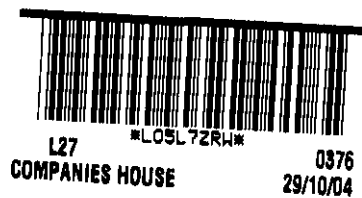


# **ROYAL & SUN ALLIANCE INSURANCE FINANCE LIMITED**

## **Report and Accounts for the year ended 31st December 2002**



# Royal & Sun Alliance Insurance Finance Limited

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**Royal & Sun Alliance Insurance Finance Limited**

**Directors**

**Directors**

Non-Destructive Testers Limited

**Secretary**

J.E. Fox

**Registered office:** St. Mark's Court, Chart Way, Horsham, West Sussex, RH12 1XL

## 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 Group 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.

#### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 5 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the next general meeting at which accounts are laid before the Company.

#### Directors

Non-Destructive Testers Limited, W Au and P Spencer served during the year. W Au resigned from the company on 25<sup>th</sup> January, 2002. Non-Destructive Testers Limited were appointed on 25<sup>th</sup> January, 2002. Paul Spencer resigned on 31<sup>st</sup> March 2002.

The directors did not have any interest in the shares of the Company.

Non-Destructive Testers Limited does not have any interests in the shares of Royal & Sun Alliance Insurance Group plc.

By order of the directors

J. E. Fox  
Secretary

28 October 2004

## **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 2002. 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. 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 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, on page 4.

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.

**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 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

28 Oct 2004

2004

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable 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 Group 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 Group plc.

**Maintenance income**

The maintenance charge levied as part of the credit sale agreement is allocated to the profit and loss account in the month in which payment is received.

**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.

For those vehicles where the directors anticipate the repurchase price to be lower than the predicted market value, a provision is made for the loss arising.

The provision is calculated by applying the actual average loss on vehicles repurchased during the year to the number of vehicles which are anticipated to result in a loss.

**Taxation**

The UK taxation in the profit and loss account is based on profits/(losses) and income of 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 31<sup>st</sup> December 2002

	Notes	2002 £	2001 (restated) £
Turnover	1	8,778,317	7,044,107
Cost of sales	2	(7,753,465)	(6,761,190)
<b>Gross profit</b>		<b>1,024,851</b>	<b>282,917</b>
Administrative expenses		5,706	(111,127)
<b>Operating profit</b>		<b>1,030,557</b>	<b>171,790</b>
Other interest receivable and similar income		25,470	75,577
<b>Profit on ordinary activities before taxation</b>		<b>1,056,027</b>	<b>247,367</b>
Group Relief/(Tax) on profit on ordinary activities	3	(314,584)	(69,895)
<b>Profit on ordinary activities after Group Relief/Tax</b>		<b>741,443</b>	<b>177,472</b>
Dividend		-	-
<b>Transfer to retained profits</b>	7	<b>741,443</b>	<b>177,472</b>

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 recorded 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 12 form part of these accounts.




# Royal & Sun Alliance Insurance Finance Limited

## Balance sheet

As at 31st December 2002

	Notes	2002 £	2001 (restated) £
<b>Current assets</b>			
Debtors : amounts falling due within one year	4	9,910,181	12,493,251
Debtors : amounts falling due after more than one year	4	5,178,369	4,455,552
Cash at bank and in hand		856,769	79,932
		<b>15,945,318</b>	<b>17,028,735</b>
<b>Creditors: amounts falling due within one year</b>	5	<b>(2,912,916)</b>	<b>(4,737,776)</b>
<b>Total assets less current liabilities</b>		<b>13,032,402</b>	<b>12,290,959</b>
<b>Share capital and reserves</b>			
Called up share capital	6	10,960,002	10,960,002
Profit and loss account		2,072,400	1,330,957
<b>Equity shareholders' funds</b>	7	<b>13,032,402</b>	<b>12,290,959</b>

The accounts on pages 6 to 12 were approved today by the board of directors and are signed on its behalf by:

  
 Director  
 28 October 2004

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

# Royal & Sun Alliance Insurance Finance Limited

## Notes on the accounts

### 1. Turnover

	2002 £	2001 (restated) £
Car Sales Income	7,501,113	5,641,415
Income from finance, maintenance and fleet administration charges	1,277,204	1,402,692
	<u>8,778,317</u>	<u>7,044,107</u>

### 2. Operating expenses

Operating expenses for continuing operations in 2002 includes the cost of cars sold of £7,530,272 (2001: £5,647,958). It also includes a charge to a provision against contracts of £158,045 (2001: £156,920) where it is anticipated that the repurchase of vehicles will result in a loss to the Company. The basis of valuation of assets in the accounts is set out in the accounting policies on page 6.

