

ROYAL & SUN ALLIANCE INSURANCE FINANCE LIMITED

Report and Accounts

For the year ended 31st December 2004



Royal & Sun Alliance Insurance Finance Limited

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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, England

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

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 7. The directors do not recommend the payment of a dividend (2003: £nil).

Directors

Non-Destructive Testers Limited served as a director throughout the year. Roysun Limited became a director of the Company on 27th July 2004. Mr J V Miller resigned as a director on 28th September 2004.

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



For and on behalf of
Roysun Limited
Secretary

20 June 2006

Royal & Sun Alliance Insurance Finance Limited

Statement of Directors' responsibilities

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 31st 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.

Royal & Sun Alliance Insurance Finance Limited

Independent Auditors' Report

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

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 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 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 31st 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

Southwark Towers

32 London Bridge St

London

SE1 9SY.

20 June 2006

Royal & Sun Alliance Insurance Finance Limited

Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable UK accounting standards. There were no material changes in accounting policy.

Basis of accounting

The accounts are prepared under the historical cost convention.

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 profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions for prior years.

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. 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.

Royal & Sun Alliance Insurance Finance Limited

Profit and loss account

For the year ended 31st December 2004

	Notes	2004 £	2003 £
Turnover	1	8,717,514	9,323,495
Operating expenses	2	(8,313,722)	(8,771,996)
Gross profit		403,792	551,499
Administrative expenses		-	18
Operating profit		403,792	551,517
Other interest receivable and similar income		71,671	40,880
Profit on ordinary activities before taxation		475,463	592,397
Tax on profit on ordinary activities	3	(199,953)	(178,926)
Profit on ordinary activities after tax		275,510	413,471
Dividend		-	-
Retained profits	7	275,510	413,471

Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Shareholders' funds at 1 January	13,445,873	13,032,402
Total recognised gains for the year	275,510	413,471
Shareholders' funds at 31 December	13,721,383	13,445,873

All figures relate to continuing operations.

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 profits and losses for the year is not given.

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

Royal & Sun Alliance Insurance Finance Limited

Balance sheet As at 31st December 2004

	Notes	2004 £	2003 £
Current assets			
Debtors : amounts falling due within one year	4	11,864,104	9,298,183
Debtors : amounts falling due after more than one year	4	4,788,995	4,444,361
Cash at bank and in hand		287,331	1,522,688
		16,940,430	15,265,232
Creditors: amounts falling due within one year	5	(3,219,047)	(1,819,359)
Total assets less current liabilities		13,721,383	13,445,873
Share capital and reserves			
Called up share capital	6	10,960,002	10,960,002
Profit and loss account	7	2,761,381	2,485,871
Equity shareholders' funds		13,721,383	13,445,873

The accounts on pages 7 to 12 were approved today by the board of directors and are signed on its behalf by:

Helen M Macmillan

For and on behalf of
Non-Destructive Testers Limited
Director
20 June 2006

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

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts

1. Turnover

	2004	2003
	£	£
Car Sales Income	7,372,059	8,056,589
Income from finance, maintenance and fleet administration charges	1,345,455	1,266,906
	<u>8,717,514</u>	<u>9,323,495</u>

2. Operating expenses

Operating expenses for continuing operations in 2004 includes the cost of cars sold of £7,420,074 (2003: £8,045,971).

3. Taxation on profit on ordinary activities

A Analysis of charge in period

	2004	2003
	£	£
<i>Current Tax</i>		
UK corporation tax	292,613	149,040
Total Current Tax	<u>292,613</u>	<u>149,040</u>
<i>Deferred Tax</i>		
Movement in general provision	(101,476)	28,680
Movement in discount	8,816	1,207
Total Deferred Tax	<u>(92,660)</u>	<u>29,887</u>
Tax charge	<u>199,953</u>	<u>178,927</u>

UK corporation tax for the current year included above is based on a rate of 30% (2003: 30%).

B Factors affecting current tax charge for period

	2004	2003
	£	£
Profit on ordinary activities before tax	475,463	592,397
Tax at 30%	142,639	177,719
<i>Factors affecting charge</i>		
Tax exempt income and investment gains	48,498	-
Movement in general provision	101,476	(28,680)
Current tax charge for period	<u>292,613</u>	<u>149,040</u>

11. Capital commitments

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

12. Contingent liability

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

13. Asset valuation

The basis of valuation of assets in the accounts is set out in the accounting policies on page 6. The directors have considered the value at 31st December 2004 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.

14. Auditors' remuneration

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

15. 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.

16. 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.

17. 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.

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

4. Debtors: amounts falling due within one year

	2004	2003
	£	£
Net investment in credit sale agreements	3,615,798	3,483,756
Amounts owed by parent company	4,678,039	4,855,120
Other debtors	3,570,267	959,307
	<u>11,864,104</u>	<u>9,298,183</u>

Other Debtors

Other debtors included in the balance sheet includes £121,260 (2003: £28,600) relating to deferred tax (see note 8).

Deferred Tax

	2004	2003
	£	£
At 1 January	28,600	58,487
Credited/(charged)	92,660	(29,887)
At 31 December	<u>121,260</u>	<u>28,600</u>

Debtors: amounts falling due after more than one year

	2004	2003
	£	£
Net investment in credit sale agreements	<u>4,788,995</u>	<u>4,444,361</u>

Net investments in credit sale agreements due within one year at 31st December 2004 are stated after provision against contracts of £439,767 (2003: £104,404), where it is anticipated that the repurchase of vehicles will result in a loss to the Company.

5. Creditors: amounts falling due within one year

	2004	2003
	£	£
Amounts owed to parent company	-	(1,430,601)
Other creditors including tax and social security	<u>(3,219,047)</u>	<u>(388,758)</u>
	<u>(3,219,047)</u>	<u>(1,819,359)</u>

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

6. Share capital

	2004	2003
	£	£
Ordinary shares of £1 each:		
Authorised:		
11,000,000 (2000: 11,000,000) ordinary shares of £1 each	<u>11,000,000</u>	<u>11,000,000</u>
Issued and fully paid up:		
10,960,002 (2000: 10,960,002) ordinary shares of £1 each	<u>10,960,002</u>	<u>10,960,002</u>

7. Reserves

	2004	2003
	£	£
Profit and loss account:		
At 1st January	2,485,871	2,072,400
Retained profits for the year	275,510	413,471
At 31st December	<u>2,761,381</u>	<u>2,485,871</u>

8. Deferred Taxation Asset

	2004	2003
	£	£
General provision	<u>132,797</u>	<u>31,321</u>
Undiscounted deferred tax asset	132,797	31,321
Discount	<u>(11,537)</u>	<u>(2,721)</u>
Discounted deferred tax asset (see note 4)	<u>121,260</u>	<u>28,600</u>

9. Directors' remuneration

None of the directors received any emoluments from the Company during the year (2003: £ nil)

10. Employees and staff costs

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.