

**Registered No: 864196**



**ROYAL & SUN ALLIANCE LIFE HOLDINGS LIMITED**

**Report and Accounts**

**for the year ended 31st December 2005**



**Royal & Sun Alliance Life Holdings Limited**  
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**Royal & Sun Alliance Life Holdings Limited**

**Directors**

**Directors**

Non-Destructive Testers Limited

Roysun Limited

**Secretary**

Roysun Limited

**Registered Office**

New Hall Place, Old Hall Street, Liverpool L3 9UE

**Auditors**

PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London SE1 9SY

## Royal & Sun Alliance Life Holdings Limited

### Directors' Report

#### Principal activity, review of the year and future developments

The Company's principal activity was to act as a holding company for the long-term operations and other financial services of the Royal & Sun Alliance Insurance Group in the United Kingdom.

The Company did not trade during the year and it is not expected that it will do so in the foreseeable future. The directors continue to review the operations of the Company with a view to its future developments.

#### Result and dividend

The profit for the year is shown in the profit & loss account on page 7.

No final dividend is recommended for the year (2004: £Nil).

This results in a transfer to retained profits of £18.6m (2004: (£646.5m)).

#### Directors

The directors whose names appear on page 2 served throughout the year.

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

#### 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. The Company is not party to any arrangements for which hedge accounting is used.

#### 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 propose a resolution to re-appoint the auditors at each Annual General Meeting.

By order of the directors



Roysun Limited  
Secretary

5 September 2006



## **Royal & Sun Alliance Life Holdings 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 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. 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 Life Holdings Limited

### Auditors' Report

#### Independent auditors' report to the members of Royal & Sun Alliance Life Holdings Limited

We have audited the financial statements of Royal & Sun Alliance Life Holdings Limited for the year ended 31st December 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the movement in shareholders' funds, the balance sheet and the related notes including the accounting policies. These financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 31st 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*  
**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom

26 September 2006

## **Royal & Sun Alliance Life Holdings Limited**

### **Accounting Policies**

The financial statements are prepared in accordance with the Companies Act 1985 and applicable 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.

#### **Basis of accounting**

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets as permitted by the Companies Act 1985.

#### **Group accounts**

The Company is a wholly owned subsidiary of a UK holding company and, in accordance with Section 228 of the Companies Act 1985, consolidated accounts have not been prepared.

#### **Subsidiary undertakings**

Investments in subsidiary undertakings are included in the balance sheet at net asset value. The difference between cost and the net asset value of subsidiary undertakings is included in the revaluation reserve.

#### **Investment income**

Interest, rents and dividends on investments, other than ordinary shares, are included on an accruals basis. Account is taken of dividend income on ordinary shares when the related investment is quoted 'ex-dividend'. Investment income is net of related expenses.

#### **Taxation**

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 undertaking 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.

# Royal & Sun Alliance Life Holdings Limited

## Profit & Loss Account for the year ended 31st December 2005

|  | Notes | 2005<br>£m  | 2004<br>£m   |
|--|-------|-------------|--------------|
| Investment income                                    | 1     | 29.5        | 138.1        |
| Gain on sale of subsidiary undertakings              |       | -           | 510.0        |
| <b>Profit on ordinary activities before taxation</b> |       | <b>29.5</b> | <b>648.1</b> |
| Tax on profit on ordinary activities                 | 2     | (10.9)      | (1.6)        |
| <b>Profit on ordinary activities after taxation</b>  |       | <b>18.6</b> | <b>646.5</b> |
| <b>Transfer to retained profits</b>                  |       | <b>18.6</b> | <b>646.5</b> |

All figures relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalents.

### Statement of total recognised gains and losses for the year ended 31st December 2005

|   | 2005<br>£m  | 2004<br>£m |
|---|-------------|------------|
| Profit for the financial year                                   | 18.6        | 646.5      |
| Unrealised gains / (losses) on investment in group undertakings | 8.7         | (636.9)    |
| <b>Total recognised gains arising in the year</b>               | <b>27.3</b> | <b>9.6</b> |

### 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.

### Movement in shareholders' funds for the year ended 31st December 2005

|   | Share<br>Capital/<br>Premium<br>£m | Profit &<br>Loss<br>Account<br>£m | 2005<br>£m     | 2004<br>£m     |
|---|------------------------------------|-----------------------------------|----------------|----------------|
| <b>Shareholders' funds at 1st January</b>   | 625.4                              | 426.9                             | <b>1,052.3</b> | <b>1,042.7</b> |
| <b>Shareholder recognised gains</b>         | -                                  | 27.3                              | <b>27.3</b>    | <b>9.6</b>     |
| <b>Shareholders' funds at 31st December</b> | <b>625.4</b>                       | <b>454.2</b>                      | <b>1,079.6</b> | <b>1,052.3</b> |

The profit and loss account includes £454.2m (2004: £426.9m) which is distributable.

The notes on pages 9 to 11 form part of these accounts.



