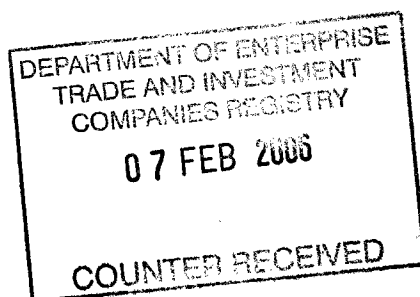




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Registered No: 864196



ROYAL & SUN ALLIANCE LIFE HOLDINGS LIMITED

Report and Accounts

for the year ended 31st December 2004

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Royal & Sun Alliance Life Holdings Limited

Directors

Directors

Non-Destructive Testers Limited

Roysun Limited

Secretary

J.E. Fox

Registered Office

New Hall Place, Old Hall Street, Liverpool L3 9UE

Auditors

PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London SE1 9SY

Principal activity

Until September 2004 the Company acted as a holding company for the long-term operations and other financial services of the Royal & Sun Alliance Insurance Group in the United Kingdom. In September 2004 the trading and subsidiary operations were disposed of.

Result and dividend

The profit for the year is shown in the profit & loss account on page 7.

No final dividend is recommended for the year (2003: £Nil). This results in a transfer to retained profits of £646.5m (2003: (£2.1m)).

Directors

Mr P.N. Hanby served as a director until he resigned on 1st April 2004.

Mr J.C. Hance served as a director until he resigned on 2nd April 2004.

Mr M.G. Culmer was appointed a director on 10th May 2004 and served as a director until he resigned on 7th December 2004.

Mr P.J. Hutchinson served as a director until he resigned on 17th May 2004.

Messrs D.G.R. Ferguson and A.B. Davidson were appointed directors on 21st May 2004 and served as directors until they resigned on 30th September 2004.

Messrs R.E.K. Greenfield, M.R. Kipling, J.H. Berg, R. Craine and Mrs F. Matthews served as directors until they resigned on 30th September 2004.

Non-Destructive Testers Limited and Roysun Limited were appointed as directors on 30th September 2004.

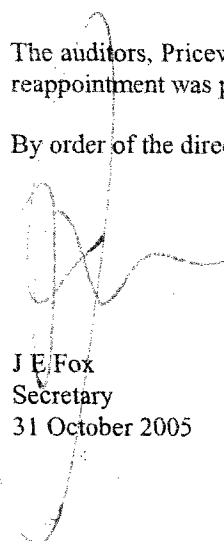
Mr D.M. Boyle served as a director until he resigned on 7th December 2004.

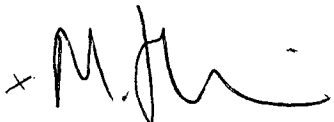
None of the directors had any interests in the shares of the Company.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment was proposed at the Annual General Meeting of Royal & Sun Alliance Insurance Group plc.

By order of the directors


J.E. Fox
Secretary
31 October 2005

x  x ^{MH}
FOR AND ON BEHALF
OF ROYSUN LIMITED

Royal & Sun Alliance Life Holdings 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 2004. 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.

Independent auditors' report to the members of Royal & Sun Alliance Life Holdings Limited

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the movements in shareholders' funds, the balance sheet and the related notes which have been prepared in accordance with the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 in to 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 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. The other information comprises only the directors' report.

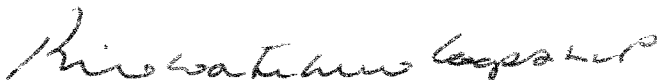
Basis of audit opinion

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 affairs of the Company at 31st December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

31 October 2005

Royal & Sun Alliance Life Holdings Limited

Accounting Policies

The financial statements are prepared in accordance with the Companies Act 1985 and applicable accounting standards. The Company being a wholly owned subsidiary whose parent company prepares consolidated accounts has taken advantage of section 228 of the Companies Act 1985, in not preparing consolidated accounts.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets as permitted by the Companies Act 1985.

Group accounts

The Company is a wholly owned subsidiary of a UK holding company and, in accordance with Section 228 of the Companies Act 1985, consolidated accounts have not been prepared.

Investment income

Interest, rents and dividends on investments, other than ordinary shares, are included on an accruals basis. Account is taken of dividend income on ordinary shares when the related investment is quoted 'ex-dividend'. Investment income is net of related expenses.

Taxation

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

Deferred tax 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 which 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 future periods.

Deferred tax assets and liabilities are discounted at rates reflecting post-tax yields to maturity that can be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets and liabilities.

Royal & Sun Alliance Life Holdings Limited

Profit & Loss Account for the year ended 31st December 2004

	Notes	2004 £m	2003 £m
Investment income	1	138.1	-
Interest payable		-	(3.0)
Gain on sale of subsidiary undertakings	4	510.0	-
Profit/(loss) on ordinary activities before taxation		648.1	(3.0)
Tax on profit/(loss) on ordinary activities	3	(1.6)	0.9
Profit/(loss) on ordinary activities after taxation		646.5	(2.1)
Transfer to/(from) retained profits		646.5	(2.1)

All figures relate to continuing operations.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained loss for the years stated above and their historical cost equivalents.

Statement of total recognised gains and losses for the year ended 31st December 2004

	Revaluation Reserve £m	Profit & Loss Account £m	2004 £m	2003 £m
Profit/(loss) for the financial year	-	646.5	646.5	(2.1)
Unrealised (losses) / gains on investment in group undertakings	(636.9)	-	(636.9)	402.5
Total recognised gains arising in the year	(636.9)	646.5	9.6	400.4

Statement of historical cost profits and losses

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 historical cost basis. Accordingly a note on the historical profits and losses for the year is not given.

Movement in shareholders' funds for the year ended 31st December 2004

	Share Capital/ Premium £m	Revaluation Reserve £m	Profit & Loss Account £m	2004 £m	2003 £m
Shareholders' funds at 1st January	625.4	393.8	23.5	1,042.7	642.3
Shareholder recognised gains	-	(636.9)	646.5	9.6	400.4
Transfer to retained profit	-	243.1	(243.1)	-	-
Shareholders' funds at 31st December	625.4	-	426.9	1,052.3	1,042.7

The profit and loss account includes £426.9m (2003: £23.5m) which is distributable.

The notes on pages 9 to 11 form part of these accounts.

Royal & Sun Alliance Life Holdings Limited

Balance Sheet as at 31st December 2004

	Notes	2004 £m	2003 £m
Fixed assets – investments			
Investment in subsidiary undertakings	4	303.9	1,118.2
Current assets			
Amounts due from group companies		758.4	1.8
Corporation tax recoverable	3	-	1.8
		758.4	3.6
Creditors: amounts falling due within one year			
Amounts due to group companies	5	(0.6)	(79.1)
Corporation tax		(1.6)	-
Accrued expenses		(7.8)	-
		(10.0)	(79.1)
Net current assets		748.4	(75.5)
Net assets		1,052.3	1,042.7
Capital and reserves			
Called up share capital	6	78.4	78.4
Share premium account		547.0	547.0
Revaluation reserve	4	-	393.8
Profit & loss account		426.9	23.5
Shareholders' funds – equity interests		1,052.3	1,042.7

The notes on pages 9 to 11 form part of these accounts.

