

RSA FINANCE (ISLE OF MAN) LIMITED

Annual Report and Accounts

for the period 16 April 2009 to 31 December 2009

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RSA FINANCE (ISLE OF MAN) LIMITED

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RSA FINANCE (ISLE OF MAN) LIMITED

Company information

Directors

R J Clayton

D P Cockrem

I A Craston

M Harns

Secretary

Roysun Limited

Registered office

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

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

RSA FINANCE (ISLE OF MAN) LIMITED

Directors' report for the period ended 31 December 2009

The directors present their annual report on the affairs of the Company and the audited financial statements for the period ended 31 December 2009

Business review and principal activity

The company was incorporated on 16 April 2009 to act as a vehicle for efficient management of the RSA Insurance Group's (the "Group") intercompany loans and interest thereon. The results for the Company show a profit on ordinary activities before tax of £302,345. The shareholder funds of the Company were £53,010 as at 31 December 2009.

Future outlook

The objective of the Company was fulfilled in 2009 and the directors intend to liquidate the Company in the foreseeable future. Accordingly the financial statements have been drawn up on a basis other than that of a going concern basis.

Dividends

A dividend of 0.48p per ordinary share, amounting to £166,079 was paid during the period. Following a capital reduction, an additional dividend of 3,462,629,400p per ordinary share, amounting to £34,626,294 was also paid during the period.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are set out in the estimation techniques, risks, uncertainties and contingencies on pages 82 to 84, and in the risk framework on pages 30 to 32 of the Annual Report & Accounts of the Group, which do not form part of this report.

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

Financial risk management

The Company is a subsidiary of RSA Insurance Group plc and its management of risk is set at Group level.

The main financial risk to which the Company is exposed is credit risk arising from receivables in the balance sheet. However, the Board considers this risk to be remote because the receivables balance is due from Group companies.

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. Financial KPIs are detailed in the Annual Report & Accounts of the Group (which do not form part of this report) within the Group CEO review on pages 6 to 10 and the regional business review on pages 14 to 25. This document also includes non-financial KPIs which are detailed in the regional business reviews on pages 14 to 25, the corporate responsibility report on pages 33 to 37 and the directors' report on pages 43 to 46.

Directors

The names of the current directors are listed on page 1. Mr R J Clayton and Mr I A Craston were appointed as directors on 16 April 2009. Mrs D P Cockrem, Mr M Harns and Mr P L Miles were appointed as directors on 17 April 2009. Mr P L Miles resigned as director on 30 June 2010.

Articles of association

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital through the repeal of section 2(5)(a) of the Companies Act 1985, which became effective on 1 October 2009.

Accordingly, by written resolution passed on 1 April 2010, the Company amended its articles of association (the "Old Articles") by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 of the Companies Act 2006, were treated with effect from 1 October 2009 as provisions of the Old Articles. At the same time the Company adopted new Articles of Association (the "New Articles"). The New Articles do not contain restrictions on the share capital of the Company and consequently, the Company no longer has an authorised share capital.

RSA FINANCE (ISLE OF MAN) LIMITED

Directors' report (continued) for the period ending 31 December 2009

Auditors

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 auditors are 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 auditors are 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 be reappointed for another term and appropriate arrangements have been put in place for them to be deemed to be reappointed as auditors in the absence of an Annual General Meeting

By order of the Board



Royson Limited
Secretary

22 September 2010

RSA FINANCE (ISLE OF MAN) 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). The financial statements are required by law to 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 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 auditors' report to the member of RSA Finance (Isle of Man) Limited

We have audited the financial statements of RSA Finance (Isle of Man) Limited for the period ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 members, as a body, 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 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

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 the financial statements in accordance with applicable law and International Standards of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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.

Opinion on the 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 2009 and of its profit for the period 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made within note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

Matter 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 Auditors
London, United Kingdom

24 September 2010

RSA FINANCE (ISLE OF MAN) LIMITED

Profit and loss account for the period 16 April 2009 to 31 December 2009

		For the period 16 April to 31 December 2009
	Notes	£
Interest receivable from group undertakings		302,345
Profit on ordinary activities before taxation		302,345
Taxation on profit on ordinary activities	5	(83,257)
Profit for the financial period		219,088

All figures relate to discontinued operations

There have been no recognised gains or losses in either reporting period other than those recorded in the profit and loss account. Accordingly, no statement of total recognised gains and losses is presented.

