

ROYAL & SUN ALLIANCE INSURANCE FINANCE LIMITED

Report and Accounts for the year ended 31st December 2001



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Royal & Sun Alliance Insurance Finance Limited

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Royal & Sun Alliance Insurance Finance Limited

Directors

Directors

Non-Destructive Testers Limited

Secretary

J.E. Fox

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

Royal & Sun Alliance Insurance Finance Limited

Directors' report

Principal activity

The principal activity of the Company is to provide credit sale finance to employees of Royal & Sun Alliance Insurance Group plc to enable employees to purchase a car through the Company.

Review of the year and future developments

The business continued to expand in the year and the directors anticipate that this trend will continue in the foreseeable future.

Euro Currency

The impact the introduction of the Euro has had on the company is minimal. However system and product changes required to achieve Euro capability by 1 January 1999 were successfully implemented and work to change over to the Euro by 2002 remains on target. The incremental costs of the current Euro projects, including future costs, will be borne by the Parent Company. Plans are also being developed to address the possible extended scope of the Euro, including the UK's potential entry.

Directors

W Au and P Spencer served throughout the year. W Au resigned from the company on 25th January, 2002. Non-Destructive Testers Limited were appointed on 25th January, 2002. Paul Spencer resigned on 31st March 2002. The directors did not have any interest in the shares of the Company.

The interest in the shares of Royal & Sun Alliance Insurance Group plc for Mr. Spencer are disclosed in the financial statements of that Company.

Ordinary shares ¹ held at 1 January 2001 or on appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2001
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W Au

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1. Ordinary shares of 27.5p each.

In addition to the interests shown above, the directors had a beneficial interest, as at 31 December 2001, in 11,543,076 shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and 697,200 shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust No. 2. All employees of the Group have a beneficial interest in the shares held in these trusts with the exception of the executive directors of Royal & Sun Alliance Insurance Group plc who are excluded from the beneficiaries of the Royal & Sun Alliance ESOP Trust

Options to subscribe for shares

Held at 1 January 2001 or on appointment	Granted	During 2001 Exercised	Held at 31 December 2001
49,977	37,059		0

W Au

By order of the directors

J/E. Fox
Secretary

19 September 2002

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 2001. 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 Insurance Finance Limited

Independent Auditors' Report

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.

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 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.

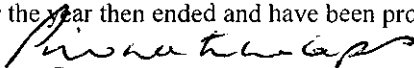
Basis of opinion

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

London

2002

19 September

Royal & Sun Alliance Insurance Finance Limited

Accounting policies

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

There were no material changes in accounting policy.

Basis of accounting

The accounts are prepared under the historical cost convention.

Turnover

Turnover is stated exclusive of value added tax and includes finance income and income from the sale of vehicles to employees of Royal & Sun Alliance Insurance Group plc.

Car Sales Income

Car Sales income is recognised when a Credit Sale Agreement is set up.

Finance income

Finance income is allocated to the profit and loss account over the life of each contract to give a constant periodic rate of return using the actuarial method of calculation.

Discount

Discounts given on the capital cost of vehicles are passed on to the employees of Royal & Sun Alliance Insurance Group plc.

Maintenance income

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

Maintenance expense

The profit and loss account is charged with an amount equivalent to the higher of maintenance income or actual expenditure. Any surpluses, calculated as the difference between the amount charged to the profit and loss account and the actual cost incurred, are recognised at the end of the contract period.

Provisions

Specific provisions are made in respect of credit sale debtors where an amount is in arrears of repayments and it is the opinion of the directors that doubt exists regarding recoverability.

Residual interests in vehicles

It is the Company's policy to recognise assets and liabilities for the repurchase of residual interests in vehicles at the end of the credit sale period, at the pre-determined prices set out in the contracts.

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

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

Taxation

The UK taxation in the profit and loss account is based on profits/(losses) and income of the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions for prior years.

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences: expected future rates of tax are used where applicable.

Royal & Sun Alliance Insurance Finance Limited

Profit and loss account for the year ended 31st December 2001

	Notes	2001 £	2000 £
Turnover	1	7,044,107	4,839,808
Operating expenses	2	(6,761,190)	(4,186,454)
Operating profit		282,917	653,354
Administrative charges		(111,127)	(7,775)
Profit on ordinary activities before interest		171,790	645,579
Other interest receivable and similar income		75,577	125,515
Profit on ordinary activities before tax		247,367	771,094
Group Relief/(Tax) on profit on ordinary activities	3	27,094	(288,486)
Profit on ordinary activities after Group Relief/Tax		274,461	482,608
Dividend		-	-
Transfer to retained profits	7	274,461	482,608

All figures relate to continuing operations.

