

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

## **Report and Accounts for the year ended 31st December 2003**



# Royal & Sun Alliance Insurance Finance Limited

## Contents

<b>Contents</b>	<b>Page</b>
Directors	2
Directors' report	3
Statement of directors' responsibilities	4
Independent auditors' report	5
Accounting policies	6
Profit and loss account	8
Balance sheet	9
Notes on the accounts	10-12

**Royal & Sun Alliance Insurance Finance Limited**

**Directors**

**Directors**

Non-Destructive Testers Limited

Roysun Limited

**Secretary**

J.E. Fox

**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

**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**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting of Royal & Sun Alliance Insurance Group plc.

**Directors**

Non-Destructive Testers Limited served during the year.

Roysun Limited was appointed a director on 27th July 2004.

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

None of the directors had 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.

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 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 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*  
PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

*280 Elm*

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, the risk is borne by Royal & Sun Alliance insurance Group plc.

**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 2003

	Notes	2003 £	2002 £
Turnover	1	9,323,495	8,778,317
Cost of sales	2	(8,771,996)	(7,753,465)
<b>Gross profit</b>		<b>551,499</b>	<b>1,024,851</b>
Administrative expenses		18	5,706
<b>Operating profit</b>		<b>551,517</b>	<b>1,030,557</b>
Other interest receivable and similar income		40,880	25,470
<b>Profit on ordinary activities before taxation</b>		<b>592,397</b>	<b>1,056,027</b>
Group Relief/(Tax) on profit on ordinary activities	3	(178,926)	(314,584)
<b>Profit on ordinary activities after Group Relief/Tax</b>		<b>413,471</b>	<b>741,443</b>
Dividend		-	-
<b>Transfer to retained profits</b>	7	<b>413,471</b>	<b>741,443</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 10 to 12 form part of these accounts.



# Royal & Sun Alliance Insurance Finance Limited

## Balance sheet

As at 31st December 2003

	Notes	2003 £	2002 £
<b>Current assets</b>			
Debtors : amounts falling due within one year	4	9,298,183	9,910,181
Debtors : amounts falling due after more than one year	4	4,444,361	5,178,369
Cash at bank and in hand		1,522,688	856,769
		15,265,232	15,945,318
<b>Creditors: amounts falling due within one year</b>	5	(1,819,359)	(2,912,916)
<b>Total assets less current liabilities</b>		13,445,873	13,032,402
<b>Share capital and reserves</b>			
Called up share capital	6	10,960,002	10,960,002
Profit and loss account		2,485,871	2,072,400
<b>Equity shareholders' funds</b>	7	13,445,873	13,032,402

The accounts on pages 8 to 13 were approved today by the board of directors and are signed on its behalf by:



Director

28 October 2004

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

# Royal & Sun Alliance Insurance Finance Limited

## Notes on the accounts

### 1. Turnover

	2003	2002
	£	£
Car Sales Income	8,056,589	7,501,113
Income from finance, maintenance and fleet administration charges	1,266,906	1,277,204
	<b>9,323,495</b>	<b>8,778,317</b>

### 2. Operating expenses

Operating expenses for continuing operations in 2003 includes the cost of cars sold of £8,045,971 (2002: £7,530,272). There was no charge this year to the provision against contracts (2002: £158,045) where it is anticipated that the repurchase of vehicles will result in a loss to the Company as this risk is borne by Royal & Sun Alliance Insurance Group plc. 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

	2003	2002
	£	£
<i>Current Tax</i>		
UK corporation tax	149,040	239,718
Adjustments in respect of prior periods	-	-
Total Current Tax	<b>149,040</b>	<b>239,718</b>
<i>Deferred Tax</i>		
Origination and reversal of timing differences	28,680	77,090
Movement in discount	1,207	(2,224)
Total Deferred Tax	<b>29,887</b>	<b>74,866</b>
Group relief (payable)/receivable	<b>(178,927)</b>	<b>(314,584)</b>

UK corporation tax for the current year included above is based on a rate of 30% (2002: 30%).

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

	2003	2002
	£	£
Profit on ordinary activities before tax	<b>592,397</b>	<b>1,056,028</b>
Tax at 30%	<b>177,719</b>	<b>316,808</b>
<i>Factors affecting charge</i>		
Disallowed expenditure	-	-
Tax exempt income and investment gains	-	-
Adjustment to prior year provisions	-	-
Other timing differences	<b>(28,680)</b>	<b>(77,090)</b>
Current tax charge for period	<b>149,040</b>	<b>239,718</b>

# Royal & Sun Alliance Insurance Finance Limited

## Notes on the accounts (continued)

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

	2003	2002
	£	£
Net investment in credit sale agreements	3,483,756	3,489,771
Amounts owed by parent company	4,855,120	5,965,774
Other debtors	959,307	454,636
	<u>9,298,183</u>	<u>9,910,181</u>

Other debtors include £28,600 (2002 £58,486) relating to deferred tax.

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

	2003	2002
	£	£
Net investment in credit sale agreements	<u>4,444,361</u>	<u>5,178,369</u>

Net investments in credit sale agreements due within one year at 31st December 2003 are stated after provision against contracts of £104,404 (2002: £200,000), 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

	2003	2002
	£	£
Amounts owed to parent company	1,430,601	2,656,087
Other creditors including tax and social security	388,758	256,829
Accruals and deferred income	-	-
	<u>1,819,359</u>	<u>2,912,916</u>

### 6. Share capital

	2003	2002
	£	£
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>

# Royal & Sun Alliance Insurance Finance Limited

## Notes on the accounts (continued)

### 7. Movements in shareholders' funds

	2003	2002
	£	£
At 1st January	13,032,402	12,290,959
Transfer from retained profits	413,471	741,443
At 31st December	13,445,873	13,032,402

### 8. Deferred Taxation Provision

	2003	2002
	£	£
General provision	(31,321)	(60,000)
	(31,321)	(60,000)
Discount	2,721	1,514
Deferred Tax liability / (asset)	(28,600)	(58,486)

### 9. Directors' remuneration

The directors did not receive any emoluments during the year (2002: £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 2003 (2002: £Nil).

### 12. Contingent liability

The Company had no material contingent liability as at 31st December 2003 (2002: £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 2003 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.

**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.