

ROYAL & SUN ALLIANCE INSURANCE FINANCE LIMITED

Report and Accounts

for the year ended 31st December 2000



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Directors

P. Spencer

W. Au

Secretary

V. Jones

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

Principal activity

The principal activity of the Company is to provide credit sale finance to employees of Royal & Sun Alliance Insurance Group plc to enable employees to purchase a car through the Company.

Review of the year and future developments

The Company commenced trading during 1996 and operations have now reached the optimal size and are not expected to expand in the future.

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 1 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

W Au and P Spencer served throughout the year. The directors did not have any interest in the shares of the Company.

The interest in the shares of Royal & Sun Alliance Insurance Group plc for Mr. Spencer are disclosed in the financial statements of that Company.

	Ordinary shares ¹ held at 1 January 2000 or on appointment	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2000
W Au	-	-	-	-

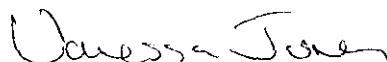
1. Ordinary shares of 27.5p each.

In addition to the interests shown above, the directors had a beneficial interest, as at 31 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 and 697,200 shares of 27.5p each in 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

Options to subscribe for shares

	Held at 1 January 2000 or on appointment	During 2000		Held at 31 December 2000
		Granted	Exercised	
W Au	-	49,977	-	49,977

By order of the directors



V. Jones
Secretary

23 October 2001

Royal & Sun Alliance Insurance Finance Limited

Statements of Directors' Responsibilities and Auditors' Report

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.

Auditors' report to the members of Royal & Sun Alliance Insurance Finance Limited

We have audited the financial statements on pages 6 to 10 which have been prepared in accordance with the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, 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.

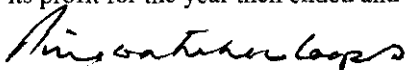
Basis of opinion

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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

23 October 2001

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards.

There were no material changes in accounting policy.

Basis of accounting

The accounts are prepared under the historical cost convention.

Turnover

Turnover is stated exclusive of value added tax and includes income from the sale of vehicles to employees of Royal & Sun Alliance Insurance Group plc.

Finance income

Finance income is allocated to the profit and loss account over the life of each contract to give a constant periodic rate of return using the actuarial method of calculation.

Discount

Discounts given on the capital cost of vehicles are passed on to the employees of Royal & Sun Alliance Insurance Group plc.

Maintenance income

The maintenance charge levied as part of the credit sale agreement is allocated to the profit and loss account in the month in which payment is received.

Maintenance expense

The profit and loss account is charged with an amount equivalent to the higher of maintenance income or actual expenditure. Any surpluses, calculated as the difference between the amount charged to the profit and loss account and the actual cost incurred, are recognised at the end of the contract period.

Provisions

Specific provisions are made in respect of credit sale debtors where an amount is in arrears of repayments and it is the opinion of the directors that doubt exists regarding recoverability.

Residual interests in vehicles

It is the Company's policy to recognise assets and liabilities for the repurchase of residual interests in vehicles at the end of the credit sale period, at the pre-determined prices set out in the contracts.

Where it is anticipated by the directors that the repurchase of certain vehicles will result in a loss to the Company, calculated as the difference between the repurchase price and the predicted market value, full provision is made for the amount of the loss.

Taxation

The UK taxation in the profit and loss account is based on profits/(losses) and income of the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions for prior years.

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences: expected future rates of tax are used where applicable.

Royal & Sun Alliance Insurance Finance Limited

Profit and loss account for the year ended 31st December 2000

	Notes	2000 £	1999 £
Turnover	1	4,839,808	9,297,063
Operating expenses	2	(4,186,454)	(8,937,625)
Operating profit		653,354	359,438
Administrative charges		(7,775)	(13,261)
Profit on ordinary activities before interest		645,579	346,177
Other interest receivable and similar income		125,515	53,123
Profit on ordinary activities before tax		771,094	399,300
Tax on profit on ordinary activities	3	(288,486)	(241,761)
Profit on ordinary activities after taxation		482,608	157,539
Dividend		-	-
Transfer to retained profits	7	482,608	157,539

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 recorded in the profit and loss account, and 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.