There have been no recognised gains or losses or other movements in shareholders funds in either reporting year other than those recorded in the profit and loss account, and accordingly no statement of total recognised gains and losses or movement in capital and reserves statement is presented.

There is no material difference between the results for the current year and the previous year as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly, a note on the historical profits and losses for the year is not given.

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

Royal & Sun Alliance Insurance Finance Limited

Balance sheet
as at 31st December 2001

	Notes	2001 £	2000 £
Current assets			
Debtors	4	12,359,900	8,677,082
Cash at bank and in hand		<u>79,932</u>	<u>2,444,740</u>
		12,439,832	11,121,822
Non-current assets			
Debtors	4	<u>4,455,552</u>	<u>4,466,929</u>
Total Assets		16,895,384	15,588,751
Creditors: amounts falling due within one year	5	<u>(4,737,776)</u>	<u>(3,705,604)</u>
Net assets		<u>12,157,608</u>	<u>11,883,147</u>
Share capital and reserves			
Called up share capital	6	10,960,002	10,960,002
Profit and loss account		<u>1,197,606</u>	<u>923,145</u>
Equity shareholders' funds	7	<u>12,157,608</u>	<u>11,883,147</u>

The accounts on pages 6 to 11 were approved today by the board of directors and are signed on its behalf by:

Jan Kbel'sen

Director, for and on behalf of Non-Destructive Testers Limited

9 September 2002

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

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts

1. Turnover

	2001 £	2000 £
Car Sales Income	5,641,415	3,344,483
Income from finance, maintenance and fleet administration charges	1,402,692	1,495,325
	<u>7,044,107</u>	<u>4,839,808</u>

2. Operating expenses

Operating expenses for continuing operations in 2001 includes the cost of cars sold of £5,647,958 (2000: £3,340,341). It also includes a charge to a provision against contracts of £156,920 (2000 £186,338) where it is anticipated that the repurchase of vehicles will result in a loss to the Company. The basis of valuation of assets in the accounts is set out in the accounting policies on page 6.

3. Taxation on profit on ordinary activities

	2001 £	2000 £
The charge for UK taxation in the profit and loss account comprises:-		
Group relief (payable)/receivable	27,094	(288,486)

UK corporation tax for the current year included above is based on a rate of 30% (2000: 30%).

4. Debtors: amounts falling due within one year

	2001 £	2000 £
Net investment in credit sale agreements	3,491,221	3,671,752
Amounts owed by parent company	8,438,033	2,493,529
Other debtors	430,646	2,511,801
	<u>12,359,900</u>	<u>8,677,082</u>

Debtors: amounts falling due after more than one year

	2001 £	2000 £
Net investment in credit sale agreements	4,455,552	4,466,929

Net investments in credit sale agreements due within one year at 31st December 2001 are stated after provision against contracts of £456,968 (2000 £302,299), where it is anticipated that the repurchase of vehicles will result in a loss to the Company.

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

5. Creditors: amounts falling due within one year

	2001 £	2000 £
Amounts owed to parent company	4,136,317	1,229,963
Other creditors including tax and social security	13,534	1,804,933
Accruals and deferred income	587,925	670,708
	<u>4,737,776</u>	<u>3,705,604</u>

6. Share capital

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

7. Movements in shareholders' funds

	2001 £	2000 £
At 1st January	11,883,147	11,400,539
Transfer from retained profits	274,461	482,608
At 31st December	<u>12,157,608</u>	<u>11,883,147</u>

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

8. Directors' remuneration

The directors did not receive any emoluments during the year (2000 £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.

9. Employees and staff costs

The staff are employed by Royal & Sun Alliance Insurance plc, and are members of a defined benefits pension scheme. Details are disclosed in the accounts of Royal & Sun Alliance Insurance plc.

10. Capital commitments

The Company had no capital commitments as at 31st December 2001 (2000 £Nil).

11. Contingent liability

The Company had no material contingent liability as at 31st December 2001 (2000 £Nil).

12. 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 2001 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.

13. Auditors' remuneration

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

14. 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.

15. 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.

16. Parent company

The Company's ultimate parent company and controlling party is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales, and is the parent undertaking of the smallest and largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1J 6EW.