

THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

Report and Accounts

for the year ended 31 December 2004



The Northern Maritime Insurance Company Limited

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The Northern Maritime Insurance Company Limited

Directors

Directors

I A Craston

P C Regan

Secretary

J E Fox

Registered office

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

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London
SE1 9SY

The Northern Maritime Insurance Company Limited

Directors' report for the year ended 31 December 2004

Principal Activity

The Company held a share in an investment pool during the year.

Review of the year and future developments

The Company did not trade during the year and consequently no Technical account has been prepared. The Company is not expected to trade in the foreseeable future.

Result and dividend

The profit for the year is shown in the Non-technical account on page 8. The directors do not recommend the payment of a dividend (2003:£nil).

Auditors

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

The Northern Maritime Insurance Company Limited

Directors' report (continued) for the year ended 31 December 2004

Directors

R O Hudson resigned as a director on 30 July 2004 and Non-Destructive Testers Limited resigned as a director on 15 October 2004. I A Craston was appointed as a director on 27 July 2004 and P C Regan was appointed as a director on 15 October 2004.

The directors did not have any interests in the shares of the Company.

P C Regan did not have any interests in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc, the ultimate holding company. The interests of I A Craston in the ordinary shares of Royal & Sun Alliance Insurance Group plc are as follows:-

	Ordinary shares held at 1 January 2004 or on appointment (Note 1)	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2004 (Note 1)
I A Craston	9,153	-	-	9,153

Notes

1 Ordinary shares of 27.5p each.

In addition to the interests shown above, I A Craston and P C Regan had a beneficial interest, as at 31 December 2004, in 12,369,290 (2003: 12,371,801) shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and 3,038,894 (2003: 3,038,894) 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 and certain option-holders 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 2004 or on appointment	Granted	During 2004 Exercised	Lapsed	Held at 31 December 2004
I A Craston	250,445	26,102	-	-	276,547
P C Regan	316,455	328,947	-	-	645,402

Long-term incentive scheme interests held during 2004 in respect of the ordinary shares of Royal & Sun Alliance Insurance Group plc as a result of Share Matching Plan awards are as follows (details of the scheme are disclosed in Royal & Sun Alliance Insurance Group plc financial statements):

		Share awards held at 1 January 2004 or on appointment	Share awards granted	During 2004 Share awards exercised	Share awards lapsed	Share awards held at 31 December 2004
I A Craston	Deferred share awards	22,401	-	-	-	22,401
	Matching share awards	67,203	-	-	-	67,203

No other directors of the Company held long-term incentive scheme interests during 2004.

By order of the directors

J E Fox
Secretary

15 April 2005

The Northern Maritime Insurance Company Limited

Statement of directors' responsibilities

Statement of 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 31 December 2004. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The Northern Maritime Insurance Company Limited

Auditors' report

Independent auditors' report to the members of The Northern Maritime Insurance Company Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, reconciliation of movement in shareholders funds 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 5.

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 into 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 31 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, United Kingdom

15 April 2005

1 Accounting and disclosure requirements

The accounts of the Company have been prepared in accordance with applicable UK accounting standards, the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated November 2003. The financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) on a going concern basis.

(a) Investment return

Income from investments is included in the profit and loss account on an accrual's basis. Dividend income on ordinary shares is recognised when the related investment goes 'ex-dividend'. Investment income is recorded net after deducting related tax charges on dividend income. Realised and unrealised gains and losses are dealt with in the non-technical account. Realised gains and losses represent the net sale proceeds less the purchase price. Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or, in the case of investments purchased in the year, the cost of acquisition.

(b) Taxation

Taxation in the non-technical account is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years.

Deferred taxation 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 that 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 the foreseeable future.

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. The rates used are within the range of 1% to 4%.

(c) Investments

Investments are stated in the balance sheet at market values comprising stock exchange values for listed securities and directors' valuations for other investments. Profits and losses on the realisation of investments, the differences between market values and book values of the investments together with the related tax are taken to the non-technical account.

