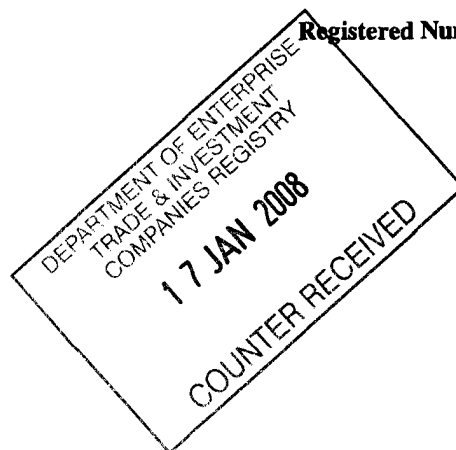




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Registered Number: 954465



SUN ALLIANCE FUND MANAGEMENT LIMITED

Report and Accounts

for the year ended 31 December 2006

Sun Alliance Fund Management Limited
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Sun Alliance Fund Management Limited

Company information

Directors

Non-Destructive Testers Limited

Roysun Limited

Company Secretary

Roysun Limited

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 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006.

Principal activity

The principal activity of the Company is to act as trustee to the Sun Alliance Master Pension Plan, for which it receives no income.

Review of the year and future developments

The Company will continue to act as trustee to the Sun Alliance Master Pension Plan for the foreseeable future.

Result 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 (2005: £Nil).

Principal risks and uncertainties and key performance indicators

A discussion on financial instrument risk management is set out below. Key performance indicators are not appropriate for the Company and are not maintained.

Directors

The names of the current directors, who served throughout the year, are listed on page 2.

Auditors

So far as each director is aware, there is no relevant audit information (as defined in Section 234ZA(3) of the Companies Act 1985) of which the Company's auditors are unaware, and each 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, and to establish that the auditors are aware of, any relevant audit information.

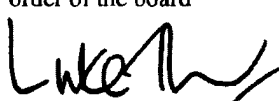

Following an extensive review process by the Royal & Sun Alliance Insurance Group plc (the Company's ultimate parent company), Deloitte & Touche LLP are being proposed for appointment as auditors for all UK companies within the Royal & Sun Alliance Insurance group for the year ending 31 December 2007. PricewaterhouseCoopers LLP will stand down to enable Deloitte & Touche LLP to be proposed for appointment in their place. The Company currently operates an elective regime pursuant to Section 386 of the Companies Act 1985 under which it has elected to dispense with the annual appointment of the Company's auditors. Pursuant to Section 393 of the Companies Act 1985, the Company has today received a notice from a member of the Company proposing that a general meeting be convened for the purposes of considering a resolution that Deloitte & Touche LLP be appointed as auditors of the Company in place of PricewaterhouseCoopers LLP for the year ending 31 December 2007.

Financial instrument risk management

The Company is a subsidiary of Royal & Sun Alliance Insurance Group plc and its management of risk is set at Group level.

The only financial instrument 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.

By order of the board

 x  x LT

L Thomas for and on behalf of
Roysun Limited
Company Secretary
16 JUNE 2007

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 2006. 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 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. 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 financial statements of Sun Alliance Fund Management Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual return & 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). 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 into 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 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 other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

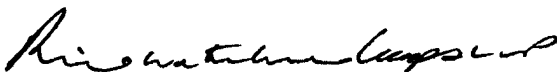
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 loss 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

22 June 2007

Sun Alliance Fund Management Limited

Profit and loss account for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Profit on ordinary activities before taxation		-	-
Taxation on profit on ordinary activities	6	(18)	(14)
Loss on ordinary activities after taxation		(18)	(14)

All figures relate to continuing operations.

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

There have been no recognised gains and 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.

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 cost profits and losses for the year is not given.