# Royal & Sun Alliance Life Holdings Limited

## Balance Sheet as at 31st December 2005

|   | Notes | 2005<br>£m     | 2004<br>£m     |
|---|-------|----------------|----------------|
| <b>Fixed assets – investments</b>                     |       |                |                |
| Investment in subsidiary undertakings                 | 3     | 312.6          | 303.9          |
| <b>Current assets</b>                                 |       |                |                |
| Amounts due from group companies                      |       | 781.9          | 758.4          |
| <b>Creditors: amounts falling due within one year</b> |       |                |                |
| Amounts due to group companies                        | 4     | (0.6)          | (0.6)          |
| Corporation tax                                       | 2     | (10.9)         | (1.6)          |
| Accrued expenses                                      |       | (3.4)          | (7.8)          |
|   |       | (14.9)         | (10.0)         |
| <b>Net current assets</b>                             |       | 767.0          | 748.4          |
| <b>Net assets</b>                                     |       | <u>1,079.6</u> | <u>1,052.3</u> |
| <b>Capital and reserves</b>                           |       |                |                |
| Called up share capital                               | 5     | 78.4           | 78.4           |
| Share premium account                                 |       | 547.0          | 547.0          |
| Profit & loss account                                 |       | 454.2          | 426.9          |
| <b>Shareholders' funds – equity interests</b>         |       | <u>1,079.6</u> | <u>1,052.3</u> |

The notes on pages 9 to 11 form part of these accounts.

The accounts on pages 7 to 11 were approved today by the Board of directors and are signed on its behalf by:

*Helen M Macmillan*

Director (For and on behalf of Non-Destructive Testers Limited)  
5 September 2006

*M. N.*

*Diwe*

# Royal & Sun Alliance Life Holdings Limited

## Notes on the Accounts

### 1. Investment income

|   | 2005<br>£m  | 2004<br>£m   |
|---|-------------|--------------|
| Investment income comprises:                    |             |              |
| Interest receivable from group companies        | 29.5        | 5.4          |
| Dividends received from subsidiary undertakings | -           | 132.7        |
|   | <u>29.5</u> | <u>138.1</u> |

### 2. Taxation

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

|   | 2005<br>£m  | 2004<br>£m |
|---|-------------|------------|
| <b>Current tax</b>                            |             |            |
| UK corporation tax                            | 10.7        | 1.6        |
| Adjustments in respect of prior periods       | 0.2         | -          |
| Total current tax                             | <u>10.9</u> | <u>1.6</u> |
| <b>Deferred tax</b>                           |             |            |
| Timing differences – origination and reversal | -           | -          |
| Movement in discount                          | -           | -          |
| Total deferred tax                            | <u>-</u>    | <u>-</u>   |
| <b>Tax charge</b>                             | <u>10.9</u> | <u>1.6</u> |

UK corporation tax for the current year is based on a rate of 30% (2004: 30%).

#### *Factors affecting the current tax charge*

The current tax credit for the year is more than (2004: less than) 30% due to the items set out in the reconciliation below:

|   | 2005<br>£m  | 2004<br>£m   |
|---|-------------|--------------|
| Profit on ordinary activities before tax      | <u>29.5</u> | <u>648.1</u> |
| Tax at 30%                                    | 8.9         | 194.4        |
| <i>Factors affecting charge:</i>              |             |              |
| Tax exempt income and investment gains/losses | -           | (192.8)      |
| Fiscal adjustments                            | 1.8         | -            |
| Adjustment to prior year provisions           | 0.2         | -            |
| <b>Current tax charge for the period</b>      | <u>10.9</u> | <u>1.6</u>   |

# Royal & Sun Alliance Life Holdings Limited

## Notes on the Accounts (continued)

### 3. Investments in subsidiary undertakings

The Company's remaining subsidiary at 31st December 2005 is Royal Life Holdings Limited, a holding company which is incorporated in England and Wales. The holding is of ordinary shares and represents 100% of the nominal issued capital.

Shares in subsidiaries in the balance sheet comprises:

| Shares                                  | 2005<br>£m | 2004<br>£m |
|---|------------|------------|
| Cost at 1st January                     | 547.0      | 724.4      |
| Disposals                               | -          | (177.4)    |
| Cost at 31st December                   | 547.0      | (547.0)    |
| Adjustment to arrive at net asset value | (234.4)    | (243.1)    |
| Net asset value at 31st December        | 312.6      | 303.9      |

### 4. Creditors

| Amounts falling due within one year    | 2005<br>£m | 2004<br>£m |
|--|------------|------------|
| Taxation                               | 10.9       | 1.6        |
| Amounts due to subsidiary undertakings | 0.6        | 0.6        |
| Accrued expenses                       | 3.4        | 7.8        |
|  | 14.9       | 10.0       |

### 5. Share capital

| Authorised   | 2005<br>£m | 2004<br>£m |
|--|------------|------------|
| 100,000,000 (2004: 100,000,000) ordinary shares of £1 each | 100.0      | 100.0      |
| Issued and fully paid                                      |            |            |
| 78,366,112 (2004: 78,366,112) ordinary shares of £1 each   | 78.4       | 78.4       |

### 6. Capital commitments

There were no capital commitments at 31st December 2005 (2004: £Nil).

### 7. Financial commitments

The Company had no financial commitments under non-cancellable operating leases at 31st December 2005 (2004: £Nil).

### 8. Directors' emoluments

No emoluments were paid or are payable to directors of the Company in respect of 2005 (2004: £Nil).

### 9. Auditors remuneration

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

## **Royal & Sun Alliance Life Holdings Limited**

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

#### **10. 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 Financial Reporting Standard 1 (revised) and has elected not to prepare its own cash flow statement.

#### **11. Contingent liabilities**

Other than in the normal course of business the Company had no material contingent liabilities at 31st December 2005 (2004: £Nil).

#### **13. Related party transactions**

Advantage has been taken of the exemption provided in Financial Reporting Standard 8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

#### **14. Parent companies**

The Company's immediate parent company is Royal & Sun Alliance Insurance plc, which is registered in England and Wales.

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 largest and smallest 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.