The notes on pages 8 to 9 form an integral part of these accounts.

Registered Number: 06878431

RSA FINANCE (ISLE OF MAN) LIMITED

Balance sheet

as at 31 December 2009

	Notes	2009 £
Current assets		
Amounts owed by group undertakings		<u>136,267</u>
		136,267
Creditors amounts falling due within one year	7	<u>(83,257)</u>
Total assets less current liabilities		<u>53,010</u>
Capital and reserves		
Called up share capital	8	1
Profit and loss account	9	<u>53,009</u>
Shareholder funds		<u>53,010</u>

The notes on pages 8 to 9 form an integral part of these accounts

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



D Cockrem
Director

22 September 2010

RSA FINANCE (ISLE OF MAN) LIMITED

Notes to the accounts (continued) 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. The financial statements have been prepared under the historical cost convention, on an other than going concern basis.

The objective of the Company was fulfilled during 2009. Accordingly the financial statements have been drawn up on a basis other than that of a going concern. The directors are satisfied that no change is required to the carrying value of the Company's assets and liabilities as a result of this change in the basis of preparation.

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

(a) Income

The figure in the profit and loss account comprises interest income from intra-group loans.

(b) Taxation

Current tax, based on profits and income for the period, 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.

2 Auditors' remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £1,000 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 2009 Annual Report & Accounts.

3 Directors' emoluments

None of the directors received any emoluments from the Company during the period. 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 period. All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company.

5 Taxation

The charge for taxation in the profit & loss account comprises

	Period ended 31 December 2009 £
Current tax	
UK corporation tax	83,257
Total current tax	83,257
Tax charge	83,257

The UK corporation tax for the current period is based on a rate of 28%.

Factors affecting the current tax charge

The current tax charge for the period is less than 28% due to the items set out in the reconciliation below.

	Period ended 31 December 2009 £
Profit on ordinary activities before tax	302,345
Tax at 28%	84,657
<i>Factors affecting charge</i>	
Fiscal adjustments	(1,400)
Current tax charge for the period	83,257

There were no deferred tax assets or liabilities as at 31 December 2009.

RSA FINANCE (ISLE OF MAN) LIMITED

Notes to the accounts (continued)

6 Dividends

	Period ended 31 December 2009 £
Interim dividend paid 0.48p per ordinary share	166,079
Interim dividend paid 3,462,629,400p per ordinary share	34,626,294
	<u>34,792,373</u>

The dividends were paid to Royal Insurance Service Company (Isle of Man) Limited as a dividend in specie by way of assignment of rights to intercompany loan balances and unpaid interest. On 2 November 2009 a dividend in specie of £166,079 was declared, amounting to 0.48p per ordinary share. On 17 November 2009, following a capital reduction (see note 8), a dividend in specie of £34,626,294 was declared, amounting to 3,462,629,400p per ordinary share.

7 Creditors amounts falling due within one year

	31 December 2009 £
Current tax	83,257
	<u>83,257</u>

8 Share capital

	31 December 2009 £
Allotted, issued and fully paid up	
1 ordinary share of £1 each	1
	<u>1</u>

On incorporation on 16 April 2009, the Company had 1 ordinary share of £1 in issue. On the 17 April 2009 the Company issued 34,626,294 ordinary shares of £1 each, for consideration of £34,626,294. On 17 November 2009 the Company reduced its share capital by 34,626,294 ordinary shares, creating a distributable reserve of £34,626,294.

9 Movements in shareholder funds

	Share capital £	Profit and loss account £	2009 £
Shareholder funds at 16 April	1	-	1
Issue of new shares	34,626,294	-	34,626,294
Reduction in capital	(34,626,294)	34,626,294	-
Profit for the financial period	-	219,088	219,088
Dividends	-	(34,792,373)	(34,792,373)
Shareholder funds at 31 December	1	53,009	53,010

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.

12 Parent companies

The Company's immediate parent company is Royal Insurance Service Company (Isle of Man) Limited, which is registered in the Isle of Man. The smallest group to consolidate these financial statements is Tower Insurance Company Limited, which is registered in the Isle of Man.

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 largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 9th Floor, One Plantation place, 30 Fenchurch Street, London, EC3M 3BD.