil).

14 Cash flow

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) 'Cash Flow Statements' and has elected not to prepare its own cash flow statement.

15 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 and associated undertakings.

16 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 undertaking 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.

18 Subsidiaries

Name	Principal Activity	Company's Interest in Share Capital	Country of Registration / Incorporation
Armitage Parfitt (Northern) Limited	Dormant	100%	England & Wales
CASCADE NO. 1 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 2 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 3 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 4 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 5 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 6 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 7 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 8 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 9 LIMITED	Dormant	100%	England & Wales
CASCADE NO. 11 LIMITED	Dormant	100%	England & Wales
Creswood Limited	Dormant	100%	England & Wales
Fowden Brothers Limited	Dormant	100%	England & Wales
Hallco 593 Limited	Dormant	100%	England & Wales
Hatfield Group of Companies Limited	Dormant	100%	England & Wales
Hatfield Insurance Services Limited	Dormant	100%	England & Wales
Home Cover Limited	Dormant	100%	England & Wales
Inter-City Leasing Limited	Dormant	100%	England & Wales
J.S. Realization Number Three Limited	Dormant	100%	England & Wales
J.S. Realization Number Four Limited	Dormant	100%	England & Wales
J.S. Realization Number Five Limited	Dormant	100%	England & Wales
J.S. Realization Number Six Limited	Dormant	100%	England & Wales
J.S. Realization Number Seven Limited	Dormant	100%	England & Wales
J.S. Realization Number Eight Limited	Dormant	100%	England & Wales
J.S. Realization Number Ten Limited	Dormant	100%	England & Wales
John Buckingham (Sheffield) Limited	Dormant	100%	England & Wales
Marlborough Investments Limited	Dormant	100%	England & Wales
Matchline Limited	Dormant	100%	England & Wales
Palmer Hill & Co. Limited	Dormant	100%	England & Wales
Palmer Hill (Insurance Services) Limited	Dormant	100%	England & Wales
Rulemace Limited	Dormant	100%	England & Wales
Surfeal Holdings Limited	Dormant	100%	England & Wales
Switchquote Limited	Dormant	100%	England & Wales
Wantage Limited	Dormant	100%	England & Wales
West Midland Trust Limited	Dormant	100%	England & Wales

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