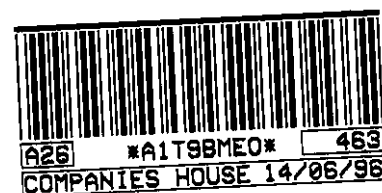


100097

ROYAL REINSURANCE COMPANY LIMITED

A Member of the Royal Insurance Group

REPORT AND ACCOUNTS 1995



Contents

<u>Page</u>	<u>Contents</u>
1	Contents List
2	Directors
3	Directors' Report
6	Statement of Directors' Responsibilities and Auditors' Report
7	Accounting Policies
9	Profit and Loss Account : Technical Account - General Business
10	Profit and Loss Account : Non-Technical Account
11	Movements in Capital and Reserves including Statement of Shareholder Recognised Gains
12	Balance Sheet
14	Investment Return
15	Notes on the Accounts

Directors

Directors	R A Elms	Chairman
	S A Atkins	
	T J Brown	
	L N Campbell	
	R A Gamble	
	R O Hudson	
	G A Richards	

Secretary	N J Maguire
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Registered Office	34/36 Lime St, London, EC3M 7JE
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Registered Number	100097
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Directors' Report

The directors present to the members the financial statements of the company for the year 1995, together with their report.

Principal activity

The principal activity of the Company is the transaction of general reinsurance business in Belgium and Singapore.

Review of the year and future developments

The directors are satisfied with both the level of business and the financial position, and expect that the present level of activity will be sustained for the foreseeable future.

Profits and dividends

There was a profit attributable to the shareholders, after taxation for the year, of £1,637,000, which was transferred to reserves. The directors do not recommend the payment of a dividend.

Directors

The names of the directors holding office at 31st December 1995 and their interests in the capital of the ultimate holding company, Royal Insurance Holdings plc, as at 1st January 1995, or date of appointment where later, and 31st December 1995 as recorded in the register maintained by the company in accordance with the provisions of Section 325 of the Companies Act 1985 were as follows:

Directors	Fully paid shares of 25p each	
	At 01.01.95	At 31.12.95
S A Atkins	3,762	40,459
# T J Brown	-	-
L N Campbell	2,388	18,479
# R A Elms	-	-
# R A Gamble	-	-
R O Hudson	3,032	23,481
G A Richards	217	1,705
#	Director of the ultimate holding company or Royal Insurance plc. Interests in shares are recorded in the Directors' Report of those companies.	

Directors' Report

In addition the following directors have options to subscribe for shares of 25p each granted under the terms of employee share option schemes as follows:

	Number of Options				Exercise price	Market price at date of exercise	Date from which exercise-able	Expiry date
	At 1.1.95	During the year		At 31.12.95				
		Granted	Exercised					
S A Atkins	80,079~ 9,128~ NIL 10,799* 3,324*	26,466~	80,079	NIL 9,128 26,466 10,799 3,324	£1.511 £2.41 £3.325 £1.00 £2.20	£3.95	15.08.95 03.06.97 02.06.00 01.11.97 01.11.99	13.08.02 01.06.04 31.05.05 30.04.98 30.04.00
L N Campbell	38,256~ 52,285~ 26,556~ 11,700* 2,615*		52,285	38,256 NIL 26,556 11,700 2,615	£4.13 £1.511 £2.41 £1.00 £2.48	£3.85	18.05.94 15.08.95 03.06.99 01.11.97 01.11.98	16.05.01 13.08.02 01.06.04 30.04.98 30.04.99
R O Hudson	24,455~ 62,210~ 24,896~ 11,700* 1,112* 1,693*		62,210	24,455 NIL 24,896 11,700 1,112 1,693	£4.13 £1.511 £2.41 £1.00 £2.48 £2.20	£3.43	18.05.94 15.08.95 03.06.99 01.11.97 01.11.98 01.11.99	16.05.01 13.08.02 01.06.04 30.04.98 30.04.99 30.04.00
G A Richards	50,434~ NIL 3,545*	22,816~		50,434 22,816 3,545	£2.875 £3.835 £2.20		12.11.99 24.11.00 01.11.01	10.11.04 22.11.05 30.04.02

+ As at date of appointment

* Options granted under the Savings-Related Share Option Scheme

~ Options granted under the Executive Share Option Scheme

The following directors have a defeasible interest in the following number of ordinary shares of 25p each under the Royal Insurance Holdings plc Senior Executive Share Incentive Plan :-

	Number of Appointed shares 01.01.95.	Shares Appointed during period	Number of Appointed shares 31.12.95.	Appointed Price	Appointment Expiry date
S A Atkins	NIL	1,795	1,795	£2.970	11.04.00
L N Campbell	1,178	2,145	1,178 2,145	£2.625 £2.970	13.05.99 11.04.00
R O Hudson	1,022	2,133	1,022 2,133	£2.625 £2.970	13.05.99 11.04.00
G A Richards	NIL	1,820	1,820	£2.970	11.04.00

On 31st December 1995 the market price of the ordinary shares in Royal Insurance Holdings plc was £3.82.

