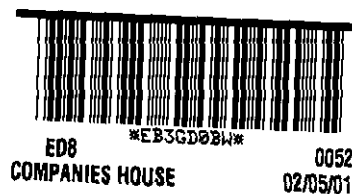


SUN ALLIANCE MANAGEMENT SERVICES LIMITED

Report and Accounts

for the year ended 31st December 2000



Contents	Page
Directors	2
Directors' report	3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Statement of total recognised gains and losses	6
Movement in shareholders' funds	6
Balance sheet	7
Notes on the accounts	8-9

Sun Alliance Management Services Limited

Directors

Directors

Wai Au

K.J. Powell

Secretary

B. Kelly

Registered office

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

Sun Alliance Management Services Limited

Directors' Report

for the year ended 31st December 2000

Activities

The Company's principal activity is the provision of information technology and other services to companies within the Royal & Sun Alliance Insurance Group. The expenses associated with this activity are borne by Royal & Sun Alliance Insurance plc.

Result

The result for the year is shown on page 6. The directors do not recommend the payment of a dividend (1999 £Nil).

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 1st 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

The directors whose names appear on page 2 served throughout the year.

The interests of Ms Au in the ordinary shares of 27.5p each in the Royal & Sun Alliance Insurance Group plc is disclosed in the accounts of Royal & Sun Alliance Insurance plc.

The interest of Mr Powell in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc are as follows:

	Ordinary shares held at 1st January 2000 ¹	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31st December 2000
K.J. Powell	-	-	-	-

In addition to the interests shown above, Mr Powell had a beneficial interest, as at 31st December 2000, in 11,609,879 shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust No 1 and 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 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 No 2.

	Held at 1st January 2000	Options to subscribe for shares During 2000		Held at 31st December 2000
		Granted	Exercised	
K.J. Powell	38,288	15,229	-	53,517

By order of the directors



B. Kelly
Secretary

11 April

2001

Sun Alliance Management Services 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 2000. 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.

Sun Alliance Management Services Limited

Auditors' Report

Auditors' report to the members of Sun Alliance Management Services Limited

We have audited the financial statements on pages 6 to 9 which have been prepared in accordance with the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 4, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

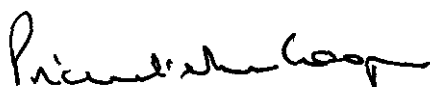
Basis of audit opinion

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 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 the Company's affairs at 31st December 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London

2001

Sun Alliance Management Services Limited

Profit & Loss Account

for the year ended 31st December 2000

	2000 £	1999 £
Foreign exchange losses	-	-
Loss on ordinary activities before taxation	-	-
Taxation on loss on ordinary activities	-	-
Loss on ordinary activities after taxation	-	-

Statement of total recognised gains and losses

	Revaluation reserve £	Profit and loss account £	Total 2000 £	Total 1999 £
Loss for the financial year	-	-	-	-
Unrealised loss on investment in subsidiary	(73,000)	-	(73,000)	103,135
Shareholder recognised gains	(73,000)	-	(73,000)	103,135

Movements in shareholders' funds

	Share capital £	Revaluation reserve £	Profit & loss account £	Total 2000 £	Total 1999 £
Shareholders' funds at 1st January	7,000,000	345,532	(5,759,089)	1,586,443	1,483,308
Shareholder recognised gains	-	(73,000)	-	(73,000)	103,135
Shareholders' funds at 31st December	7,000,000	272,532	(5,759,089)	1,513,443	1,586,443

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

Sun Alliance Management Services Limited

Balance Sheet as at 31st December 2000

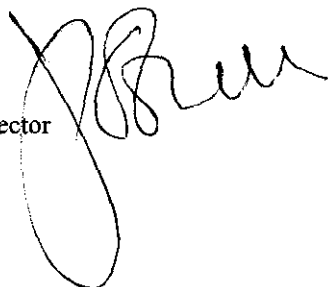
	Notes	2000 £	1999 £
Fixed assets			
Shares in group companies	4	1,600,000	1,673,000
Current assets			
Due from other group companies		333,716	333,716
Current liabilities			
Due to parent company		(420,273)	(420,273)
Net current liabilities		<u>(86,557)</u>	<u>(86,557)</u>
Total assets less current liabilities		<u>1,513,443</u>	<u>1,586,443</u>
Capital and reserves			
Called up share capital	5	7,000,000	7,000,000
Revaluation reserve		272,532	345,532
Profit and loss account		<u>(5,759,089)</u>	<u>(5,759,089)</u>
		<u>1,513,443</u>	<u>1,586,443</u>

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

The accounts on pages 6 to 9 were approved by the directors on

11/4 2001 and were signed on their behalf by:

Director



Sun Alliance Management Services Limited

Notes on the Accounts

1. Accounting policies

- (a) The accounts are prepared on the historical cost basis of accounting, modified by the revaluation of investments in subsidiaries, and comply with applicable U.K. accounting standards.
- (b) The accounts have been prepared on a going concern basis. The balance sheet as at 31 December 2000 reports net current liabilities of £86,577 after taking into account a liability of £420,273 due to Group Companies on demand. After due and careful enquiry, the directors believe that it is not the intention of the Group Companies to call for payment of the liability in the foreseeable future. The directors have received no undertaking to this effect from the Group Companies. Were the Group Companies to seek repayment of the liability, the directors are satisfied that no material adjustments would be necessary in order to prepare the accounts as a non-going concern.
- (c) Group accounts are not prepared as the Company is a wholly-owned subsidiary and is included in consolidated accounts of Royal & Sun Alliance Insurance Group plc, which is registered in England and Wales.
- (d) Investments in subsidiaries are shown at net asset value and unrealised gains and losses are dealt with in the revaluation reserve.

2. Directors' remuneration

The directors did not receive any emoluments during the year. They were employed by Royal & Sun Alliance Insurance plc and were remunerated for their services to the Group as a whole. It is not possible to apportion their remuneration in respect of the Company.

3. Auditors' remuneration

The costs of auditing the Company's accounts are borne by Royal & Sun Alliance Insurance plc.

4. Shares in Group companies

The Company holds a 100% interest in the ordinary share capital of a company incorporated in Japan – RSA Services K.K.

	2000 £	1999 £
Shares in Group companies		
Cost at 1st January	1,327,468	1,282,603
Adjustment to cost	-	44,865
At 31st December	1,327,468	1,327,468
Adjustment to net asset value	272,532	345,532
	<u>1,600,000</u>	<u>1,673,000</u>

5. Share capital

	2000 £	1999 £
Authorised: 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
Allotted and fully paid: 7,000,000 ordinary shares of £1 each	7,000,000	7,000,000

6. 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.

Sun Alliance Management Services Limited

Notes on the Accounts (continued)

7. 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 by FRS 1 (revised) and has elected not to prepare its own cash flow statement.

8. Parent companies

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

The Company's ultimate parent company is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1J 6EW.