

THE NORTHERN MARITIME INSURANCE COMPANY LIMITED

Report and Accounts

for the year ended 31st December 1998



The Northern Maritime Insurance Company Limited
Contents

Contents	Page
Directors	2
Directors' report	3
Statement of directors' responsibilities and auditors' report	4
Accounting policies	5
Profit and loss account	6
Balance sheet	7
Notes on the accounts	8

The Northern Maritime Insurance Company Limited
Directors

Directors

K. J. Powell

J. Sidwell

P. Spencer

Secretary

J. H. Berg

Registered office

St. Marks's Court, Chart Way, Horsham, West Sussex, RH12 1XL

The Northern Maritime Insurance Company Limited

Directors' report

for the year ended 31st December, 1998

Activities

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

Result

The result for the year is shown on page 6. The directors do not recommend the payment of a dividend (1997 £nil).

Auditors

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1st July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers as auditors.

Year 2000

The Company has recognised the importance of the Year 2000 issue for a considerable period. IT systems, embedded systems and reliance on external suppliers are key areas and these are being addressed through a major project being managed by the Parent Company. Detailed progress is reported monthly to the Group Year 2000 Steering Committee.

At this stage the Company's plans for ensuring its systems and processes are fully compliant are well advanced and it is expected that they will be substantially completed around mid year 1999. It is also necessary to establish business interruption and contingency plans to address the situation of the Company's activities being disrupted by the failure of either major suppliers or, in particular, local infrastructure such as transport or power. These plans are being developed and will be in place for the year end. The total incremental costs likely to be incurred on the Year 2000, including future costs, will be borne by the Parent Company.

Euro currency

The impact the introduction of the Euro will have on the Company is minimal. However system and product changes required to achieve euro capability by 1st January 1999 have been successfully implemented in all cases and work to complete the changeover to the euro by 2002 also remains on target. The incremental costs of 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

P.Spencer, J. Sidwell and K.J. Powell were appointed as directors on 18th December 1998.

T.S. Nelson and P.G.Taylor served until they resigned on 5th March 1998. T.A. Hayes and J.V. Miller served until they resigned on 18th December 1998.

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

	Shares held at		Options to subscribe for shares	
	1st January 1998 or on appointment	31st December 1998	During 1998	
K.J. Powell	-	-		
	Held at 1st January 1998 or on appointment	Granted	Exercised	Held at 31st December 1998
K.J. Powell	26,720	-	-	26,720

By order of the directors

J.H. Berg
Secretary
14th June 1999

The Northern Maritime Insurance Company Limited

Statement 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 1998. 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 Northern Maritime Insurance Company Limited

We have audited the financial statements on pages 6 to 8 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, including as described above, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by 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 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
London, 14 June 1999

The Northern Maritime Insurance Company Limited
Accounting Policies

1 The accounts are prepared on an historical cost basis of accounting and comply with applicable UK accounting standards.

2 Investment return

Income from investments is included, together with the related tax credit, in the profit and loss account on an accruals basis. 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.

3 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 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 using expected future rates of tax where applicable. Credit is taken for relief for trading losses only to the extent that the directors anticipate that profits will absorb such losses in the foreseeable future.

4 Investments

Investments are shown at market value. For listed securities the stock exchange values are used.

The Northern Maritime Insurance Company Limited

Profit and Loss Account for the year ended 31st December 1998

Non-technical account

	Notes	1998 £000	1997 £000
Investment income	1	1	-
Unrealised losses on investments		(9)	-
(Loss)/Profit on ordinary activities before taxation		(8)	-
Taxation on profit on ordinary activities			
(Loss)/Profit on ordinary activities after taxation		(8)	-

There have been no recognised gains or losses in either preposting 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.

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 page 8 form part of these accounts

Reconciliation of movements in shareholders' funds

	Notes	1998 £000	1997 £000
Shareholders' funds at 1st January		1,190	1,190
Recognised gains (losses)		(8)	-
Shareholders' funds at 31st December		1,182	1,190

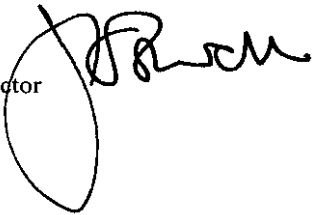
The Northern Maritime Insurance Company Limited

Balance sheet as at 31st December 1998

	Notes	1998 £000	1997 £000
Assets			
Investments			
Investment pool	3	290	-
Due from parent company		880	1,190
Accrued interest and rent		12	-
Total assets		1,182	1,190
Liabilities			
Capital and reserves			
Called up share capital	4	30	30
Profit and loss account	2	1,152	1,160
Equity shareholders' funds		1,182	1,190

The accounts on pages 5 to 8 were approved by the directors on 14th June 1999 and were signed on their behalf by:

Director



The Northern Maritime Company Limited

Notes on the Accounts

as at 31st December, 1998

1	Investment income	1998 £000	1997 £000
	Income from : Investment pool	1	-
		1	-

2	Reserves	Profit and loss account 1998 £000	1997 £000
	Balance at 1st January	1,160	1,160
	Profit and loss account transfer	(8)	
	Balance at 31st December	1,152	1,160

3	Investments	1998 £000	1997 £000
	Other financial investments:		
	Investment pool	290	-

The historical cost of investments is £299,000 (1997 £nil)

4	Share capital	1998 £000	1997 £000
	Authorised 10,000 shares of £5 each	50	50
	Issued and partly paid 10,000 shares of £3 each	30	30

5 Cash flow

The Company is a wholly owned subsidiary of Royal & Sun Alliance 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.

6 Auditors' remuneration

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

7 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.

8 Parent companies

The Company's immediate parent company is Sun Alliance and London 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. A copy of that company's accounts can be obtained from 30 Berkeley Square, London W1X 5HA.