The Northern Maritime Insurance Company Limited

Profit and loss account for the year ended 31 December 2004

Non-technical account

	Notes	2004 £000	2003 £000
Investment income	1	153	26
Realised loss on investments		-	(3)
Unrealised loss on investments		(48)	(12)
Profit on ordinary activities before tax		105	11
Tax on profit on ordinary activities	3	(32)	(3)
Profit on ordinary activities after tax		73	8

All figures relate to continuing operations.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account, accordingly no statement of total recognised gains and losses 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 10 to 11 and the accounting policies on page 7 form part of these accounts.

Reconciliation of movements in shareholders' funds

	Notes	2004 £000	2003 £000
Shareholders' funds at 1 January		2,248	1,240
Shareholders recognised profits		73	8
Increase in share capital		-	1,000
Shareholders' funds at 31 December		2,321	2,248

The Northern Maritime Insurance Company Limited

Balance sheet as at 31 December 2004

	Notes	2004 £000	2003 £000
Assets			
Investments			
Other financial investments	4	2,350	2,246
Debtors			
Amounts owed by group undertakings		-	9
Prepayments and accrued income			
Accrued interest		25	4
Total assets		2,375	2,259
Liabilities			
Capital and reserves			
Called up share capital	5	1,030	1,030
Profit and loss account	6	1,291	1,218
Equity shareholders' funds		2,321	2,248
Creditors			
Amounts owed to group undertakings		22	
Other creditors including taxation and social security		32	11
Total liabilities		2,375	2,259

The notes on pages 10 to 11 and the accounting policies on page 7 form part of these accounts.

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



I A Craston
Director

15 April 2005

The Northern Maritime Insurance Company Limited

Notes on the accounts

1	Investment income	2004	2003
		£000	£000
	Income from : Other investments (see note 4)	<u>153</u>	<u>26</u>
2	Employee and staff costs		
	None of the directors received any emoluments from the Company during the year (2003:£nil). The Company did not employ anyone during the year. All administrative duties are performed by employees of Royal & Sun Alliance Insurance plc.		
3	Taxation		
	<i>Factors affecting the current tax charge</i>		
	The current tax charge for the year is equal to (2003 : equal to) 30% due to the items set out in the reconciliation below		
		2004	2003
		£000	£000
	Profit on ordinary activities before tax	<u>105</u>	<u>11</u>
	Tax at 30%	<u>32</u>	<u>3</u>
	Current UK Corporation tax charge for the period	<u>32</u>	<u>3</u>
4	Investments		
	The historical cost of investments is £2,409,649 (2003:£2,313,000).		
	Other financial investments:	2004	2003
		£000	£000
	Listed debt securities and other fixed income securities	<u>2,233</u>	<u>2,201</u>
	Deposits with credit institutions	<u>117</u>	<u>45</u>
	Investment pool	<u>2,350</u>	<u>2,246</u>
5	Share capital	2004	2003
		£000	£000
	Authorised:		
	2,010,000 ordinary shares of £5 each	<u>10,050</u>	<u>10,050</u>
	Issued:		
	200,000 ordinary shares of £5 each, fully paid	<u>1,000</u>	<u>1,000</u>
	10,000 ordinary shares of £5 each, £3 part paid	<u>30</u>	<u>30</u>
		<u>1,030</u>	<u>1,030</u>
6	Reserves	Profit and loss account	
	Reserves and reserve movements are as follows:	2004	2003
		£000	£000
	Balance at 1 January	<u>1,218</u>	<u>1,210</u>
	Retained profit for the year	<u>73</u>	<u>8</u>
	Balance at 31 December	<u>1,291</u>	<u>1,218</u>

7 Directors' emoluments

All directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company, and 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.

8 Auditors' remuneration

The costs of auditing the Company's accounts in the UK is borne by the parent company, Royal & Sun Alliance Insurance plc.

9 Capital commitments

The Company had no capital commitments at 31 December 2004 (2003:£nil).

10 Contingent liabilities

The Company has entered into a mutual guarantee with Royal & Sun Alliance Insurance Group plc and certain of its subsidiaries for the payment of general insurance business liabilities. This guarantee is not expected to be exercised in the foreseeable future. The Company has no other contingent liabilities as at 31December 2004 (2003: £nil).

11 Cash flow statement

The Company's ultimate parent is 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.

12 Related party transactions

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

13 Parent companies

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

The parent of the smallest group for which accounts including The Northern Maritime Insurance Company Limited are drawn up is Royal & Sun Alliance 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, and is the parent company 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.