

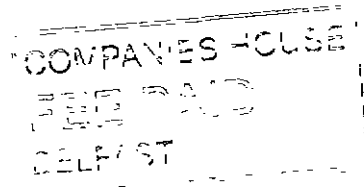
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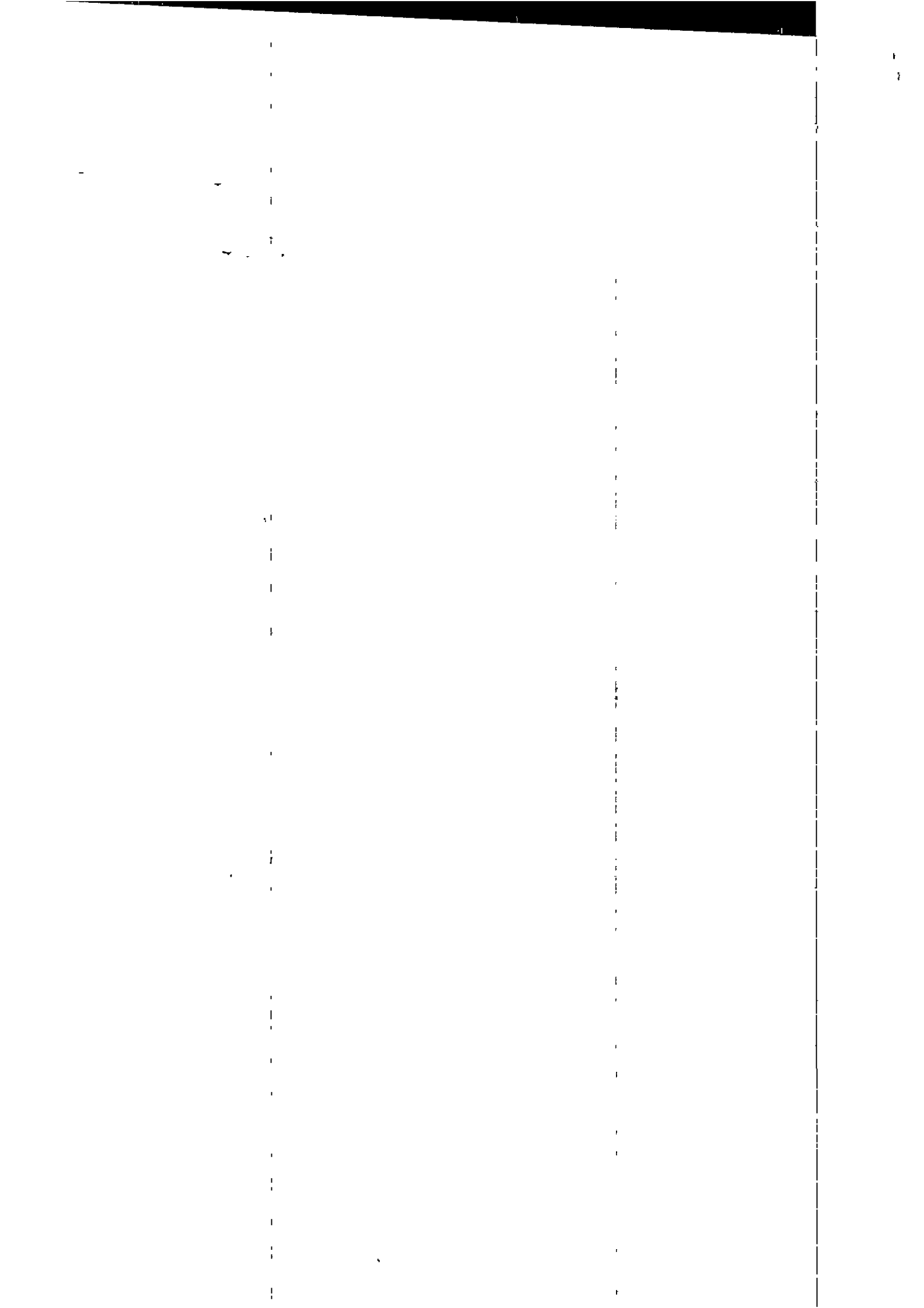
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ROYAL INSURANCE (U.K.) LIMITED

Annual Report and Accounts
for the year ended 31 December 2008





ROYAL INSURANCE (U.K.) Limited

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ROYAL INSURANCE (U.K.) Limited

Company information

Directors

R J Clayton

D P Cockrem

I A Craston

M G Culmer

M Harris

P L Miles

Secretary

J C Possener

Registered office

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

Auditors

Deloitte LLP
Chartered Accountants and Registered Auditors
London

ROYAL INSURANCE (U.K.) LIMITED

Directors' report for the year ended 31 December 2008

The directors present their annual report on the affairs of the Company and the audited financial statements for the year ended 31 December 2008

Business review and principal activity

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

The Company did not trade 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 £380,000 (2007 £280,000) The shareholder's funds of the Company were £135,498,000 as at 31 December 2008 (31 December 2007 £135,118,000)

Future outlook

There is not expected to be any change to the business in the foreseeable future

Principal risks and uncertainties and key performance indicators

A discussion on financial risk management is set out below Key performance indicators are not appropriate for the Company and are not maintained because the Company no longer conducts insurance business and investment strategy is determined at Group level 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 reviews on pages 14 to 25

Financial risk management

The Company is a subsidiary of RSA Insurance Group plc and its 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

Directors

The names of the current directors are listed on page 1 P L Miles was appointed as a director of the Company on 22 May 2008 The other directors served throughout the year

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 s234ZA of the Companies Act 1985

On 1 December 2008 Deloitte & Touche LLP changed its name to Deloitte LLP Deloitte LLP have confirmed their willingness to continue in office as auditors of the Company and a resolution for their reappointment will be proposed at the 2009 Annual General Meeting

ROYAL INSURANCE (U.K.) LIMITED

Directors' report (continued)
for the year ended 31 December 2008

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 and the Company's ongoing financial commitments 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,



R J Clayton
Director
9 June 2009

ROYAL INSURANCE (U.K.) LIMITED

Statement of directors' responsibilities

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, 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 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.

