

Registered Number: 2221960

ROYAL INSURANCE HOLDINGS PLC

Annual Report and Accounts

for the year ended 31 December 2007

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Royal Insurance Holdings plc
Company information

Directors

M G Culmer

A K Haste

Secretary

Roysun Limited

Registered Office

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

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR

Royal Insurance Holdings plc

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 is the holding company for subsidiaries transacting the business of insurance and related financial services in the United Kingdom and overseas. The results of the Company show a profit on ordinary activities before tax of £109m (2006 *profit* £193m). The shareholders' funds of the Company were £2,640m as at 31 December 2007 (31 December 2006 £2,501m).

Future outlook

It is intended that the Company will continue to act as the parent company of subsidiaries operating within the financial services industry.

Dividends

Interim dividends totalling £200m (2006 £200m) were paid during the year.

The directors do not recommend payment of a final ordinary dividend (2006 £Nil).

Directors

Mr A P Latham served as a director until he resigned on 31 December 2007. Mr A K Haste and Mr M G Culmer served throughout the year.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated within the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc), which include those of the Company, are discussed in the Group Annual Report & Accounts, which do not form part of this report.

Key performance indicators

The directors of RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc) manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc) is discussed in the Group Annual Report & Accounts, which do not form part of this report.

Management of financial risk

The Company invests its available resources in financial assets. The management of financial risk is undertaken in accordance with policies established by the parent company to ensure financial risk is properly managed at Group level. In addition, the investment policy at Company level is expected to ensure that the Company is able to meet its obligations. As an intermediate holding company, the Company has limited exposure to price risk, credit risk, liquidity risk and cash flow risk. Its principal exposures are to debts due from Group companies which the directors expect to be settled in full as they fall due or on demand as applicable. The Company is not party to any arrangements for which hedge accounting is used.

Royal Insurance Holdings plc

Directors' report (continued)
for the year ended 31 December 2007

Auditors

At the Annual General Meeting of the Company held on 2 July 2007, PricewaterhouseCoopers LLP stepped down as auditors of the Company and Deloitte and 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 Companies Act 1985.

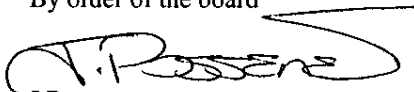
Each of the persons who is a director at the date of approval of this report confirms that

- 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 and a resolution for their reappointment will be proposed at the Annual General Meeting.

By order of the board



J Possener

For and on behalf of Roysun Limited
Company Secretary

18 JUL 2008

Royal Insurance Holdings plc

Statement of directors' responsibilities

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 judgments 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.

Royal Insurance Holdings plc
Independent auditors' report

Independent auditors' report to the members of Royal Insurance Holdings plc

We have audited the financial statements of Royal Insurance Holdings plc for the year ended 31 December 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of accounting policies and the related notes 1 to 12. 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 within it.

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

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

23 July

2008

Royal Insurance Holdings plc

Profit and loss account

for the year ended 31 December 2007

Notes	2007 £m	2006 £m
Income from shares in group undertakings	231	300
Other interest receivable and similar income	-	1
Interest payable on loans from subsidiary undertakings	(122)	(105)
Interest payable on borrowings	-	(3)
Interest payable	(122)	(108)
Profit on ordinary activities before taxation	109	193
Tax credit on profit on ordinary activities	38	30
Profit for the financial year	147	223

All figures relate to continuing operations

Statement of historical cost profits and losses

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 historical cost basis. Accordingly a note on the historical profits and losses for the year is not given.

