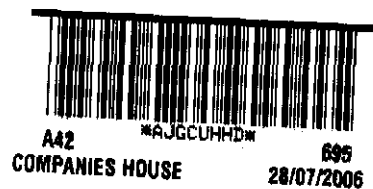


R&SA MARKETING SERVICES PLC

Report and Accounts

for the year ended 31 December 2005



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Directors

A P Brown

D A Finch

P L Miles

Secretary

Roysun Limited

Registered Office

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

Auditors

PricewaterhouseCoopers LLP
Southwark Towers
32 London Bridge Street
London
SE1 9SY

Directors' report
for the year ended 31 December 2005

Principal activities

The principal activities are the provision of service to external insurers and income derived from an agreement with a credit card provider.

Review of the year and future developments

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Result and dividend

The result for the year is shown in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (2004: £Nil).

Directors and their interests

The names of the current directors are listed on page 2. P L Miles was appointed as a director of the Company on 12 September 2005, and M P Tildesley resigned as a director on 12 September 2005. A P Brown and D A Finch served as directors throughout the year.

None of the directors have any interests in the shares of the Company.

The interests of the directors in the ordinary shares of Royal & Sun Alliance Insurance Group plc, the ultimate holding company, are as follows:

	Ordinary shares ¹ held at 1 January 2005 or appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2005
A P Brown	39,823	54	-	39,877
D A Finch	2,154	121	-	2,275
P L Miles	12,599	-	-	12,599

Note:

1. Ordinary shares of 27.5p each.

In addition to the interests shown above, the directors had a beneficial interest, as at 31 December 2005, in 19,182,272 (2004: 12,369,290) shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and 4,938,894 (2004: 3,038,894) 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.

The interests in options to subscribe for ordinary shares of Royal & Sun Alliance Insurance Group plc of A P Brown, D A Finch and P L Miles are as follows:

Options to subscribe for ordinary shares of 27.5p each					
	Held at 1 January 2005 or on appointment	Granted	During 2005		Held at 31 December 2005
			Exercised	Lapsed	
A P Brown	568,774	411,792	-	7,064	973,502
D A Finch	194,813	65,667	-	18,569	241,911
P L Miles	82,170	27,298	-	-	109,468

Directors' report
for the year ended 31 December 2005

Long-term incentive scheme interests held during 2005 in respect of the ordinary shares of 27.5p each of Royal and Sun Alliance Insurance Group plc as a result of Share Matching Plan awards for A P Brown and D A Finch are as follows (Details of the scheme are disclosed in Royal & Sun Alliance Insurance Group plc financial statements):

		Share awards held at 1 January 2005 or on appointment	Share awards granted	During 2005 Share awards exercised	Share awards lapsed	Share awards Held at 31 December 2005
A P Brown	Deferred share awards	45,632	45,531	-	-	91,163
	Matching share awards	136,896	136,593	-	85,515	187,974
D A Finch	Deferred share awards	16,351	26,750	-	-	43,101
	Matching share awards	49,053	80,250	-	30,642	98,661

Supplier Payment Policy

It is the policy of the Royal & Sun Alliance Insurance Group plc and this company to agree appropriate terms and conditions in advance with its suppliers and to make payment in accordance with those terms and conditions, provided that the supplier has complied with them. In most cases, agreements for the supply of goods or services are made under standard terms of contract that lay down payment terms. In the United Kingdom these are available on request from UK Purchasing, Leadenhall Court, 1 Leadenhall Street, London, EC3V 1PP.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting of the Company.

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

Disclosure of information to auditors

As far as the directors are aware there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the directors

Helen M Maxwell

RoySun Limited
Secretary

26 July 2006

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 2005. 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.

Profit and loss account
for the year ended 31 December 2005

Independent auditors' report to the members of R&SA Marketing Services Plc

We have audited the financial statements of R&SA Marketing Services Plc for the year ended 31 December 2005 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 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 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

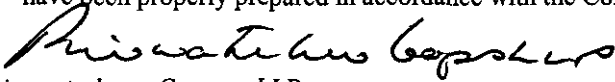
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2005 and of its loss 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

26 July 2006

R&SA Marketing Services Plc

Profit and loss account for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	2	3,786,286	4,826,308
Net operating expenses	4	(3,749,225)	(4,807,850)
Operating profit		37,061	18,458
Profit on disposal of investments		-	935
Profit on ordinary activities before taxation		37,061	19,393
Taxation on profit on ordinary activities	5	(134,110)	(5,538)
Profit / (loss) on ordinary activities after taxation		(97,049)	13,855

All figures relate to continuing operations.