### 3. Taxation on profit on ordinary activities

#### A Analysis of charge in period

	2002 £	2001 (restated) £
<i>Current Tax</i>		
UK corporation tax	239,718	(27,094)
Adjustments in respect of prior periods	-	-
Total Current Tax	<u>239,718</u>	<u>(27,904)</u>
<i>Deferred Tax</i>		
Origination and reversal of timing differences	77,090	101,304
Movement in discount	(2,224)	(4,315)
Total Deferred Tax	<u>74,866</u>	<u>96,989</u>
Group relief (payable)/receivable	<u>(314,584)</u>	<u>69,895</u>

UK corporation tax for the current year included above is based on a rate of 30% (2001: 30%).

#### B Factors affecting current tax charge for period

	2002 £	2001 (restated) £
Profit on ordinary activities before tax	1,056,028	247,367
Tax at 30%	<u>316,808</u>	<u>74,210</u>
<i>Factors affecting charge</i>		
Disallowed expenditure	-	-
Tax exempt income and investment gains	-	-
Adjustment to prior year provisions	-	-
Other timing differences	(77,090)	(101,304)
Current tax charge for period	<u>239,718</u>	<u>(27,094)</u>

# Royal & Sun Alliance Insurance Finance Limited

## Notes on the accounts (continued)

### 4. Debtors: amounts falling due within one year

	2002 £	2001 (restated) £
Net investment in credit sale agreements	3,489,771	3,491,221
Amounts owed by parent company	5,965,774	8,438,033
Other debtors	454,636	563,997
	<b>9,910,181</b>	<b>12,493,251</b>

Other debtors include £58,486 (2001 restated £133,351) relating to deferred tax.

### Debtors: amounts falling due after more than one year

	2002 £	2001 (restated) £
Net investment in credit sale agreements	5,178,369	4,455,552

Net investments in credit sale agreements due within one year at 31st December 2002 are stated after provision against contracts of £200,000 (2001: £456,968), 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

	2002 £	2001 (restated) £
Amounts owed to parent company	2,656,087	4,136,317
Other creditors including tax and social security	256,829	13,534
Accruals and deferred income	-	587,925
	<b>2,912,916</b>	<b>4,737,776</b>

### 6. Share capital

	2002 £	2001 (restated) £
Ordinary shares of £1 each:		
Authorised:		
11,000,000 (2000: 11,000,000) ordinary shares of £1 each	11,000,000	11,000,000
Issued and fully paid up:		
10,960,002 (2000: 10,960,002) ordinary shares of £1 each	10,960,002	10,960,002

# Royal & Sun Alliance Insurance Finance Limited

## Notes on the accounts (continued)

### 7. Movements in shareholders' funds

	2002 £	2001 (restated) £
At 1st January	12,290,959	12,113,487
Transfer from retained profits	741,443	177,472
At 31st December	13,032,402	12,290,959

### 8. Deferred Taxation Provision

	2002 £	2001 (restated) £
General provision	(60,000)	(137,090)
	(60,000)	(137,090)
Discount	1,514	3,739
Deferred Tax liability / (asset)	(58,486)	(133,351)

#### *Impact of restatement*

The impact of the change in accounting policy arising from the adoption of Financial Reporting Standard 19 "Deferred Tax" is to increase the tax on profit on ordinary activities by £74,866 (2001 £96,989). The impact on the Statement of Total Recognised Gains and Losses is to increase the profit and loss reserve by £133,351, being the effect of full provision for deferred tax at 31 December 2001, discounted at appropriate rates.

### 9. Directors' remuneration

The directors did not receive any emoluments during the year (2001: £nil). They were employed by a fellow group undertaking and were remunerated by that undertaking for their services to the Group as a whole. It is not possible to apportion their remuneration in respect of the Company.

### 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.

### 11. Capital commitments

The Company had no capital commitments as at 31st December 2002 (2001: £Nil).

### 12. Contingent liability

The Company had no material contingent liability as at 31st December 2002 (2001: £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 2002 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 the parent company.

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

### **Notes on the accounts (continued)**

#### **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 30 Berkeley Square, London W1J 6EW.