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SUN ALLIANCE FUND MANAGEMENT LIMITED

Report and Accounts

for the year ended 31 December 2003



Sun Alliance Fund Management Limited

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Sun Alliance Fund Management Limited

Directors

Directors

J V Miller

Non-Destructive Testers Limited

Secretary

J E Fox

Registered office

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

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

Sun Alliance Fund Management Limited

Directors' report

for the year ended 31 December, 2003

Principal Activities

The sole activity of the Company was to act as trustee to the Sun Alliance Master Pension Plan for which it received no income.

Review of the Year and Future Developments

The company will continue to act as trustee to the Sun Alliance Master Pension Plan.

Results and Dividend

The result for the year is shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2002 £nil).

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting of Royal & Sun Alliance Insurance Group plc.

Directors Interests

J V Miller and Non-Destructive Testers Limited served throughout the year. None of the directors has an interest in any contract of a material nature with the Company. None of the directors has an interest in the shares of the Company or its subsidiary companies, either at the beginning or end of the financial year.

The interests of J V Miller in the ordinary shares of Royal & Sun Alliance Insurance Group plc are as follows:

	Ordinary shares ¹ held at 1 January 2003 or appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2003
J V Miller	89,394	1,951	-	91,345

Note:

1. Ordinary shares of 27.5p each.

In addition to the interests shown above, all directors had a beneficial interest, as at 31st December 2003, in 12,371,801 (2002:11,541,409) shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and 3,038,894 (2002: 697,200) shares of 27.5p each in the Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust No 2. All employees of the group and certain option-holders 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.

Interests in share options

	Balance held at 1 January 2003 or on appointment	Granted during period	Rights Issue Adjustment	Exercised during Period	Cancelled / Lapsed during Period	Balance held on 31 December 2003
J V Miller	174,048	35,000	-	-	45,005	254,053

Royal & Sun Alliance Insurance Group plc completed a one for one rights issue during the year, following which adjustments were made to the number of shares under option and to exercise prices in accordance with the rules of the relevant share option schemes.

By order of the directors

J.E. Fox
Secretary

2004

Sun Alliance Fund Management Limited

Statement of directors' responsibilities

Statement of 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 31 December 2003. 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.

Independent auditors' report to the members of Sun Alliance Fund Management Limited

We have audited the accounts which comprise the profit and loss account, balance sheet, the reconciliation of the movement in shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts 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 accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts 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 accounts, 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.

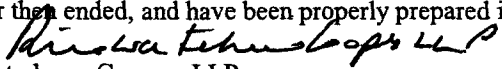
Basis of audit opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

27 July 2004

Sun Alliance Fund Management Limited

Profit and loss account

for the year ended 31st December, 2003

	Notes	2003 £000	2002 £000
Interest receivable on bank deposit		41	47
Profit on ordinary activities before tax	2	41	47
Tax on profit on ordinary activities	3	(12)	(14)
Profit on ordinary activities after tax		29	33
Transfer to retained profits		29	33

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 reported in the profit and loss account, 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 8 and 9 form part of these accounts.

Reconciliation of movements in shareholders' funds

	2003 £000	2002 £000
Shareholders' funds at 1 January	1,113	1,080
Recognised gains	29	33
Shareholders' funds at 31 December	1,142	1,113

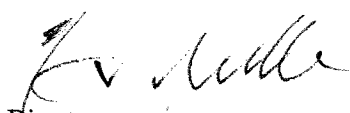
Sun Alliance Fund Management Limited

Balance sheet
as at 31 December, 2003

	Notes	2003 £000	2002 £000
Current assets			
Investments			
Cash on deposit		1,197	1,156
Cash at bank		198	200
		<u>1,395</u>	<u>1,356</u>
Creditors – amounts falling due within one year			
Due to parent company		(227)	(226)
Other creditors		-	(3)
Taxation		(26)	(14)
		<u>(253)</u>	<u>(243)</u>
Net current assets		<u>1,142</u>	<u>1,113</u>
Capital and reserves			
Called up share capital	4	625	625
Profit and loss account		517	488
Equity shareholder funds		<u>1,142</u>	<u>1,113</u>

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

The accounts on pages 6 to 9 were approved today by the Board of directors and are signed on its behalf by:


Director
27 July 2004

x  x IAC (ON BEHALF OF ND)

x  x PCR (ON BEHALF OF ROUNSAND)

Sun Alliance Fund Management Limited

Notes on the accounts

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards.

There were no material changes in accounting policies.

2 Profit before taxation

The profit before taxation arises from interest on deposits within the United Kingdom.

3 Taxation

The charge for UK Corporation tax in the profit and loss comprises:

	2003 £000	2002 £000
<i>Current tax</i>		
UK corporation tax	12	14
Total current tax	12	14
 Tax charge	 12	 14

UK corporation tax for the current year is based on a rate of 30% (2002 30%).

Factors affecting the current tax charge

The current tax charge for the year is equal to 30%.

	2003 £000	2002 £000
Profit on ordinary activities before tax	41	47
 Tax at 30% and current tax charge for the year	 12	 14

4 Share capital

	2003 £000	2002 £000
Authorised:		
1,500,000 ordinary shares of £1 each	1,500	1,500
Issued and fully paid up		
625,000 ordinary shares of £1 each	625	625

5 Capital commitments

The Company had no capital commitments at 31 December 2003 (2002 £nil).

6 Directors' emoluments and employee information

None of the directors received any emoluments from the Company during the year (2002 £nil). The Company did not employ anyone during the year. All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc.

The emoluments of all the Company's directors are paid by Royal & Sun Alliance Insurance plc. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to Royal & Sun Alliance Insurance plc.

7 Contingent liability

The Company has no material contingent liabilities as at 31 December 2003 (2002 £nil).

8 Auditors' remuneration

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

9 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) 'Cash Flow Statements' and has elected not to prepare its own cash flow statement.

10 Related party transactions

Advantage has been taken of the exemption provided in FRS8 'Related Party Disclosures' from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

11 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 companies accounts can be obtained from 30 Berkeley Square, London W1J 6EW.