

Registered number: 165018

Bradford Insurance Company Limited

(A member of the Resolution plc group)

Report and Financial Statements for the year ended 31 December 2006



Bradford Insurance Company Limited

Report and financial statements for the year ended 31 December 2006

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Bradford Insurance Company Limited

Directors

Mr R Craine

Mr R E K Greenfield

Mr M R Kipling

Mr I G Maidens

Secretary

Resolution Secretariat Services Limited

Registered office

1 Wythall Green Way, Wythall, Birmingham B47 6WG

Auditors

Ernst & Young LLP,
1 More London Place, London, SE1 2AF

Bradford Insurance Company Limited

Directors' report for the year ended 31 December 2006

Business Review

Principal activities

The principal activity of the Company was the run off of the general insurance business in the United Kingdom.

The Company is part of the Resolution group, whose ultimate owner and controller is Resolution plc, and its parent is Resolution Life Limited.

Corporate activity

On 31 December 2005, the long term business funds together with the majority of the shareholders funds of the Company were transferred to Phoenix Life Limited for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 31 October 2005

During 2006 the authorisation of the Company to write life insurance business in the EEA has been voluntarily withdrawn.

In December 2006 the general business of the Company was transferred to Royal & SunAlliance Insurance plc for £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court in December 2006.

In February 2007 the authorisation of the Company to write general insurance business in the EEA has been voluntarily withdrawn.

Result and dividends

The result of the company for the year is shown in the profit and loss account on pages 11 and 12. A dividend of **£3,423k** (2005: £nil) was paid in the year resulting in a transfer from retained profits of **£3,302k** (2005: £4,635k).

Principal risks

Following the transfer of general insurance business to Royal & SunAlliance Insurance plc and the voluntary withdrawal of authorisation to write life and general insurance business, the principal risk to the Company is the market exposure of financial assets.

Environmental matters

Environmental policies and practices are managed on a group basis and are set out in the report and financial statements of the ultimate parent undertaking, Resolution plc.

Employee information

Resolution group employees are contracted with Resolution Management Services Limited. Human resources policies are managed on a group basis and are set out, together with information on employees, in the report and financial statements of the ultimate parent undertaking, Resolution plc.

Future developments

The directors continue to review the operation of the Company with view to its future development.

Directors and their interests

Messrs G L Singleton, M N Biggs and P A Thompson resigned as directors of the Company with effect from 18 July 2006.

The other directors, whose names appear on page 3, served throughout the year.

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

The interests of the directors in the ordinary shares of 5p each in Resolution plc, other than Messrs I G Maidens, M N Biggs and P A Thompson whose interests are disclosed in the financial statements of that company, are as follows:

	Ordinary shares held at 1 January 2006 or on appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2006
R Craine	28,452	4,190	-	32,642
M R Kipling	28,452	4,190	-	32,642

Bradford Insurance Company Limited

Mr R E K Greenfield and Mr G L Singleton were also directors of Resolution Life Limited (RLL), the Company's holding company, during the year and their interests in the ordinary shares of 5p each in Resolution plc are disclosed in the financial statements of RLL.

Directors interests in share options

The following directors held options to subscribe for Resolution plc ordinary shares of 5p each granted under the Resolution savings related (share save) and executive share option schemes as follows:

	<u>Price at which option is exercisable in pence</u>	<u>Date from which exercisable</u>	<u>1 January 2006 or on appointment</u>	<u>Share save options at 31 December 2006</u>	<u>1 January 2006 or on appointment</u>	<u>Executive options at 31 December 2006</u>
R Craine	454.76	01.06.2011	-	1,415	-	-
M R Kipling	454.76	01.06.2009	-	2,055	-	-

Directors interests in long term incentive plans

The following directors have been made notional allocations of shares under the Resolution 2002 and Resolution 2006 long term incentive plans which are subject to the attainment of the performance conditions measured over a three year period.

	<u>Date granted</u>	<u>Rights held under plan at 31 December 2005 or on appointment</u>	<u>Rights granted during 2006</u>	<u>Notional market price of each share on date of grant in pence</u>	<u>Rights lapsed during 2006</u>	<u>Rights released during 2006</u>	<u>Rights held under plan at 31 December 2006</u>	<u>Date of end of performance period</u>
R Craine	10.04.2006	-	7,123	569	-	-	7,123	10.04.2009
M R Kipling	10.04.2006	-	6,332	569	-	-	6,332	10.04.2009
	23.10.2006	-	6,774	620	-	-	6,774	23.10.2009

Auditors

In the case of each of the persons who are directors of the company at the date of approval of this report:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This conformation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

By resolution of the members, an election was made under S.386 of the Companies Act 1985 to dispense with the obligation to appoint auditors on an annual basis. The auditors Ernst & Young LLP, will therefore, be deemed to have been reappointed.

