

**Registered Number: 2395376**

**ROYAL & SUN ALLIANCE INSURANCE FINANCE LIMITED**

**Report and Accounts  
for the year ended 31 December 2005**



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COMPANIES HOUSE 20/10/2006

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**Royal & Sun Alliance Insurance Finance 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**

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Southwark Towers  
32 London Bridge St  
London SE1 9SY

## **Royal & Sun Alliance Insurance Finance Limited**

### **Directors' report** for the year ended 31 December 2005

#### **Principal activity**

The principal activity of the Company is to provide credit sale finance to employees of Royal & Sun Alliance Insurance plc to enable employees to purchase a car through the Company.

#### **Review of the year and future developments**

The business continued to expand in the year and the directors anticipate that this trend will continue in the foreseeable future.

#### **Results and Dividends**

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 (2004: £nil).

#### **Directors and their interests**

The names of the current directors, who served throughout the year, are listed on page 2. Non-Destructive Testers Limited and Roysun Limited do not have any interests in the shares of the Company or in the shares of Royal & Sun Alliance Insurance Group plc, the ultimate holding company.

#### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The company has in place an elective resolution under which it is not necessary to reappoint the auditors at each Annual General Meeting.

#### **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.

#### **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.

By order of the directors



Roysun Limited  
Secretary

13 October 2006

## **Royal & Sun Alliance Insurance Finance 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 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.

**Independent auditors' report to the members of Royal & Sun Alliance Insurance Finance Limited**

We have audited the financial statements of Royal & Sun Alliance Insurance Finance Limited for the year ended 31<sup>st</sup> 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**

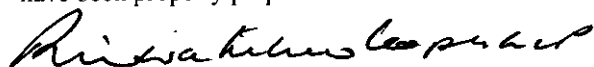
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

13 October 2006

# Royal & Sun Alliance Insurance Finance Limited

## Profit and loss account for the year ended 31 December 2005

	Notes	2005 £	2004 £
Turnover	3	8,255,596	8,717,514
Net operating expenses	4	(7,610,190)	(8,313,722)
<b>Operating profit</b>		<b>645,406</b>	<b>403,792</b>
Other interest receivable and similar income		56,962	71,671
<b>Profit on ordinary activities before taxation</b>		<b>702,368</b>	<b>475,463</b>
Taxation on profit on ordinary activities	8	(269,828)	(199,953)
<b>Profit on ordinary activities after taxation</b>		<b>432,540</b>	<b>275,510</b>

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 and 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.

Reconciliation of movements in shareholders' funds	Share capital £	Profit & loss account £	2005 £	2004 £
Shareholders' funds at 1 January	10,960,002	2,761,381	13,721,383	13,445,873
Shareholders' recognised profits	-	432,540	432,540	275,510
<b>Shareholders' funds at 31 December</b>	<b>10,960,002</b>	<b>3,193,921</b>	<b>14,153,923</b>	<b>13,721,383</b>

# Royal & Sun Alliance Insurance Finance Limited

## Balance sheet as at 31 December 2005

	Notes	2005 £	2004 £
<b>Current assets</b>			
Debtors : amounts falling due within one year	9	9,043,345	11,864,104
Debtors : amounts falling due after more than one year	9	4,881,126	4,788,995
Cash at bank and in hand		685,212	287,331
		14,609,683	16,940,430
Creditors: amounts falling due within one year	11	(433,760)	(3,219,047)
<b>Net current assets</b>		<b>14,153,923</b>	<b>13,721,383</b>
<b>Capital and reserves</b>			
Called up share capital	12	10,960,002	10,960,002
Profit and loss account	13	3,193,921	2,761,381
<b>Equity shareholders' funds</b>		<b>14,153,923</b>	<b>13,721,383</b>

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

The accounts on pages 6 to 12 were approved by the Board of Directors and are signed on its behalf by:

*Helena M Maxwell*

Non-Destructive Testers Limited

Director

13 October 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.

**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 includes finance income and income from the sale of vehicles to employees of Royal & Sun Alliance Insurance plc.

**Car sales income**

Car Sales income is recognised when a Credit Sale Agreement is set up.

**Finance income**

Finance income is allocated to the profit and loss account over the life of each contract to give a constant periodic rate of return using the actuarial method of calculation.

**Discount**

Discounts given on the capital cost of vehicles are passed on to the employees of Royal & Sun Alliance Insurance plc.

**Maintenance income**

The maintenance charge levied as part of the credit sale agreement is accrued evenly over the life of the contract.

**Maintenance expense**

The profit and loss account is charged with an amount equivalent to the higher of maintenance income or actual expenditure. Any surpluses, calculated as the difference between the amount charged to the profit and loss account and the actual cost incurred, are recognised at the end of the contract period.

