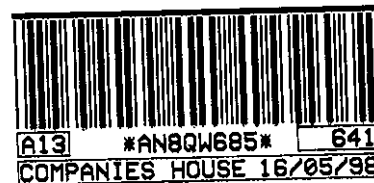


Company number 2395376

ROYAL & SUN ALLIANCE INSURANCE FINANCE LIMITED

Report and Accounts

for the year ended 31st December 1997



Royal & Sun Alliance Insurance Finance Limited

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Royal & Sun Alliance Insurance Finance Limited

Directors

Directors

T.A. Hayes

P. Spencer

Secretary

R.A. Eves F.C.I.I., F.C.I.S.

Registered office: 1 Bartholomew Lane, London EC2N 2AB

Royal & Sun Alliance Insurance Finance Limited

Directors' report

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.

On 30th January 1997 the Company's name changed from Royal Insurance Finance Limited to Royal & Sun Alliance Insurance Finance Limited.

Share capital

During the year and subsequent to the year end the Company's authorised and issued share capital was increased in order to provide sufficient funds to support the Company's business. Details are set out in note 5 to the financial statements.

Review of the year and future developments

The Company commenced trading during 1996, and operations have expanded significantly during the year. The directors anticipate a further expansion of operations in 1998.

Result and dividend

The profit for the year after providing for taxation amounted to £21,131 (1996 profit of £279). No dividend for the year will be paid (1996 £Nil.).

Directors

Mr. P. Spencer and Mr. T.A. Hayes were appointed directors on 10th April 1997 and 9th January 1998 respectively.

Non-Destructive Testers Limited served until they resigned on 10th April 1997.

Mr. R.A. Gamble was appointed a director on 10th April 1997 and served until he resigned on 31st December 1997.

By order of the directors



R.A. Eves

Secretary

9 APRIL

1998

Royal & Sun Alliance Insurance Finance Limited

Accounting policies

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 proceeds 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 deferred and amortised over the life of each contract using the actuarial method of calculation.

Maintenance income

The maintenance charge levied as part of their 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, as 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.

Companies Act 1985

The accounts are drawn up in compliance with Part VII, Chapter 1 and Schedule 4 to the Companies Act 1985.

Royal & Sun Alliance Insurance Finance Limited

Profit and loss account for the year ended 31st December 1997

	Notes	1997 £	1996 £
Turnover		2,984,893	39,048
Operating expenses		<u>(2,953,149)</u>	<u>(37,553)</u>
Operating profit		31,744	1,495
Administrative charges		<u>(896)</u>	<u>(1,079)</u>
Profit on ordinary activities before tax	1	30,848	416
Tax on profit on ordinary activities	2	<u>(9,717)</u>	<u>(137)</u>
Profit on ordinary activities after taxation		21,131	279
Dividend		<u>-</u>	<u>-</u>
Transfer to/(from) retained profits		<u>21,131</u>	<u>279</u>

All figures relate to continuing operations.

There have been no recognised gains or losses in the reporting year other than those recorded in the profit and loss account, and accordingly a movement in capital and reserves and recognised gains statement is not presented.

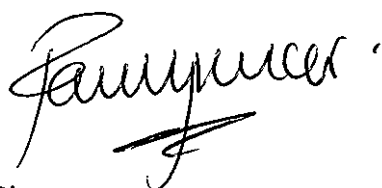
The notes on pages 7 to 9 form part of these accounts.

Royal & Sun Alliance Insurance Finance Limited

Balance sheet
as at 31st December 1997

	Notes	1997 £	1996 £
Current assets			
Called up share capital not paid		-	2
Debtors	3	3,737,188	22,885
Cash at bank and in hand		<u>1,729,828</u>	<u>38,893</u>
		5,467,016	61,780
Creditors: amounts falling due within one year	4	<u>(385,604)</u>	<u>(1,499)</u>
Net assets		<u>5,081,412</u>	<u>60,281</u>
Share capital and reserves			
Called up share capital	5	5,060,002	60,002
Profit and loss account		<u>21,410</u>	<u>279</u>
Equity shareholders' funds	6	<u>5,081,412</u>	<u>60,281</u>

The accounts on pages 4 to 9 were approved today by the board of directors and are signed on its behalf by:



Director

9 APRIL 1998

The notes on pages 7 to 9 form part of these accounts.