By order of the directors



Resolution Secretariat Services Limited
Secretary
28 March 2007

Bradford Insurance Company Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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. 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.

Bradford Insurance Company Limited

Independent auditor's report to the shareholders of Bradford Insurance Company Limited

We have audited the Bradford Insurance Company Limited financial statements for the year ended 31 December 2006 which comprise the profit and loss account, the movements in shareholders' funds, the balance sheet, and the related notes 1 to 18, including the accounting policies and estimation techniques and uncertainties. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom generally accepted accounting practice) as 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 International Standards on Auditing (UK and Ireland).

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.

In addition we report to you if, in our opinion, 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 other 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

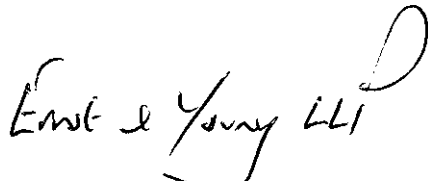
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 31 December 2006 and of its profit for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors' report is consistent with the financial accounts.



Ernst & Young LLP

Registered Auditor,

London,

March 2007

Bradford Insurance Company Limited

Accounting Policies

Accounting and disclosure requirements

The principal accounting policies of the Company as set out below comply with Section 255 of and Schedule 9A to the Companies Act 1985, applicable UK accounting standards and with the Statement of Recommended Practice ("SORP") issued by the Association of British Insurers in December 2005 (as amended in December 2006).

The authorisation of the Company to write life insurance business and general insurance business in the EEA has been voluntarily withdrawn during 2006 and 2007 respectively.

Changes in accounting policies

The Company adopted a policy of attributing all investment income and unrealised gains and losses on shareholder funds to the long term business technical account. The investment return on shareholder funds forms part of the shareholder result regardless of the performance of the Company's With Profit business. Accordingly, it is considered more appropriate to include investment return on shareholder funds in the non technical account without any attribution to the long term business technical account. The comparatives in the long term business technical account and the non technical account have been restated.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the year end. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of the transaction. For monetary assets and liabilities within the long term funds, the resulting exchange adjustments are included within the technical account – long term business. For assets and liabilities held outside the long term funds, the resulting exchange adjustments are taken to the non-technical account.

Dividends

Dividends on equity shares are recognised when they become a legal liability. For dividends declared by equity holders this is the date of the declaration and for dividends declared by directors this is on the date of payment.

Investment income

Income and realised and unrealised gains and losses on investments are reported in the long-term business technical account and the non technical account together with the associated investment expenses and charges.

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'.

Taxation

Taxation in the non-technical account and long term business technical 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.

The balance on the technical account - long term business is transferred to the non-technical account. Profits are shown in the non-technical account grossed up for tax at the effective rate of corporation tax applicable in the period. The amount of grossing up is included within the taxation on the profit or loss on ordinary activities in the non-technical account.

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 which 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.

Investments

Investments are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation and properties at professional valuation. For listed securities the stock exchange values are used. Properties are valued annually at open market value.

Bradford Insurance Company Limited

Accounting policies

Unrealised gains and losses

The treatment of realised and unrealised investment gains and losses is as follows:

(i) Realised gains and losses

Net realised gains, being net sale proceeds less costs of acquisition, are included within the profit and loss account within investment income. Net realised losses are included within investment expenses and charges.

(ii) Unrealised gains and losses

Net unrealised gains or losses are shown separately in the profit and loss account. Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or, in the case of investments purchased in the year, the cost of acquisition. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Bradford Insurance Company Limited

Estimation techniques and uncertainties

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statement principally arises in respect of the technical provisions of the company. For companies which undertake long term insurance business these provisions are held within the long term business provision.

As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation techniques

Long term business technical provisions are computed using statistical or mathematical methods, which are expected to give approximately the same results as if an individual liability was calculated for each long term contract. The computations are made by suitably qualified personnel, employed by the Resolution plc, on the basis of recognised actuarial methods, with due regard to the actuarial principles laid down in European law and by actuarial best practice in the United Kingdom. The methodology takes into account the risks and uncertainties of the particular classes of long term business written and the results are certified by the professionals undertaking the valuations.

Uncertainties

The degree of uncertainty arising under insurance contracts will vary by product type according to the relevant characteristics and features of the particular contract. In determining the appropriate level of provision, assumptions will have to be made on a number of factors such as discount rate, future investment returns, inflation, asset mix, taxation, mortality, morbidity and expenses.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement could vary substantially over time. The Company seeks to provide appropriate levels of provision taking the known facts and experience into account. However, by their nature the quantification of the provisions will always contain a degree of uncertainty.

