

SWINCHAN HOLDINGS LIMITED

Report and Accounts

for the year ended 31 December 2003



Swinchan Holdings Limited
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Swinchan Holdings Limited

Directors

Directors

J V Miller	(resigned 28/09/2004)	
J C Hance	(resigned 02/04/2004)	
I D Hutchinson	(appointed 02/04/2004)	(resigned 28/09/2004)
Non-Destructive Testers Limited	(appointed 02/04/2004)	
Roysun Limited	(appointed 27/07/2004)	

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 2003

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.

Results and dividend

The profit for the year on ordinary activities before taxation amounted to £1,512,203 (2002 £86,337), taxation thereon amounted to £193,619 (2002 £119,738), leaving a profit after taxation amounting to £1,705,822 (2002 £33,401). The directors do not recommend payment of a dividend (2002 nil).

Auditors

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

Swinchan Holdings Limited

Directors' report (continued) for the year ended 31 December 2003

Directors

J V Miller served throughout the year and resigned on 28 September 2004. J C Hance served throughout and resigned from his post on 2 April 2004 and I D Hutchinson took up his appointment on 2 April 2004 and then resigned on 28 September 2004. Non-Destructive Testers Limited and Roysun Limited were appointed as directors on 2 April 2004 and 27 July 2004 respectively. The directors did not have any interests in the shares of the Company.

The interests of J C Hance in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc are disclosed in the financial statements of Royal & Sun Alliance Insurance Group plc.

The interests of J V Miller in the ordinary shares of Royal & Sun Alliance Insurance Group plc are as follows:

	Ordinary shares ¹ held at 1 January 2003 or appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2003
J V Miller	89,394	1,951	-	91,345

Note:

1. Ordinary shares of 27.5p each.

In addition to the interests shown above, all directors had a beneficial interest, as at 31st December 2003, in 12,371,801 (2002:11,541,409) shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and 3,038,894 (2002: 697,200) shares of 27.5p each in the Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust No 2. All employees of the group and certain option-holders have a beneficial interest in the shares held in these trusts with the exception of the executive directors of Royal & Sun Alliance Insurance Group plc who are excluded from the beneficiaries of the Royal & Sun Alliance ESOP Trust.

Interests in share options

	Balance held at 1 January 2003 or on appointment	Granted during period	Rights Issue Adjustment	Exercised during Period	Cancelled / Lapsed during Period	Balance held on 31 December 2003
J V Miller	174,048	35,000	45,005	-	-	254,053

Royal & Sun Alliance Insurance Group plc completed a one for one rights issue during the year, following which adjustments were made to the number of shares under option and to exercise prices in accordance with the rules of the relevant share option schemes.

By order of the directors

J E Fox
Secretary

28 October

2004

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 2003. The directors also confirm that applicable accounting standards have been followed and that it is appropriate for the financial statements to have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records. 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 accounts which comprise the profit and loss account, the balance sheet, the statement of recognised gains and losses, the reconciliation of movements in shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts 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 accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 December 2003 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
Liverpool,

29 October 2004

Swinchan Holdings Limited

Profit and loss account

For the year ended 31 December 2003

	Notes	2003 £	2002 £ (Restated)
Turnover		-	-
Operating expenses		-	-
Operating profit		-	-
Increase / Release of provision		459,364	475,971
Unrealised loss on investments	2	-	(402,258)
Interest receivable		1,052,839	12,624
Profit on ordinary activities before tax		1,512,203	86,337
Taxation on profit on ordinary activities	3	193,619	(119,738)
Profit on ordinary activities after tax		1,705,822	(33,401)
Transfer to retained profits		1,705,822	(33,401)

All figures relate to continuing operations.

There have been no recognised gains or losses or other movements in shareholders' funds in either reporting year other than those reported in the profit and loss account, and accordingly no statement of total recognised gains and losses or movement in capital and reserves statement 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.

The notes on pages 9 to 13 form part of these accounts.

Statement of total recognised gains and losses

	2003 £	2002 £ (Restated)
Net profit for the financial year	1,705,822	(33,401)
Total recognised gains and losses relating to the year	1,705,822	(33,401)
Prior year adjustment	-	1,280,935
Total recognised gains and losses since last annual report	1,705,822	1,247,534

There were no material total recognised gains and losses for the year other than the profit for the year.

Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	1,705,822	(33,401)
Opening shareholders' funds	19,255,021	19,288,422
Closing shareholders' funds	20,960,843	19,255,021

Swinchan Holdings Limited

Balance sheet

As at 31 December 2003

	Notes	2003 £	2002 £ (Restated)
Fixed assets			
Investments			
Shares in subsidiaries	4	1,920,349	1,920,349
Current assets			
Debtors	5	32,469,268	31,222,810
Cash at bank and in hand		37	37
		<u>32,469,305</u>	<u>31,222,847</u>
Creditors: amount falling due within one year	6	<u>(13,287,792)</u>	<u>(13,098,845)</u>
Net current assets		<u>19,181,513</u>	<u>18,124,002</u>
Total assets less current liabilities		<u>21,101,862</u>	<u>20,044,351</u>
Provisions for liabilities and charges	7	<u>(141,019)</u>	<u>(789,330)</u>
Net assets		<u>20,960,843</u>	<u>19,255,021</u>
Share capital and reserves			
Called up share capital	8	100	100
Profit and loss account		<u>20,960,743</u>	<u>19,254,921</u>
Equity Shareholders' funds		<u>20,960,843</u>	<u>19,255,021</u>

The notes on pages 9 to 13 form part of these accounts.