Independent auditors' report to the members of Royal Insurance (U.K) Limited

We have audited the financial statements of Royal Insurance (U.K) Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, 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 member those matters we are required to state to it 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 member 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 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 whether in our opinion the information given in the Directors' report is 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 2008 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 statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

11 June 2009

ROYAL INSURANCE (U.K.) LIMITED

Profit and loss account for the year ended 31 December 2008

	2008	2007
Notes	£000	£000
Investment income	230	-
Unrealised gains on investments	150	280
Profit on ordinary activities before taxation	380	280
Taxation on profit on ordinary activities	-	-
Profit for the financial year	380	280

All figures relate to continuing operations

There have been no recognised gains or losses in either reporting year 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 10 form an integral part of these accounts.


ROYAL INSURANCE (U.K.) LIMITED

Balance sheet as at 31 December 2008

	Notes	2008 £000	2007 £000
Assets			
Investments			
Participation in investment pool	7	4,188	3,809
Debtors			
Amount owed by group undertakings	8	131,310	131,309
Total assets		135,498	135,118
Liabilities			
Capital and reserves			
Called up share capital	9	51,000	51,000
Share premium account	10	150,000	150,000
Profit and loss account	10	(65,502)	(65,882)
Shareholder's funds		135,498	135,118
Total liabilities		135,498	135,118

The notes on pages 8 to 10 form an integral part of these accounts

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



P L Miles
Director
9 June 2009

ROYAL INSURANCE (U.K.) LIMITED

Notes to the accounts

1 Financial statements

The financial statements of the Company have been prepared in accordance with applicable UK Accounting Standards and in compliance with s255 of and Schedule 9A to, the Companies Act 1985, 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 financial statements have been prepared under the current value rules, as permitted by Schedule 9A of the Companies Act 1985, 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 and the Company's ongoing financial commitments 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 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.

Deferred tax is recognised in respect of all timing differences (except as set out below) that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. A deferred tax asset is recognised for relief for trading losses or other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in the future.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(c) Investments

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.

Within the investment pool, investments are valued at market values comprising stock exchange values for listed securities and directors' valuations for other investments.

2. Auditors' remuneration

Fees payable to Deloitte LLP for the audit of the Company's annual accounts were £1,100 (2007 £1,100) 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 2008 Annual Report & Accounts.

3. Directors' emoluments

None of the directors received any emoluments from the Company during the year (2007 £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 (2007 nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company (2007 £nil).

ROYAL INSURANCE (U.K.) LIMITED

Notes to the accounts (continued)

5. Investment Income

	2008 £000	2007 £000
Income from participation in investment pool	206	-
Gains on the realisation of investments	24	-
	<u>230</u>	<u>-</u>

6 Taxation

Factors affecting the current tax charge

The current tax charge for the year is less than 28.5% (2007 less than 30%) due to the items set out in the reconciliation below

	2008 £000	2007 £000
Profit on ordinary activities before tax	<u>380</u>	<u>280</u>
Tax at 28.5% (2007 30%)	108	84
Factors affecting charge		
Fiscal adjustments	2,297	2,588
Group relief received without payment	(2,405)	(2,672)
Current tax charge for the period	<u>-</u>	<u>-</u>

There were no deferred tax assets or liabilities at 31 December 2008 or 2007

7 Other financial investments

	2008 £000	2007 £000
Participation in investment pool	<u>4,188</u>	<u>3,809</u>
	4,188	3,809

The historical cost of other investments, which are all unlisted, is £3,826,000 (2007 £3,619,000)

The composition of the investment pool is 77% (2007 93%) British Government Stocks, 18% (2007 0%) other government and corporate bonds and 5% (2007 7%) Deposits with credit institutions

8 Debtors

	2008 £000	2007 £000
Amounts due from group undertakings	<u>131,310</u>	<u>131,309</u>

9 Share capital

	2008 £000	2007 £000
Authorised: 300,000,000 ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, issued and fully paid up 51,000,000 ordinary shares of £1 each	<u>51,000</u>	<u>51,000</u>

10 Movements in shareholder's funds

	Share capital £000	Share premium £000	Profit and loss account £000	2008 £000	2007 £000
Shareholder's funds at 1 January	51,000	150,000	(65,882)	135,118	134,838
Profit for the financial year	-	-	380	380	280
Shareholder's funds at 31 December	<u>51,000</u>	<u>150,000</u>	<u>(65,502)</u>	<u>135,498</u>	<u>135,118</u>

ROYAL INSURANCE (U.K.) LIMITED

Notes to the accounts (continued)

11. Cash flow statement

The Company's ultimate parent is 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.

12. 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.

13. Parent companies

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

The Company's ultimate parent company and controlling party is 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 9th Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD.