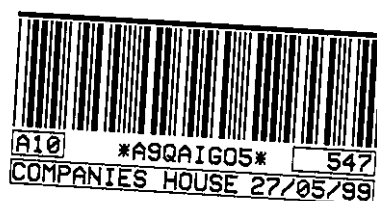


ROYAL & SUN ALLIANCE TRUST COMPANY LIMITED

Report and Accounts

for the year ended 31st December 1998

Company Registered Number 239726



Royal & Sun Alliance Trust Company Limited

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Directors

A.J. Arthur, Managing Director

F.D.Booth

S.W.Broughton

Secretary

J.H.Berg

Registered office

1 Bartholomew Lane, London EC2N 2AB

Royal & Sun Alliance Trust Company Limited

Directors' Report

for the year ended 31st December, 1998

Principal activities and a review of the business

The Company acts as corporate trustees and provides trust and administration services. The results for the year and the financial position at the year end were considered satisfactory by the directors who expect this to continue in the future.

Profit and appropriations

The profit is shown in the profit and loss account on page 6. It is proposed that no dividend be paid and that the profit for the year be transferred to reserves.

Directors

Mr. S.W.Broughton was appointed as director on 29 April 1998. Mr. F.D. Booth was appointed as director on 11 December 1998. Mr. T.A.Hayes and Mr. T.S.Nelson served until they resigned on 11 December 1998 and 5 March 1998 respectively.

Mr. A.J.Arthur served throughout the year.

The interests of the directors in the ordinary shares in Royal & Sun Alliance Insurance Group plc, are as follows:-

	Shares held at 1st January, 1998 or on appointment	Shares held at 31st December, 1998
A.J. Arthur	6,680	6,680
S.W.Broughton	20,084	20,329
F.D. Booth	-	-

	Held at 1st January, 1998 or on appointment	Options to subscribe for shares		Held at 31st December, 1998
		Granted	Exercised	
A.J.Arthur	24,627	11,475	-	36,102
S.W.Broughton	106,330	23,579	-	129,909
F.D.Booth	27,728	-	-	27,728

Fixed assets

The movements in fixed assets are shown in note 6 on page 10.

Interests in subsidiaries

During the year the Company disposed of its investment in the share capital of Royal & Sun Alliance Trust Company (Channel Islands) Ltd, incorporated in Guernsey, and of Royal & Sun Alliance Trust Company (Jersey) Ltd, incorporated in Jersey. The sale of these investments to the Parent company resulted in a realised loss of £558,525 and the previously unrealised gain of £11,748,000 was released from the revaluation reserve into the Profit & loss account. The proceeds due from the Parent company from the disposal of the investment of £17,678,216 are considered to be due after more than one year.

Creditor Payment Policy

The policy is to pay suppliers within 30 days of date of invoice.

Year 2000

The company initiated a project in 1997 which addressed not only IT issues including a full inventory, risk register, business impact study and testing strategy but also recognised that certain non-IT matters needed to be considered, notably business continuity, relationships with partners and suppliers and external links. The project has been subject to regular quality assurance reviews. The IT aspects are nearing completion with a final milestone at the end of the first quarter 1999 and the non-IT items are on target to be completed by the end of the second quarter 1999. Costs have largely been absorbed within existing budgets and the required equipment purchases have been built into an accelerated replacement cycle.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

Royal & Sun Alliance Trust Company Limited

Directors' Report

for the year ended 31st December, 1998

Directors' responsibilities

The directors are required by UK company law to prepare accounts 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 accounts for the year ended 31st December, 1998. The directors also confirm that applicable accounting standards have been followed and that the accounts 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.

By order of the directors

A handwritten signature in black ink, appearing to be 'J.H. Berg', written over a horizontal line.

J.H. Berg
Secretary
23th April 1999

Report of the auditors to the members of Royal & Sun Alliance Trust Company Limited

We have audited the accounts on pages 6 to 12.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established 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 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 accounts.