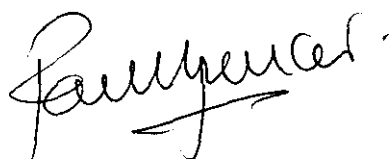
The notes on pages 8 to 10 form part of these accounts.

Royal & Sun Alliance Insurance Finance Limited

Balance sheet
as at 31st December 2000

	Notes	2000 £	1999 £
Current assets			
Debtors	4	8,677,082	7,716,513
Cash at bank and in hand		2,444,740	478,991
		<u>11,121,822</u>	<u>8,195,504</u>
Non-current assets			
Debtors	4	4,466,929	6,835,185
Total Assets		<u>15,588,751</u>	<u>15,030,689</u>
Creditors: amounts falling due within one year	5	<u>(3,705,604)</u>	<u>(3,630,150)</u>
Net assets		<u>11,883,147</u>	<u>11,400,539</u>
Share capital and reserves			
Called up share capital	6	10,960,002	10,960,002
Profit and loss account		923,145	440,537
Equity shareholders' funds	7	<u>11,883,147</u>	<u>11,400,539</u>

The accounts on pages 6 to 10 were approved today by the board of directors and are signed on its behalf by:


Director

23 October 2001

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

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts

1. Turnover

	2000 £	1999 £
Car Sales Income	3,344,483	7,832,523
Income from finance, maintenance and fleet administration charges	1,495,325	1,464,540
	<u>4,839,808</u>	<u>9,297,063</u>

2. Operating expenses

Operating expenses for continuing operations in 2000 includes the cost of cars sold of £3,340,341 (1999: £7,835,165). It also includes a charge to a provision against contracts of £186,338 (1999 £400,000) where it is anticipated that the repurchase of vehicles will result in a loss to the Company. The basis of valuation of assets in the accounts is set out in the accounting policies on page 5.

3. Taxation on profit on ordinary activities

	2000 £	1999 £
The charge for UK taxation in the profit and loss account comprises:-		
Group relief (payable)/receivable	(288,486)	(241,761)

UK corporation tax for the current year included above is based on a rate of 30% (1999: 31.25%).

4. Debtors: amounts falling due within one year

	2000 £	1999 £
Net investment in credit sale agreements	3,671,752	3,657,531
Amounts owed by parent company	2,493,529	-
Other debtors	2,511,801	4,058,982
	<u>8,677,082</u>	<u>7,716,513</u>

Debtors: amounts falling due after more than one year

	2000 £	1999 £
Net investment in credit sale agreements	4,466,929	6,835,185

Net investments in credit sale agreements due within one year at 31st December 2000 are stated after provision against contracts of £302,299 (1999 £604,120), where it is anticipated that the repurchase of vehicles will result in a loss to the Company. Net investments in credit sale agreements due after more than one year at 31st December 2000 are stated after provision against contracts of £492,347 (1999 £nil).

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

5. Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	-	-
Amounts owed to parent company	1,229,963	1,939,541
Other creditors including tax and social security	1,804,933	1,078,847
Accruals and deferred income	670,708	611,762
	<u>3,705,604</u>	<u>3,630,150</u>

6. Share capital

	2000 £	1999 £
Ordinary shares of £1 each:		
Authorised:		
11,000,000 (1999: 11,000,000) ordinary shares of £1 each	<u>11,000,000</u>	<u>11,000,000</u>
Issued and fully paid up:		
10,960,002 (1999: 10,960,002) ordinary shares of £1 each	<u>10,960,002</u>	<u>10,960,002</u>

7. Movements in shareholders' funds

	2000 £	1999 £
At 1st January	11,400,539	11,243,000
Transfer from retained profits	<u>482,608</u>	<u>157,539</u>
At 31st December	<u>11,883,147</u>	<u>11,400,539</u>

8. Capital commitments

The Company had no capital commitments as at 31st December 2000 (1999 £Nil).

9. Contingent liability

The Company had no material contingent liability as at 31st December 2000 (1999 £Nil).

10. Asset valuation

The basis of valuation of assets in the accounts is set out in the accounting policies on page 5. The directors have considered the value at 31st December 2000 of the remaining assets of the Company and are satisfied that these assets are worth in total not less than the aggregate amount at which they are stated in the accounts.

11. Auditors' remuneration

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

12. 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) and has elected not to prepare its own cash flow statement.

13. 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.

14. Parent company

The Company's immediate and 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.