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts

1 Profit on ordinary activities before tax

	1997 £	1996 £
The profit on ordinary activities before tax is stated after charging:-		
Auditors' remuneration	<u>-</u>	<u>100</u>

2 Taxation on profit on ordinary activities

	1997 £	1996 £
The charge for UK taxation in the profit and loss account comprises:-		
Corporation tax	-	-
Group relief (payable)/receivable	<u>(9,717)</u>	<u>(137)</u>
	<u>(9,717)</u>	<u>(137)</u>

UK corporation tax for the current year included above is based on a rate of 31.5% (1996: 33%).

3 Debtors: amounts falling due within one year

	1997 £	1996 £
Net investment in credit sale agreements	986,747	20,730
Deferred discount	353	1,968
Amounts owed by parent company	1,026,436	-
Other debtors	<u>21,350</u>	<u>187</u>
	<u>3,737,188</u>	<u>22,885</u>

Debtors: amounts falling due after more than one year

	1997 £	1996 £
Net investment in credit sale agreements	1,701,583	15,170
Deferred discount	<u>719</u>	<u>719</u>
	<u>1,702,302</u>	<u>15,889</u>

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

4 Creditors: amounts falling due within one year

	1997 £	1996 £
Trade creditors	360,354	-
Other creditors including tax and social security	2,728	283
Amounts owed to parent company	-	137
Accruals and deferred income	<u>22,522</u>	<u>1,079</u>
	<u>385,604</u>	<u>1,499</u>

5 Share capital

	1997 £	1996 £
Ordinary shares of £1 each:		
Authorised:		
6,000,000 ordinary shares of £1 each	<u>6,000,000</u>	<u>1,000,000</u>
Called up:		
5,060,002 ordinary shares of £1 each	<u>5,060,002</u>	<u>60,002</u>
Issued and fully paid up:		
5,060,002 ordinary shares of £1 each	<u>5,060,002</u>	<u>60,000</u>

Analysis of changes in share capital in the year:

	1997 £	1996 £
At 1st January	60,002	2
Net cash inflow from financing	<u>5,000,000</u>	<u>60,000</u>
At 31st December	<u>5,060,002</u>	<u>60,002</u>

6 Movements in shareholders' funds

	1997 £	1996 £
At 1st January	60,281	2
Transfer to/(from) retained profits	21,131	279
Increase in share capital	<u>5,000,000</u>	<u>60,000</u>
At 31st December	<u>5,081,412</u>	<u>60,281</u>

Royal & Sun Alliance Insurance Finance Limited

Notes on the accounts (continued)

7 Capital commitments

The Company had no capital commitments as at 31st December 1997 (1996 £Nil).

8 Contingent liability

Other than in the normal course of business the Company had no material contingent liability as at 31st December 1997 (1996 £Nil).

9 Asset valuation

The basis of valuation of assets in the accounts is set out in the accounting policies on page 4. The directors have considered the value at 31st December 1997 of the remaining assets of the Company without actually revaluing them, and are satisfied that these assets are worth in total not less than the aggregate amount at which they are stated in the accounts.

10 Auditors' remuneration

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

11 Cash flow

As permitted by FRS1, it is not considered appropriate or meaningful to include within the financial statements a cash flow statement as the Company is a wholly owned subsidiary.

12 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.

13 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 1 Bartholomew Lane, London, EC2N 2AB.

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, 1997. 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 the Group and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of Royal & Sun Alliance Insurance Finance Limited

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 1997 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand
Chartered Accountants and Registered Auditors

9 April 1998