Opinion

In our opinion the financial statements give a true and fair view of the state of company's affairs at the year end 31st December 1998 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

London

27 April 1999

Royal & Sun Alliance Trust Company Limited

Profit & Loss Account

for the year ended 31st December, 1998

	Notes	1998 £000	1997 £000
Turnover and gross profit	2	1,896	1,697
Administrative expenses	3	(1,798)	(1,577)
Operating Profit		98	120
Investment income	4	823	349
Realised loss on disposal of subsidiary	13	(558)	-
Profit on ordinary activities before taxation	2	363	469
Taxation	5	(295)	(148)
Profit on ordinary activities after taxation		68	321
Retained profit for the year		68	321

There is no difference between the profit before taxation and the retained profit for the year stated above and their historical cost equivalents.

Statement of total recognised gains & losses

	1998 £000	1997 £000
Profit attributable to shareholders	68	1,274
Net unrealised investment appreciation		878
Total recognised gains	68	2,152

Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Shareholders' funds at 1st January	22,939	20,787
Total recognised gains	68	2,152
Shareholders' funds at 31st December	23,007	22,939

Royal & Sun Alliance Trust Company Limited

Balance Sheet as at 31st December, 1998

	Notes	1998 £000	1997 £000
Fixed assets			
Tangible assets	6	57	51
Investment in Subsidiaries	13	-	18,236
Current assets			
Debtors: amounts falling due within one year	8	212	162
Investments	7	9,800	6,370
Cash at bank and in hand		28	109
		10,040	6,641
Current liabilities			
Creditors: amounts falling due within one year	9	4,568	1,789
Net current assets		5,472	4,852
Debtors: amounts falling due after more than one year	13	17,678	-
Total assets less current liabilities		23,207	23,139
Provisions for liabilities and charges			
Integration Provision	10	200	200
		23,007	22,939
Capital and reserves			
Share capital			
Issued and fully paid shares of £1 each	11	8,975	8,975
Revaluation reserve	12	-	11,748
Profit and loss account	12	14,032	2,216
		23,007	22,939

The accounts on pages 6 to 12 were approved by the directors on 23rd April 1999 and were signed on their behalf by:-


Director

1. **Accounting policies**

- (a) The accounts are prepared on the historical cost basis of accounting, with the exception of investments where in 1997 the subsidiary investment was held at net asset value, and comply with applicable U.K. accounting standards.

(b) **Turnover**

Turnover comprises fee income and is accounted for on the basis of fees invoiced.

(c) **Investment income**

Interest is accounted for on an accruals basis.

(d) **Taxation**

Taxation in the profit and loss account is based on the profit for the year.

(e) **Investments**

Investment in subsidiaries is stated in the balance sheet at net asset value. Other investments are bank deposits.

(f) **Foreign Currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) **Fixed assets and depreciation**

Fixed assets are stated at cost less depreciation.

Depreciation is calculated at rates between 7.5% p.a. and 20% p.a. for fixtures and fittings, 25% to 33% p.a. for motor vehicles and computer equipment, so as to write off the cost of fixed assets over their anticipated useful lives, using the straight line method.

(h) **Client assets**

The accounts of the company do not incorporate the assets and liabilities of the clients for which it acts.

Royal & Sun Alliance Trust Company Limited

Notes on the Accounts (continued)

2. Turnover and profit before taxation

	Turnover		Profit before taxation	
	1998 £000	1997 £000	1998 £000	1997 £000
United Kingdom	1,896	1,697	921	469

3. Administrative expenses

	1998 £000	1997 £000
Staff costs allocated by Royal & Sun Alliance Insurance plc		
Wages	986	887
Social security costs	81	65
Other pension costs	47	40
Depreciation	44	35
Auditors' remuneration	17	17
Auditors' fees in respect of non-audit services in the United Kingdom	6	14

The average number of persons employed by the company during the year was 33 (1997 35).

The staff are employed by Royal & Sun Alliance Insurance plc and are members of a defined benefits pension scheme details of which are disclosed in the accounts of that company.