The accounts on pages 7 to 13 were approved today by the Board of directors and are signed on its behalf by:-



Director

28 October 2004

1 Accounting policies

The financial statements have been prepared 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, but were valued at cost in previous years. Cost is higher than net asset value and as such the Directors' believe this is the most appropriate accounting policy. Prior year figures have been restated to reflect this change in accordance with FRS 18. The effect of the change in accounting policy in 2003 and 2002 is a reduction in value of £402,258. 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 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 in Section 228 (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.

Cash flow

In accordance with paragraph 5 (a) of FRS 1 (revised), the company is not required to publish a cash flow statement.

Related parties

As the company is a subsidiary undertaking, where 90% or more of its voting rights are controlled within the Royal & Sun Alliance Insurance Group, it has taken advantage of the exemption permitted by FRS8 not to disclose any transactions or balances with entities that are part of the Royal & Sun Alliance Insurance Group.

Swinchan Holdings Limited
Notes on the accounts Cont'd

2 Taxation on profit on ordinary activities

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

	2003 £	2002 £
Current Tax		
UK corporation tax/group relief	259,168	(15,251)
Adjustments in respect of prior periods	(662,700)	(21,946)
Total Current Tax	(403,532)	(37,197)
Deferred Tax		
Origination and reversal of timing differences	212,214	161,829
Movement in discount	(2,301)	(4,894)
Total Deferred Tax	209,913	156,935
Tax Charge	(193,619)	119,738

United Kingdom corporation tax for the current year is based on a rate of 30% (2002 30%).

The current tax charge for the year is less than (2002 less than) 30% due to the items set out in the reconciliation below:

	2003 £	2002 £ Restated
Profit on ordinary activities before tax	1,512,203	86,337
Tax at 30%	453,661	25,901
<i>Factors affecting charge</i>		
Disallowed expenditure	-	120,677
Adjustment to prior year provisions	(662,700)	(21,946)
Other timing differences	(194,493)	(161,829)
Current tax charge for the year	(403,532)	(37,197)

Other debtors: deferred tax

Other debtors included in the balance sheet include £38,630 (2002 £248,543) relating to deferred tax.

	2003 £	20
Other timing differences	42,306	254,5
Discount	(3,676)	(5,97
Deferred tax asset	38,630	248,5

Swinchan Holdings Limited
Notes on the accounts Cont'd

3 Fixed asset investments

	Shares £
In subsidiary undertakings:	
Cost:	
At 1 January 2003 and at 31 December 2003	2,322,607
Adjustment to carrying value at 1 January 2003 and 31 December 2003	(402,258)
Net Asset Value:	
At 1 January 2003 and 31 December 2003	<u>1,920,349</u>

Details of subsidiary undertakings at 31 December 2003 are shown in note 15.

4 Debtors

Amounts falling due within one year:-	2003 £	2002 £
Amounts due from other group companies	31,989,909	30,937,070
Corporation tax recoverable	440,729	37,197
Deferred tax asset	38,630	248,543
	<u>32,469,268</u>	<u>31,222,810</u>

5 Creditors

Amounts falling due within one year:-	2003 £	2002 £
Amounts owed to parent company	2,457,838	2,457,838
Amounts owed to other group companies	8,507,347	8,318,400
Amounts owed to subsidiaries	2,322,607	2,322,607
	<u>13,287,792</u>	<u>13,098,845</u>

6 Provisions for liabilities and charges

	1st January 2003 £	Paid in the year £	Increase/ (decrease) in the year £	31st December 2003 £
Sale provision	700,000	-	(700,000)	-
Pension PI provision	89,330	(188,947)	240,636	141,019
	<u>789,330</u>	<u>(188,947)</u>	<u>459,364</u>	<u>141,019</u>

The sale provision was established in 2001 to cover costs, warranties and indemnities relating to the sale of the Swintons business. The provision will not be utilised therefore it has been released to the profit and loss account in 2003.

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

8 Share capital

	2003 £	2002 £
Authorised, allotted, issued and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

9 Capital commitments

The Company had no capital commitments at 31 December 2003 (2002 £nil).

10 Directors' emoluments and employee information

None of the directors received any emoluments from the Company during the year (2002 nil). The Company did not employ anyone during the year. All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc.

The emoluments of all the Company's directors are paid by Royal & Sun Alliance Insurance plc. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to Royal & Sun Alliance Insurance plc.

11 Contingent Liabilities

The Company had no material contingent liabilities as at 31 December 2003 (2002 £nil).

12 Auditors' remuneration

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

13 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) and has elected not to prepare its own cash flow statement.

14 Related party transactions

Advantage has been taken of the exemption provided in FRS8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

15 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.

Swinchan Holdings Limited

Subsidiaries

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