**Provisions**

Specific provisions are made in respect of credit sale debtors where an amount is in arrears of repayments and it is the opinion of the directors that doubt exists regarding recoverability.

**Residual interests in vehicles**

It is the Company's policy to recognise assets and liabilities for the repurchase of residual interests in vehicles at the end of the credit sale period at the pre-determined prices set out in the contracts.

**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. Turnover**

	2005	2004
	£	£
Car sales income	6,743,230	7,372,059
Income from finance, maintenance and fleet administration charges	1,512,366	1,345,455
	<u>8,255,596</u>	<u>8,717,514</u>

**4. Operating expenses**

Operating expenses for continuing operations in 2005 includes the cost of cars sold of £6,750,176 (2004: £7,420,074).

**5. Auditors' remuneration**

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

**6. Directors' emoluments**

None of the directors received any emoluments from the Company during the year (2004: £ 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.

**7. 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 accounts of that company. Contributions are based on pension costs across the UK group as a whole.

# Royal & Sun Alliance Insurance Finance Limited

## Notes to the accounts (continued)

### 8. Taxation

	2005	2004
	£	£
The charge for taxation in the profit and loss account comprises:		
<b>Current tax</b>		
UK corporation tax	298,311	292,613
Adjustments in respect of prior periods	(867)	-
Total current tax	297,444	292,613
<b>Deferred tax</b>		
Origination and reversal of timing differences	(16,945)	(101,476)
Adjustments in respect of prior periods	867	-
Movement in discount	(11,538)	8,816
Total deferred tax	(27,616)	(92,660)
<b>Tax charge</b>	269,828	199,953

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: more than) 30% due to the items set out in the reconciliation below:

	2005	2004
	£	£
Profit on ordinary activities before tax	702,368	475,463
Tax at 30%	210,710	142,639
<i>Factors affecting charge</i>		
Fiscal adjustment	70,656	48,498
Adjustments in respect of prior year provision	(867)	-
Other timing differences	16,945	101,476
Current tax charge for the period	297,444	292,613

### 9. Debtors

#### **Amounts falling due within one year:**

	2005	2004
	£	£
Net investment in credit sale agreements	4,179,382	3,615,798
Amounts owed by group undertakings	4,300,773	4,678,039
Other debtors	563,190	3,570,267
	9,043,345	11,864,104

Other debtors includes £148,875 (2004: £121,259) relating to deferred tax (see note 10).

# Royal & Sun Alliance Insurance Finance Limited

## Notes to the accounts (continued)

### 9. Debtors (Continued)

#### Amounts falling due after more than one year:

	2005	2004
	£	£
Net investment in credit sale agreements	<u>4,881,126</u>	<u>4,788,995</u>

Net investments in credit sale agreements due within one year at 31 December 2005 are stated after provision against contracts of £496,249 (2004: £439,767), where it is anticipated that the repurchase of vehicles will result in a loss to the Company.

### 10. Deferred tax

	2005	2004
	£	£
General provision	<u>148,875</u>	<u>132,797</u>
Undiscounted deferred tax asset	<u>148,875</u>	<u>132,797</u>
Discount	<u>-</u>	<u>(11,538)</u>
Discounted deferred tax asset (see note 9)	<u>148,875</u>	<u>121,259</u>
	2005	2004
	£	£
Deferred tax asset at 1 January	<u>121,259</u>	<u>28,259</u>
Credited	<u>27,616</u>	<u>92,660</u>
Deferred tax asset at 31 December	<u>148,875</u>	<u>121,259</u>

### 11. Creditors: amounts falling due within one year

	2005	2004
	£	£
Other creditors	<u>377</u>	<u>2,926,434</u>
Taxation and social security	<u>455,383</u>	<u>292,613</u>
	<u>455,760</u>	<u>3,219,047</u>

Notes to the accounts (continued)

12. Share capital

	2005	2004
	£	£
<b>Authorised:</b>		
11,000,000 ordinary shares of £1 each	<u>11,000,000</u>	<u>11,000,000</u>
<b>Allotted, issued and fully paid up:</b>		
10,960,002 ordinary shares of £1 each	<u>10,960,002</u>	<u>10,960,002</u>

13. Reserves

	Profit and loss account	
	2005	2004
	£	£
Reserves and reserve movements are as follows		
Balance at 1 January	<u>2,761,381</u>	<u>2,485,871</u>
Retained profit for the year	<u>432,540</u>	<u>275,510</u>
Balance at 31 December	<u>3,193,921</u>	<u>2,761,381</u>

14. Capital commitments

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

15. Contingent liability

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

16. Asset valuation

The basis of valuation of assets in the accounts is set out in the accounting policies on page 8. The directors have considered the value at 31 December 2005 of the remaining assets of the Company and are satisfied that these assets are worth in total not less than the aggregate amount at which they are stated in the accounts.

17. 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.

18. 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.

19. 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 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.