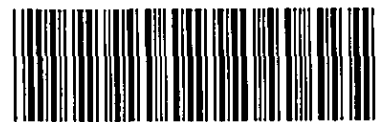


Registered Number: 00163050

# **SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED**

## **Annual Report and Accounts for the year ended 31 December 2011**

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# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

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# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Company information

### **Directors**

R J Clayton

D P Cockrem

I A Craston

M Harris

W R B McDonnell

### **Secretary**

Roysun Limited

### **Registered office**

St Mark's Court  
Chart Way  
Horsham  
West Sussex  
RH12 1XL

### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Directors' report

for the year ended 31 December 2011

The directors present their annual report on the affairs of the Company and the audited financial statements for the year ended 31 December 2011

### Business review, principal activity and future outlook

The Company is an intermediate holding company within the RSA Insurance Group (the "Group"). Its subsidiaries are listed in note 7 to the accounts.

The Company held a share in an investment pool during the year.

As part of the RSA Insurance Group's (the Group's) response to the anticipated implementation of the Solvency II Directive and to deliver significant operational efficiencies, the Company undertook an insurance business transfer under Part VII of the Financial Services and Markets Act 2000 whereby all of the business was transferred from the Company to other Group companies, Royal & Sun Alliance Insurance plc and The Marine Insurance Company Limited, with effect from 1 January 2012. The Company was deauthorised by the Financial Services Authority on 1 January 2012. The Company will also no longer hold a share in the investment pool.

There is no current intention to wind up the Company.

The Company did not write any business during the year and consequently no technical account has been prepared.

The results for the Company show a profit on ordinary activities before tax of £250,000 (2010: £211,000). The shareholder funds of the Company were £501,249,000 as at 31 December 2011 (31 December 2010: £500,838,000).

### Dividends

The directors do not recommend payment of a dividend in respect of the year ended 31 December 2011 (2010: £nil).

### Principal risks and uncertainties

The Company's principal risks and uncertainties are integrated within and managed together with the principal risks of the Group. The principal risks and uncertainties of the Group, which include those of the UK business, and hence the Company until its deauthorisation by the Financial Services Authority on 1 January 2012 and the subsequent transfer of its share in the investment pool to another Group company on the same date, are set out in the estimation techniques, risks, uncertainties and contingencies on pages 89 to 92, and in the risk framework on pages 30 to 33 of the Annual Report & Accounts of the Group which do not form part of this report.

A discussion of the management of financial risk is set out below.

### Financial risk management

The Company's management of risk is set at Group level. The Group's approach to financial risk, through its management of credit, market and liquidity risks, is set out below.

#### Credit risk

The primary sources of credit risk within the Group are investment and treasury activities. Within the investment management and treasury activities, a range of bank counterparty concentration and credit quality limits together with other controls are in place to ensure that exposure is managed within the Group risk appetite.

#### Market risk

Market risk arises from the Group's investment portfolios. The Global Asset Management Committee is the management committee that oversees the Group's investment strategy under the oversight of the Investment Committee and operating within risk limits set by the Board Risk Committee.

#### Liquidity risk

Liquidity risk is considered to be a low risk category. Group liquidity is managed by Group Treasury and each operation is required to maintain a minimum level of cash or cash equivalents or highly liquid assets that can be liquidated within a maximum stated period of time. Contingency funding plans are prepared and monitored to ensure that these minimum levels are met even in stress conditions.

### Key performance indicators

The directors of RSA Insurance Group plc manage the Group's operations on a divisional basis. For this reason the Company's directors believe that analysis using key performance indicators (KPIs) for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. Further information on financial KPIs is detailed in the Annual Report and Accounts of the Group (which do not form part of this report) within the Group CEO review on pages 10 to 15 and the regional business review on pages 18 to 25. The Annual Report and Accounts of the Group also includes non-financial KPIs which are detailed in the regional business reviews on pages 18 to 25, the corporate responsibility report on pages 34 to 37 and the Director's and corporate governance report on pages 44 to 56.

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Directors' report (continued) for the year ended 31 December 2011

### Directors

The names of the current directors are listed on page 1. Mr W R B McDonnell was appointed as a director on 16 June 2011. Mr M G Culmer served as a director until his resignation on 9 March 2012. The other directors served throughout the year.

The directors' responsibilities statement appears on page 4 and is incorporated by reference into this report.