Bradford Insurance Company Limited

Profit and loss account for the year ended 31 December 2006

Technical account - long term business

	Notes	2006 £'000	2005 (restated) £'000
Earned premiums, net of reinsurance			
Gross premiums written	1a	-	1
Outward reinsurance premiums	1a	-	(1)
Net earned premiums			-
Investment income	4	-	62
Unrealised gains on investments	4	-	58
Claims incurred, net of reinsurance			
Claims paid			
gross amount		-	(73)
reinsurers share		-	-
		-	(73)
Change in the provision for claims			
gross amount		-	40
reinsurers share		-	-
		-	40
Net claims incurred		-	(33)
Change in other technical provisions, net of reinsurance			
Long term business provision			
gross amount		-	(10)
reinsurers' share		-	-
		-	(10)
Technical provision for linked liabilities			
gross amount		-	(7)
reinsurers' share		-	-
		-	(7)
Net changes in other technical provisions		-	(17)
Net operating expenses		-	(22)
Taxation attributable to long term business	3	-	(1)
Transfer (to)/from the fund for future appropriations		-	(47)
Balance on the technical account - long term business		-	-

All figures relate to discontinued operations.

The notes on pages 14 to 17 form part of these financial statements.

Bradford Insurance Company Limited

Profit and loss account for the year ended 31 December 2006

Non-technical account

	Notes	2006 £'000	2005 (restated) £'000
Balance on the long term business technical account		-	-
Tax credit attributable to balance on the long term business technical account		-	-
Investment income	4	175	500
Unrealised gains on investments		-	1
Investment expenses and charges	4	(1)	(3)
Profit on ordinary activities before exceptional items and taxation		174	498
Loss arising on the Part VII transfer	2	-	(4,984)
Profit/(loss) on ordinary activities before taxation		174	(4,486)
Taxation on profit/(loss) on ordinary activities	3	(53)	(149)
Profit/(loss) on ordinary activities after taxation		121	(4,635)

All figures relate to discontinued operations.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account and accordingly a statement of total recognised gains and losses has not been presented.

Movements in shareholders' funds for the year ended 31 December 2006

	Share capital £'000	Profit & loss account £'000	Total 2006 £'000	2005 £'000
Shareholders' funds at 1 January	50	5,873	5,923	10,558
Shareholders' recognised gains/(losses)	-	121	121	(4,635)
Dividends	-	(3,423)	(3,423)	-
Shareholders' funds at 31 December	50	2,571	2,621	5,923

The profit and loss account includes **£2,571k** (2005: £5,873k) which is distributable.

The notes on pages 14 to 17 form part of these financial statements.

Bradford Insurance Company Limited

Balance sheet

at 31 December 2006

	Notes	2006 £'000	2005 £'000
Assets			
Investments			
Other financial investments	5	2,660	5,916
Other assets			
Cash at bank and in hand		4	7
Prepayments and accrued income			
Accrued interest and rent		10	-
Total assets		2,674	5,923
Liabilities			
Capital and reserves (see page 12)			
Called up share capital	6	50	50
Profit and loss account		2,571	5,873
Shareholders' funds – equity interests		2,621	5,923
Creditors			
Other creditors including taxation and social security	11	53	-
Total liabilities		2,674	5,923

The notes on pages 14 to 17 form part of these financial statements.

The financial statements on pages 8 to 17 were approved by the directors on 28 March 2007 and were signed on their behalf by:



R Craine
Finance Director
28 March 2007

Bradford Insurance Company Limited

Notes on the financial statements

1. Segmental analysis

No geographical segmental information, as required by Statement of Standard Accounting Practice 25, is given as business is predominantly sourced in the United Kingdom.

1a. Premiums written

	2006			2005		
	Gross £'000	Reinsurance ceded £'000	Net £'000	Gross £'000	Reinsurance ceded £'000	Net £'000
Life						
Non linked with profits	-	-	-	1	(1)	-
Total premiums written	-	-	-	1	(1)	-
Periodic premiums	-	-	-	1	(1)	-

2. Long term insurance and shareholders' funds transfer

As noted in the directors' report, on 31 December 2005, the long term business together with the majority of the shareholders funds of the Company were transferred to Phoenix Life Limited (formerly Royal & Sun Alliance Linked Insurances Limited) for a £nil consideration in accordance with the terms of a scheme under Part VII of the Financial Services and Markets Act 2000 approved by the High Court on 31 October 2005. The assets and liabilities transferred and the loss arising are set out below:

	£'000
Assets	
Investments	6,033
Assets held to cover linked liabilities	38
Reinsurers' share of technical provisions	1
Other assets	62
Prepayments and accrued income	15
	6,149
Liabilities	
Funds for future appropriations	414
Technical provisions	452
Technical provisions for linked liabilities	38
Creditors	261
	1,165
Net assets transferred	4,984
Consideration	-
Loss on transfer of net assets	4,984

Bradford Insurance Company Limited

3. Taxation

The charges for taxation in the technical account - long term business and the non-technical account comprise:

	Long term technical account		Non-technical account	
	2006	2005 (restated)	2006	2005 (restated)
	£'000	£'000	£'000	£'000
Current tax:				
UK corporation tax	-	(8)	(53)	(149)
Under provision in respect of prior year	-	7	-	-
Total current tax	-	(1)	(53)	(149)
Total tax charge	-	(1)	(53)	(149)

The tax charge for UK corporation tax in the technical account – long term business is provided at rates between **20%** and **30%** (2005 between 20% and 30%) computed in accordance with the rules applicable to life insurance companies.

UK Corporation tax for the current year is at the standard rate of **30%** (2005 was more than the standard rate of **30%** due to the items set out in the reconciliation below).

	2006 £000	2005 £000
(Loss)/profit on ordinary activities before taxation	174	(4,486)
Tax charge at 30%	(53)	1,346
Factors affecting charge		
Part VII transfer not taxable	-	(1,495)
Current tax charge for the year	(53)	(149)

4. Investment return

	Long term technical account		Non – technical account	
	2006	2005 (restated)	2006	2005 (restated)
	£'000	£'000	£'000	£'000
Attributable to long term business				
Income from investments				
Income from debt securities	-	52	-	42
Income from other investments	-	10	93	377
Gains of the realisation of investments	-	-	82	81
Total investment income	-	62	175	500
Unrealised gains on investments	-	58	-	1
Investment expenses and charges				
Investment management charges	-	-	(1)	(3)
Investment return attributable to long term business	-	120	174	498

5. Investments

	2006 £'000	2005 £'000
Other financial investments:		
Shares and other variable yield securities and units in unit trusts	2,660	565
Debt securities and other fixed income securities		
British government securities	-	5,351
	2,660	5,916

The historical cost of investments is **£2,660k** (2005:£5,916k).

All the above investments are listed investments.

Included within shares and other variable yield securities and units in unit trusts are money market funds with a value of **£2,660k** (2005:£565k). They are managed by a fellow group subsidiary, Resolution Asset Management Limited.

Bradford Insurance Company Limited

6. Share capital

Authorised, issued and fully paid

50,000 (2005: 50,000) ordinary shares of £1

2006 £'000	2005 £'000
50	50

7. Directors' emoluments

All the directors of the Company received remuneration from the service company, Resolution management Services Limited, as employees of that company. The directors received no emoluments in respect of their services to the Company (2005: £Nil).

8. Auditors' remuneration

The remuneration receivable by the Company's auditors for auditing the 2006 accounts was paid by another group company (2005: £4,394). The remuneration of the auditors for other services provided to the Company is included in the disclosures given in the consolidated financial statements of Resolution plc.

9. Pension costs and other post-retirement benefits

All of the staff are employed by Resolution Management Services Limited and are members of either a defined benefit pension scheme or one of the defined contribution pension schemes, details of which are disclosed in the Resolution plc accounts.

10. Bonuses

The total amount of bonuses attributable to policyholders for the year is £nil (2005: £54,957).

11. Creditors

Other creditors including taxation and social security:

Amounts due from group companies

Other

2006 £'000	2005 £'000
-	-
53	-
53	-

12. Capital commitments

The Company had no capital commitments at 31 December 2006 (2005: £Nil).

13. Financial commitments

The Company had no financial commitments under non-cancellable operating leases as at 31 December 2006 (2005: £Nil).

14. Cash flow

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

15. Contingent liabilities

The Company had no contingent liabilities at 31 December 2006 (2005: £Nil).

16. Related Party Transactions

Advantage has been taken of the exemption provided in Financial Reporting Standard 8 from disclosing details of transactions with Resolution plc and its subsidiaries and associated undertakings.

17. Parent companies

The Company's immediate parent company is Resolution Life Limited, registered in England and Wales.

The Company's ultimate parent company and controlling party is Resolution plc, which is registered in England and Wales, and is the parent undertaking of the largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.

18. Non technical account investment return

Following the change in accounting policy the shareholder investment return is now disclosed in the non technical account and not in the long term technical account. The effect of the change on the 2005 profit and loss account has been to reduce investment return in the long term business technical account by £498k and include the same amount in the non technical account and to reduce the tax charge in the long term business technical account by £149k and reduce the tax credit attributable to long term business in the non technical account by the same amount.