The accounts on pages 7 to 11 were approved on 31 October 2005 by the Board of directors and are signed on its behalf by:

Director 

x 

x MH FOR AND BEHALF OF
ROYSUN LIMITED

x Helen M
Macneil

x HM FOR AND ON BEHALF OF
NON-DESTRUCTIVE
TESTERS LIMITED

Royal & Sun Alliance Life Holdings Limited

Notes on the Accounts

1. Investment income

	2004 £m	2003 £m
Investment income comprises:		
Interest receivable from group companies	5.4	-
Dividends received from subsidiary undertakings	132.7	-
	<u>138.1</u>	<u>-</u>

2. Interest payable

	2004 £m	2003 £m
Interest payable comprises:		
On inter-company loans:		
Repayable within 5 years not by instalments	-	3.0
	<u>-</u>	<u>3.0</u>

3. Taxation

	2004 £m	2003 £m
The charge / (credit) for United Kingdom corporation tax comprises:		
UK corporation tax / (group relief)	1.6	(0.9)

United Kingdom Corporation tax for the current year is based on a rate of 30% (2003: 30%).

The current tax credit for the year is greater than 30% (2003: less than 30%) due to the items set out in the reconciliation below:

	2004 £m	2003 £m
Profit on ordinary activities before tax	648.1	(3.0)
Tax at 30%	194.4	(0.9)
Factors affecting charge:		
Tax exempt income and investment gains	(192.8)	-
Current tax charge for the period	<u>1.6</u>	<u>(0.9)</u>

4. Investments in subsidiary undertakings

The Company disposed of its interests in its UK life operations on 30th September 2004, the transaction generated a profit of £510.0m. The Company's remaining subsidiary at 31st December 2004 is Royal Life Holdings Limited, a holding company which is incorporated in England and Wales. The holding is of ordinary shares and represents 100% of the nominal issued capital.

Shares in subsidiaries in the balance sheet comprises:

Shares	2004 £m	2003 £m
Cost at 1st January	724.4	724.4
Disposals	(177.4)	-
Cost at 31st December	547.0	724.4
Adjustment to net asset value	(243.1)	393.8
Net asset value at 31st December	<u>303.9</u>	<u>1,118.2</u>

Royal & Sun Alliance Life Holdings Limited

Notes on the Accounts (continued)

5. Creditors

Amounts falling due within one year	2004 £m	2003 £m
Taxation	1.6	-
Amounts due to subsidiary undertakings	0.6	79.1
Accrued expenses	7.8	-
	<u>10.0</u>	<u>79.1</u>

6. Share capital

Authorised	2004 £m	2003 £m
100,000,000 (2003: 100,000,000) ordinary shares of £1 each	<u>100.0</u>	<u>100.0</u>
 Issued and fully paid		
78,366,112 (2003: 78,366,112) ordinary shares of £1 each	<u>78.4</u>	<u>78.4</u>

7. Capital commitments

There were no capital commitments at 31st December 2004 (2003: £Nil).

8. Financial commitments

The Company had no financial commitments under non-cancellable operating leases at 31st December 2004 (2003: £Nil).

9. Directors' emoluments

All directors who are employed by the Group receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. The directors received no emoluments in respect of their services to the Company.

10. Auditors remuneration

The costs of auditing the Company's accounts are borne by a parent company. The remuneration of the auditors for 2003 was £2,896.

11. Pension costs and other post-retirement benefits

All of the staff in the UK are employed by Royal & Sun Alliance Insurance plc and are members of either one of the defined benefit pension schemes or a defined contribution scheme, details of which are disclosed in the accounts of that company. Contributions are based on pension costs across the UK group as a whole.

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 Financial Reporting Standard 1 (revised) and has elected not to prepare its own cash flow statement.

13. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31st December 2004 (2003: £Nil).

14. Related party transactions

Advantage has been taken of the exemption provided in Financial Reporting Standard 8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

15. Parent companies

The Company's immediate parent company, and the parent of the smallest group for which consolidated accounts including Royal & Sun Alliance Life Holdings Limited are drawn up is Royal & Sun Alliance Insurance plc, which is registered in England and Wales.

The Company's ultimate parent company and controlling party is Royal & Sun Alliance Insurance Group plc, which is registered in England and Wales, and is the parent undertaking of the 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.