Statement of total recognised gains and losses for the year ended 31 December 2007

	Revaluation reserve £m	Profit & loss account £m	2007 £m	2006 £m
Profit for the financial year	-	147	147	223
Unrealised gains/(losses) on investments	200	-	200	(39)
Exchange (losses)/gains	-	(8)	(8)	2
Total recognised gains arising in the year	200	139	339	186

The notes on pages 10 to 12 form an integral part of these accounts

Royal Insurance Holdings plc

Balance sheet as at 31 December 2007

	Notes	2007 £m	2006 £m
Fixed assets – investments			
Shares in group undertakings	3	4,432	4,233
Other investments		<u>1</u>	<u>-</u>
		4,433	4,233
Current assets			
Amounts owed by group undertakings		71	16
Other debtors - taxation recoverable	1	38	56
Cash at bank and in hand		<u>1</u>	<u>1</u>
		<u>110</u>	<u>73</u>
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	5	(1,876)	(1,788)
Other creditors including taxation and social security		<u>(27)</u>	<u>(17)</u>
		(1,903)	(1,805)
Net current liabilities		(1,793)	(1,732)
Net assets		<u>2,640</u>	<u>2,501</u>
Share capital and reserves			
Called up share capital	6	1,133	1,133
Share premium account		474	474
Revaluation reserve	7	747	547
Profit & loss account	7	<u>286</u>	<u>347</u>
Shareholders' funds		<u>2,640</u>	<u>2,501</u>

The notes on pages 10 to 12 form an integral part of these accounts

The accounts were approved by the Board of Directors and are signed on its behalf by



G Culmer
Director
16 July 2008

Royal Insurance Holdings plc

Statement of accounting policies

The financial statements are prepared in accordance with the Companies Act 1985 and applicable UK accounting standards. The Company being a wholly owned subsidiary whose parent company prepares consolidated accounts has taken advantage of section 228 of the Companies Act 1985, in not preparing consolidated accounts. The Company's accounting policies are set out below and have been consistently applied throughout the current and preceding financial years.

Basis of accounting

The accounts are prepared under the historical cost convention modified by the revaluation of subsidiaries.

The balance sheet as at 31 December 2007 reports net current liabilities of £1,793m (2006 £1,732m) after taking into account a liability of £1,876m (2006 £1,788m) due to group companies on demand. After due and careful enquiry, the directors believe that it is not the intention of the group companies to call for payment of the liability in the foreseeable future.

Taxation

Current taxation in the Profit and Loss Account is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years. UK tax in respect of overseas subsidiaries and principal associated undertakings is based on dividends received.

Deferred tax 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. Provision is made for taxation which might arise on the distribution of profits retained by overseas subsidiaries or associated undertakings only to the extent that dividends have been accrued as receivable. 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.

Investments in group undertakings

Subsidiaries are valued in the balance sheet by reference to the Company's proportion of their net assets (including investments at market value).

Revaluation reserve

In the balance sheet the revaluation reserve represents the difference between cost and the Company's proportion of the net asset value of subsidiary undertakings.

Translation of foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates ruling at the year end. Differences on foreign currency borrowings used to provide a hedge against foreign equity investments are taken directly to reserves.

Royal Insurance Holdings plc

Notes to the accounts

1. Taxation

The tax on profit on ordinary activities credited in the profit and loss account is as follows

Current tax

UK corporation tax

Adjustments in respect of prior periods

Total current tax

Deferred tax

Timing differences – origination and reversal

Total deferred tax

Tax credit

2007 £m	2006 £m
(36)	(31)
4	1
(32)	(30)
(6)	-
(6)	-
(38)	(30)

United Kingdom Corporation tax for the current year is based on a rate of 30% (2006 30%)

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

	2007 £m	2006 £m
Profit/(loss) on ordinary activities before tax	109	193
Tax at 30%	32	58
<i>Factors affecting charge</i>		
Tax exempt income and investment gains/losses	(69)	(89)
Fiscal adjustments	1	-
Adjustment to prior years provisions	4	1
Other timing differences	2	-
Exchange in statement of total recognised gains and losses	(2)	-
Current tax credit for the period	(32)	(30)

2. Dividends

Interim paid in respect of current year

2007 £m	2006 £m
200	200
200	200

3. Investments in group undertakings

The Company's principal subsidiaries at 31 December 2007 are shown below. The country shown is that of incorporation and principal operation. All holdings are of ordinary shares and represent 100% of the nominal issued capital.