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have confirmed their willingness to continue in office as auditors of the Company. The Company has in place an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

### Going concern

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the continuing availability of sufficient Group resources for the next twelve months and beyond. As a result of this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

By order of the Board



J M Mills  
For and on behalf of  
Roysun Limited  
Secretary

14 September 2012

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the member of Sun Alliance Insurance International Limited**

We have audited the financial statements of Sun Alliance Insurance International Limited for the year ended 31 December 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Mark McQueen (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
September 2012

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# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Profit & loss account for the year ended 31 December 2011

### Non - technical account

|   |       | 2011       | 2010       |
|---|-------|------------|------------|
|   | Notes | £000       | £000       |
| Investment income                               | 5     | 323        | 324        |
| Unrealised loss on investments                  |       | (73)       | (113)      |
| <b>Profit on ordinary activities before tax</b> |       | <b>250</b> | <b>211</b> |
| Taxation on profit on ordinary activities       | 6     | -          | -          |
| <b>Profit for the financial year</b>            |       | <b>250</b> | <b>211</b> |

All figures relate to discontinued operations

### Statement of total recognised gains and losses for the year ended 31 December 2011

|   |       | 2011       | 2010         |
|---|-------|------------|--------------|
|   | Notes | £000       | £000         |
| <b>Profit for the financial year</b>            |       | <b>250</b> | <b>211</b>   |
| Unrealised gains on investments in subsidiaries | 7     | 161        | 2,146        |
| <b>Total recognised gains and losses</b>        |       | <b>411</b> | <b>2,357</b> |

The notes on pages 8 to 11 form an integral part of these accounts



**SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED****Balance sheet**

as at 31 December 2011

| <b>Assets</b>                     | <b>Notes</b> | <b>2011<br/>£000</b> | <b>2010<br/>£000</b> |
|-----------------------------------|--------------|----------------------|----------------------|
| <b>Investments</b>                |              |                      |                      |
| Investment in group undertakings  | 7            | 65,199               | 65,038               |
| Other financial investments       | 7            | 5,999                | 5,796                |
|                                   |              | <b>71,198</b>        | <b>70,834</b>        |
| <b>Debtors</b>                    |              |                      |                      |
| Amount owed by group undertakings |              | <b>430,051</b>       | <b>430,004</b>       |
| <b>Total assets</b>               |              | <b>501,249</b>       | <b>500,838</b>       |

| <b>Liabilities</b>          | <b>Notes</b> | <b>2011<br/>£000</b> | <b>2010<br/>£000</b> |
|-----------------------------|--------------|----------------------|----------------------|
| <b>Capital and reserves</b> |              |                      |                      |
| Called up share capital     | 8            | 400,000              | 400,000              |
| Revaluation reserve         | 9            | 63,949               | 63,788               |
| Profit and loss account     | 9            | 37,300               | 37,050               |
| <b>Shareholder funds</b>    | 9            | <b>501,249</b>       | <b>500,838</b>       |
| <b>Total liabilities</b>    |              | <b>501,249</b>       | <b>500,838</b>       |

The notes on pages 8 to 11 form an integral part of these accounts

The financial statements were approved by the Board of Directors and are signed on its behalf by



W R B McDonnell

Director

14 September 2012

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Notes to the accounts

### 1 Financial Statements

The financial statements are prepared in accordance with applicable UK accounting standards and in compliance with the Companies Act 2006, and the Statement of Recommended Practice (SORP) on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 (as amended in December 2006). The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is a wholly-owned subsidiary of RSA Insurance Group plc, which prepares group accounts. The financial statements have been prepared under the current value rules, as permitted by Schedule 3 of the accounting regulations, on the going concern basis.

In considering the appropriateness of the going concern basis the Board have reviewed the key risks and uncertainties to which they believe the Company is exposed, the Company's ongoing financial commitments and the continuing availability of sufficient Group resources for the next twelve months and beyond. As a result of this, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

A summary of the major accounting policies, which have been applied consistently throughout the year and the preceding year is set out below.

#### (a) *Investment return*

Income from investments is included in the non-technical account on an accruals basis. Investment return comprises all investment income, realised investment gains and losses and the movements in unrealised gains and losses, net of investment expenses. Dividends on equity investments are recognised on the date at which the investment is priced 'ex-dividend'.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their carrying value at the balance sheet date and their purchase price or their carrying value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

#### (b) *Taxation*

Current tax, based on profits and income for the year, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### (c) *Investments*

Investments in subsidiaries are valued at net asset value unless the subsidiary is in a net liability position, in which case the subsidiary is valued at nil. Reductions in the carrying value of investments in subsidiaries below historic cost and reversals of such reductions are taken to the profit and loss account. Other differences between net asset values and book values of investments in subsidiaries are taken to the revaluation reserve.

The beneficial interest in the investment pool is stated at the Company's share of the value of the underlying assets. Movements in carrying value, together with profits and losses arising on disposal of any part of the beneficial interest, are taken to the non-technical account.

Other investments are stated in the balance sheet at market values comprising stock exchange values for listed securities and directors' valuations for other investments.

### 2 Auditor's remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £3,000 (2010 £3,000) which were borne by a parent company, Royal & Sun Alliance Insurance plc. Details of non-audit fees payable to Deloitte LLP are disclosed in the RSA Insurance Group plc 2011 Annual Report & Accounts.