Reconciliation of movements in shareholder's funds for the year ended 31 December 2006

	Share Capital £000	Profit & loss account £000	2006 £000	2005 £000
Shareholder's funds at 1 January	625	538	1,163	1,177
Shareholder's recognised losses	-	(18)	(18)	(14)
Shareholder's funds at 31 December	625	520	1,145	1,163

Sun Alliance Fund Management Limited

Balance sheet as at 31 December 2006

	Notes	2006 £000	2005 £000
Current assets			
Debtors	7	1,377	1,391
		<u>1,377</u>	<u>1,391</u>
Creditors: amounts falling due within one year	8	(232)	(228)
Net current assets		<u>1,145</u>	<u>1,163</u>
Capital and reserves			
Called up share capital	9	625	625
Profit and loss account	10	520	538
Equity shareholder's funds		<u>1,145</u>	<u>1,163</u>

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

The accounts on pages 6 to 10 were approved by the Board of Directors and are signed on its behalf by:

Denise _____

D P Cockrem for and on behalf of Non-Destructive Testers Limited
Director

18 JUNE 2007

x *DP Cockrem*

x *DC*

x *RJ Day*

x *RC*

1. Accounting and disclosure requirements

The financial statements of the Company have been prepared in accordance with applicable UK Accounting Standards and the provisions of Section 226A of, and Schedule 4 to, the Companies Act 1985. The financial statements have been prepared under the historical cost convention on the going concern basis.

2. Accounting policies

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

Taxation

Taxation is based on the profit and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

Deferred taxation 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 that 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 the foreseeable future.

Deferred tax balances are not discounted.

3. Auditors' remuneration

The fee for the audit of the Company's accounts was £1,000 (2005: £900) which was borne by a parent company, Royal & Sun Alliance Insurance plc.

4. Directors' emoluments

None of the directors received any emoluments from the Company during the year (2005:£nil).

5. Employees and staff costs

The Company did not employ anyone throughout the year (2005: nil). All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc at no cost to the Company.

6. Taxation

The charge for taxation in the profit and loss comprises

	2006 £000	2005 £000
Current tax		
UK corporation tax	18	17
Adjustment in respect of prior periods	-	(3)
Total current tax	18	14
Tax charge	18	14

The UK corporation tax for the current year is based on a rate of 30% (2005:30%).

Sun Alliance Fund Management Limited

Notes to the accounts (continued)

Factors affecting the current tax charge

The current tax charge for the year is more than (2005: more than) 30% due to the items set out in the reconciliation below

	2006 £000	2005 £000
Profit on ordinary activities before tax	-	-
Tax at 30%	-	-
<i>Factors affecting charge</i>		
Fiscal adjustment	18	17
Adjustment to prior year provision	-	(3)
Current tax charge for the period	18	14

7. Debtors

Amounts falling due within one year:	2006 £000	2005 £000
Amounts owed by group undertakings.	1,377	1,391

8. Creditors: amounts falling due within one year

	2006 £000	2005 £000
Amounts owed to group undertakings	211	211
Other creditors	3	3
Taxation and social security	18	14
	232	228

Amounts owed to group undertakings are unsecured, non-interest bearing and have no fixed date of repayment.

9. Share capital

	2006 £000	2005 £000
Authorised:		
1,500,000 ordinary shares of £1 each	1,500	1,500
Allotted, issued and fully paid up:		
625,000 ordinary shares of £1 each	625	625

Sun Alliance Fund Management Limited

Notes to the accounts (continued)

10. Reserves

Reserves and reserve movements are as follows:

	Profit and Loss Account	
	2006 £000	2005 £000
Balance at 1 January	538	552
Retained loss for the year	(18)	(14)
Balance at 31 December	520	538

11. Capital commitments

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

12. Contingent liabilities

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

13. Cash flow statement

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 1996) 'Cash Flow Statements' and has elected not to prepare its own cash flow statement.

14. Related party transactions

Advantage has been taken of the exemption provided in FRS 8 'Related Party Disclosures' from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries.

15. Parent company

The Company's immediate and ultimate parent company and controlling party is Royal & Sun Alliance 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.