There have been no recognised gains or losses in either reporting year other than those reported in the profit and loss account. Accordingly, no statement of total recognised gains or 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 9 to 12 form an integral part of these accounts.

Reconciliation of movements in shareholders' funds


	Share Capital £	Profit & Loss Account £	2005 £	2004 £
Shareholders' funds at 1 January	50,000	7,632,872	7,682,872	7,669,017
Shareholders' recognised profits / (losses)	-	(97,049)	(97,049)	13,855
Shareholders' funds at 31 December	50,000	7,535,823	7,585,823	7,682,872

R&SA Marketing Services Plc**Balance sheet**
as at 31 December 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	6	10,851,443	6,649,959
Cash at bank and in hand		-	1,676,978
		<u>10,851,443</u>	<u>8,326,937</u>
Creditors: amounts falling due within one year	7	(3,265,620)	(644,065)
Net current assets		<u>7,585,823</u>	<u>7,682,872</u>
Capital and reserves			
Called up share capital	8	50,000	50,000
Profit and loss account	9	7,535,823	7,632,872
Equity shareholders' funds		<u>7,585,823</u>	<u>7,682,872</u>

The notes on pages 9 to 12 form an integral part of these accounts.

The accounts on pages 7 to 12 were approved by the Board of Directors and are signed on its behalf by:



Director

26 July

2006

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 a going concern basis. Accounting policies have been consistently applied throughout the year.

2 Accounting Policies

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

Turnover

Turnover is stated exclusive of value added tax and comprises commission income received in relation to the various personal financial products offered by the Company, and income from provision of services for external insurers. In accordance with FRS 5 Application Note G, commission income in respect of insurance administration services is recognised based on the completion of the services required for the performance of the obligations contained in the underlying accounts.

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.

Deferred tax balances are not discounted (previously, deferred tax balances were discounted at rates reflecting post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets and liabilities; the rates used were within the range of 1% to 4%).

3 Segmental Analysis

All of the turnover is from business conducted within the UK.

	2005 £	2004 £
Turnover		
Provision of services to external insurers	3,615,348	4,737,850
Credit card services	170,938	88,458
Total turnover	3,786,286	4,826,308

4 Net operating expenses

	2005 £	2004 £
Net operating expenses include:		
Marketing and distribution costs	133,877	70,000
Insurance administration services	3,615,348	4,737,850
	3,749,225	4,807,850

Notes to the accounts (continued)

5 Taxation

	2005 £	2004 £
The charge for taxation in the profit and loss account comprises:		
Current tax		
UK corporation tax/group relief	69,643	5,538
Adjustments in respect of prior years	64,467	
Total current Tax	134,110	5,538
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred Tax	-	-
Tax charge	134,110	5,538

The UK corporation tax charge for the current year is based on a rate of 30% (2004: 30%).

Factors affecting the current tax charge

The current tax charge for the year is more than (2004: less than) 30% due to the items set out in the reconciliation below:

	2005 £	2004 £
Profit on ordinary activities before tax	37,061	19,393
Tax at 30%	11,118	5,818
<i>Factors affecting charge</i>		
Tax exempt income and investment gains/losses		(280)
Fiscal adjustments	58,525	
Adjustment to prior year provisions	64,467	
Current tax charge for the period	134,110	5,538

6 Debtors

	2005 £	2004 £
Amounts falling due within one year:		
Amounts owed by group undertakings	2,525,751	5,130,126
Other debtors	8,325,692	1,421,833
Prepayments and accrued income	-	98,000
	10,851,443	6,649,959

7 Creditors: amounts falling due within one year

	2005 £	2004 £
Other creditors	2,648,860	78,206
Taxation and social security	176,210	5,538
Accruals and deferred income	440,550	560,321
	3,265,620	644,065

Notes to the accounts (continued)

8 Share capital	2005	2004
	£	£
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, issued and fully paid up		
50,000 ordinary shares of £1 each	50,000	50,000

9 Reserves	Profit and loss account	
	2005	2004
	£	£
Balance at 1 January	7,632,872	7,619,017
Retained profit / (loss) for the year	(97,049)	13,855
Balance at 31 December	7,535,823	7,632,872

10 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.

11 Directors' emoluments

None of the directors received any emoluments from the Company during the year (2004: nil). All the directors receive remuneration from Royal & SunAlliance 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

12 Capital commitments

The Company had no capital commitments at 31 December 2005 (2004: £Nil).

13 Contingent liabilities

The Company had no material contingent liabilities at 31 December 2005 (2004: £Nil).

14 Auditors' remuneration

The cost of auditing the Company's accounts is borne by a parent company.

15 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.

16 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.

17 Parent companies

The Company's immediate parent company is Royal Insurance Holdings plc, which is registered in England and Wales.

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.