Company

Country of incorporation

Blue Holdco Limited	England & Wales
R&SA Marketing Services plc	England & Wales
Royal & Sun Alliance Insurance plc	England & Wales
Royal & Sun Alliance Pension Trustee Limited	England & Wales
RSA Accident Repairs Limited	England & Wales
RSA CRS (US) Limited	England & Wales
RSA E-Holdings Limited	England & Wales
Sun Alliance Managed Pension Services Limited	England & Wales
Sun Alliance Property Construction Limited	England & Wales
Sun Alliance Pension Scheme Investment Management Limited	England & Wales
The subsidiaries are involved in insurance and related financial services	

1 Sun Alliance Property Construction Limited was put into liquidation in September 2007

Royal Insurance Holdings plc

Notes to the accounts (continued)

3. Investments in group undertakings (cont.)

Shares in subsidiaries in the balance sheet comprise

	2007 £m	2006 £m
Cost at 1 January	3,685	3,685
Adjustment to net asset value	747	548
Net asset value at 31 December	4,432	4,233

4. Employee information

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. Loans and borrowings

Included in amounts owed to group undertakings is a loan of £374m (2006 £288m) from a subsidiary upon which interest has been charged during the year based on prevailing sterling average market call deposit rates

Included in amounts owed to group undertakings is a loan of £995m (2006 £1,009m) from the immediate parent company upon which interest has been charged during the year based on prevailing sterling average market call deposit rates

Interest payable on amounts owed to credit institutions repayable within 5 years was £Nil (2006 £3m)

6. Share capital account

	2007 £m	2006 £m
Authorised 4,916,000,000 (2006 4,916,000,000) ordinary shares of 25p each	1,229	1,229
Issued 4,530,812,148 (2006 4,530,812,148) ordinary shares of 25p each	1,133	1,133

7. Reconciliation of movements in shareholders' funds

	Share capital/ premium £m	Revaluation reserve £m	Profit & loss account £m	2007 £m	2006 £m
Shareholders' funds at 1 January	1,607	547	347	2,501	2,515
Shareholders' recognised gains	-	200	139	339	186
Dividends	-	-	(200)	(200)	(200)
Shareholders' funds at 31 December	1,607	747	286	2,640	2,501

8. Auditors' remuneration

Fees payable to Deloitte & Touche LLP for the audit of the Company's annual accounts were £10,000 (2006 PricewaterhouseCoopers LLP £10,000) Details of non-audit fees payable to Deloitte & Touche LLP are disclosed in the RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc) 2007 Report & Accounts

Royal Insurance Holdings plc

Notes to the accounts (continued)

9. Cash flow

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 FRS1 (revised) and has elected not to prepare its own cash flow statement.

10. Directors' emoluments

2007	2006
£000	£000

The aggregate emoluments of the directors, including amounts received from subsidiaries, were as follows:

Salaries and bonuses	2,931	2,782
Allowances, benefits and other awards	400	384
	3,331	3,166

The criteria for making bonus awards is based on targeted levels of business sector profit and specific business objectives. Details of directors' interests in RSA Insurance Group plc (previously Royal & Sun Alliance Insurance Group plc), including share options granted to directors under the executive and save as you earn employee share option schemes, are included in the directors' report.

2007	2006
£000	£000

The emoluments of the highest paid director (A K Haste) were:

Salary, bonus, allowances, benefits and other awards	1,912	1,834
	1,912	1,834

At 31 December 2007 the highest paid director had accrued annual pension of £8,811. This figure is based on the amount of annual pension which would be payable on his attaining normal pension age if he had left the Company's service on 31 December 2007.

Retirement benefits accrued under defined benefit schemes for A K Haste and A P Latham who served during the year. Contributions of £70,575 (2006: £65,504) were made to Group defined contribution schemes during the year in respect of the other director.

11. Related party transactions

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

12. 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 incorporated in Great Britain and 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.