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Notes to the accounts (continued)

### 3 Directors' emoluments

None of the directors received any emoluments from the Company during the year (2010 £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.

### 4 Employees and staff costs

The Company did not employ anyone during the year (2010 nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company (2010 £nil).

### 5 Investment income, expenses and charges

|                                      | 2011<br>£000 | 2010<br>£000 |
|--------------------------------------|--------------|--------------|
| Income from other investments        | 276          | 283          |
| Income from other group undertakings | 47           | 41           |
|                                      | <b>323</b>   | <b>324</b>   |

### 6 Taxation

The UK corporation tax for the current year is based on a rate of 26.5% (2010 28%).

#### Factors affecting the current tax charge

The current tax charge for the year is less than 26.5% (2010 less than 28%) due to the items set out in the reconciliation below.

|   | 2011<br>£000 | 2010<br>£000 |
|---|--------------|--------------|
| <b>Profit on ordinary activities before tax</b> | <b>250</b>   | <b>211</b>   |
| Tax at 26.5% (2010 28%)                         | 66           | 59           |
| <b>Factors affecting charge</b>                 |              |              |
| Fiscal adjustments                              | 3,569        | 3,535        |
| Group relief received without payment           | (3,635)      | (3,594)      |
| <b>Current tax charge for the year</b>          | <b>-</b>     | <b>-</b>     |

There were no deferred tax assets or liabilities at 31 December 2011 or 2010.

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Notes to the accounts (continued)

### 7 Investments

#### Subsidiaries

The Company's subsidiary at 31 December 2011, which is registered in England and Wales, was as follows

|   | Principal activity    | Class of shares held | Percentage of nominal value and voting rights held by the Company |              |
|---|-----------------------|----------------------|---|--------------|
| National Vulcan Engineering Insurance Group Limited | General Insurance (1) | Ordinary             | 100   |              |
|   |                       |                      | 2011<br>£000  | 2010<br>£000 |
| Net asset value                                     |                       |                      |   |              |
| At 1 January  |                       |                      | 65,038  | 62,892       |
| Revaluation   |                       |                      | 161   | 2,146        |
| At 31 December                                      |                       |                      | 65,199  | 65,038       |

The historical cost of investments in subsidiaries is £1,250,000 (2010 £1,250,000)

(1) National Vulcan Engineering Insurance Group Limited ceased trading, through the transfer of insurance business by way of a Part VII transfer to other Group companies, with effect from 1 January 2012

#### Other financial investments

|   |              |              |
|---|--------------|--------------|
|   | 2011<br>£000 | 2010<br>£000 |
| Participation in investment pool                        | 5,999        | 5,796        |
| Listed investments included in the above are as follows |              |              |
| Debt securities and other fixed income securities       | 5,325        | 5,594        |

The composition of the investment pool is 32% (2010 69%) British government stocks, 59% (2010 29%) other government and corporate bonds and 9% (2010 2%) deposits with credit institutions

The historical cost of other investments is £5,771,000 (2010 £5,496,000)

### 8 Share capital

|   |              |              |
|---|--------------|--------------|
|   | 2011<br>£000 | 2010<br>£000 |
| Allotted and issued and fully paid up                     |              |              |
| 400,000,000 (2010 400,000,000) ordinary shares of £1 each | 400,000      | 400,000      |
|   | 400,000      | 400,000      |

### 9 Movements in shareholder funds

|   | Share capital<br>£000 | Revaluation reserve<br>£000 | Profit and loss<br>account<br>£000 | 2011<br>£000 | 2010<br>£000 |
|---|-----------------------|-----------------------------|------------------------------------|--------------|--------------|
| Shareholder funds at 1 January                | 400,000               | 63,788                      | 37,050                             | 500,838      | 498,481      |
| Profit for the financial year                 | -                     | -                           | 250                                | 250          | 211          |
| Unrealised gain on investment in subsidiaries | -                     | 161                         | -                                  | 161          | 2,146        |
| Shareholder funds at 31 December              | 400,000               | 63,949                      | 37,300                             | 501,249      | 500,838      |

# SUN ALLIANCE INSURANCE INTERNATIONAL LIMITED

## Notes to the accounts (continued)

### 10 Cash flow statement

The Company is a wholly-owned subsidiary of RSA Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of RSA 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.

### 11 Related party transactions

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with RSA Insurance Group plc and its subsidiaries and associated undertakings. There were no other party transactions requiring disclosure.

### 12 Parent companies

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

The Company's ultimate parent company and controlling party is RSA 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.

### 13 Post balance sheet event

On 1 January 2012, following approvals by a UK court, the Company completed the transfer of any remaining rights and obligations under insurance contracts to other RSA Insurance Group companies, together with other related assets and liabilities.

The Company was deauthorised by the Financial Services Authority on 1 January 2012.

The investment pool was wound up following the period end. The financial effect of this event is that balance sheet assets of £5,999,000 were transferred to another Group company on 1 January 2012.