4. Investment income

	1998 £000	1997 £000
Bank interest receivable	823	349

5. Taxation

	1998 £000	1997 £000
The taxation charge in the profit and loss account comprises:-		
United Kingdom Taxation		
Corporation tax at 31% (1997 31.5%)	295	148

Royal & Sun Alliance Trust Company Limited

Notes on the Accounts (continued)

6. Fixed assets

Tangible assets

	Computer equipment £000	Office equipment £000	Fixtures & fittings £000	Total £000
Net book values at 31st December, 1997	39	6	6	51
Cost				
At 1st January, 1998	107	42	29	178
Additions	50	-	-	50
Disposals	-	-	-	-
At 31st December, 1998	157	42	29	228
Depreciation				
At 1st January, 1998	68	36	23	127
Provisions for the year	32	6	6	44
Disposals	-	-	-	-
At 31st December, 1998	100	42	29	171
Net book values at 31st December, 1998	57	-	-	57

7. Investments

	1998 £000	1997 £000
Investment in subsidiaries	-	18,236
Bank deposits	9,800	6,370
	9,800	24,606

8. Debtors

Amounts falling due within one year

	1998 £000	1997 £000
Amount due from subsidiary	-	57
Prepayments and accrued income	212	105
	212	162

Royal & Sun Alliance Trust Company Limited

Notes on the Accounts (continued)

9. Creditors:

Amounts falling due within one year

	1998 £000	1997 £000
Taxation	661	949
Amount owed to parent company	3,881	744
Accruals	26	96
	<u>4,568</u>	<u>1,789</u>

10. Movements on provisions for liabilities and charges

Integration Provision

	1998 £000	1997 £000
At 1st January and 31st December	<u>200</u>	<u>200</u>

11. Share capital

	1998 £	1997 £
Authorised: 10,000,000 (1997 10,000,000) ordinary shares of £1 each	10,000,000	10,000,000
Allotted and fully paid: 8,975,000 (1997 8,975,000) ordinary shares of £1 each	8,975,000	8,975,000

12. Movements in reserves

	1998 £000	1997 £000
Revaluation reserve		
Balance at 1st January	11,748	9,918
Transfer to Profit & Loss on disposal	(11,748)	-
Net unrealised investment appreciation	-	1,830
	<u>-</u>	<u>11,748</u>
Balance at 31st December	-	11,748
Profit & Loss account		
Balance at 1st January	2,216	1,895
Transfer from Revaluation reserve	11,748	-
Retained profit for the year	68	321
	<u>14,032</u>	<u>2,216</u>
Balance at 31st December	14,032	2,216

The Company revaluation reserve comprised the excess of net asset value over cost of subsidiaries.

13. Investment in subsidiaries

	1998 £000	1997 £000
Cost at 31st December	-	4,025
Unrealised appreciation at 31st December	-	14,211
Net asset value at 31st December	-	18,236

During the year the Company disposed of its investment in the share capital of Royal & Sun Alliance Trust Company (Channel Islands) Ltd, incorporated in Guernsey, and of Royal & Sun Alliance Trust Company (Jersey) Ltd, incorporated in Jersey. The sale of these investments to the Parent company resulted in a realised loss of £558,525 and the previously unrealised gain of £11,748,000 was released from the revaluation reserve into the Profit & loss account.

The proceeds due from the Parent company from the disposal of the investment of £17,678,216 are considered to be due after more than one year.

14. Directors' emoluments

Directors' emoluments amounted to £116,431 (1997 £133,721).

The total emoluments of the highest paid director, excluding pension fund contributions, were £116,431 (1997 £133,721).

Retirement benefits are accruing to this director under a defined benefit scheme.

Four directors received no emoluments during the year. They were employed by Royal & Sun Alliance Insurance plc and did not receive remuneration for their services to the company. 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.

15. Cashflow

As permitted by FRS1(revised) it is not considered appropriate and meaningful to include within the financial statements a cashflow statement, as the company is a wholly owned subsidiary.

16. 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.

17. Parent company

The Company's immediate and ultimate parent company is Royal & Sun Alliance Insurance Group plc, registered in England and Wales which prepares consolidated accounts which include Royal & Sun Alliance Trust Company Limited. Copies of the consolidated accounts of Royal & Sun Alliance Insurance Group plc can be obtained from 30 Berkeley Square, London W1X 5HA.