According to the aforementioned register no director was at any time during the year interested in the shares of the company or in the shares or debentures of any subsidiary of the ultimate holding company.

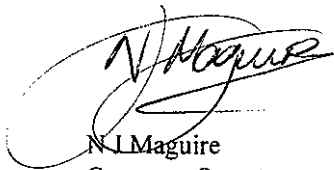
There is no requirement under the company's Articles of Association for directors to retire, by rotation or otherwise, at an annual general meeting.

Directors' Report

Auditors

The company's auditors are Coopers & Lybrand. In accordance with the Companies Act 1989 the company has dispensed with the appointment of auditors annually.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'N. J. Maguire', is written over a faint horizontal line.

N. J. Maguire
Company Secretary
London
14 February 1996

Statement of Directors' Responsibilities and Auditors' Report

Directors' responsibilities

The directors are required to present for each accounting period financial statements which comply with the provisions of company law and which give a true and fair view of the state of affairs of the company as at the end of the accounting period and of the result for that period. In preparing the financial statements suitable accounting policies, framed by reference to reasonable and prudent judgements and estimates, have to be used and applied consistently. Applicable accounting standards also have to be followed subject to any material departures being disclosed and explained in the notes to the financial statements. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. The directors are also responsible for maintaining adequate accounting records so as to enable them to ensure the safeguarding of assets of the company and to prevent and detect fraud and other irregularities.

Report of the auditors to the members of Royal Reinsurance Company Limited

We have audited the financial statements on pages 7 to 19.

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.

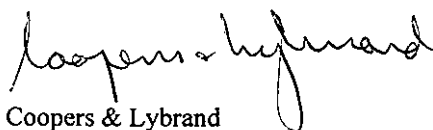
Basis of opinion

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 mis-statement, 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 1995 and of the profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
14 February 1996

Accounting Policies

The financial statements are prepared in accordance with applicable UK accounting standards as appropriate to insurance companies.

Presentation and policy changes

The requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 and related amendments in the Companies Act 1985 (Miscellaneous Accounting Amendments) Regulations 1996 came into effect for periods commencing after 23rd December 1994 and have been applied for the first time in these financial statements. Comparative figures have been restated to reflect the changes.

The principal change is that realised gains on investments supporting general business are included in the profit and loss account: non-technical account. The gains were previously dealt with in a realised investment reserve.

Translation and conversion of foreign currencies

Revenue transactions in foreign currencies are translated to sterling at approximately the average rates of exchange ruling during the year and assets and liabilities at the rates ruling at the end of the year.

The exchange adjustments resulting from the translation of assets and liabilities and gains and losses on the conversion of remittances are dealt with in retained profits and reserves.

General business technical account

General Business is accounted for on an annual basis. Premiums are accounted for when the related risks commence and include estimates where the amounts are not determined at the balance sheet date. Premiums written exclude taxes and duties levied on premiums. Claims paid represents all payments made during the period whether arising from events during that or earlier periods.

Acquisition expenses attributable to unearned premiums are deferred.

Investment return

Income from investments is included, together with the related tax credit, in the profit and loss account on an accruals basis. Realised gains and losses are dealt with in the non-technical account and represent net sales proceeds less purchase price. Unrealised gains and losses are dealt with in the revaluation reserve.

Taxation

UK and overseas taxation in the non-technical account is based on profits/(losses), including on investments, 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. 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.

Technical provisions

These include provisions and reserves as defined by the Companies Act 1985: in the balance sheet they are adjusted to year-end exchange rates.

The provision for unearned premiums represents the proportion of premiums written relating to periods of insurance subsequent to the balance sheet date, calculated principally on a daily pro-rata basis.

The provision for claims outstanding, whether reported or not, comprises the estimated cost of claims incurred and not settled at the balance sheet date. It includes related expenses and deduction of salvage and other recoveries. The provision is determined using the best information available of claims settlement patterns, forecast inflation trends and after recognition of the potential time elapsed in the notification, development and settlement of claims.

A provision for unexpired risks is made if the provision for unearned premiums is inadequate, after taking into account future investment income, to cover anticipated liabilities arising from existing contracts. For this purpose all classes of business are aggregated.

Accounting Policies

Investments

Investments are shown at market value, for which purpose unlisted investments are included at directors' valuation. Profits and losses on investment realisations are dealt with in the non-technical account.

Tangible assets and depreciation

Tangible assets comprise computers, office equipment, machinery, motor cars, furniture and fittings which are capitalised and depreciated over periods not exceeding their estimated useful lives and after taking into account residual value.

Revaluation reserve

In the balance sheet, the revaluation reserve represents the difference between cost and market value of investments. Deferred taxation provided for on unrealised gains expected to arise in the foreseeable future is deducted from the revaluation reserve.

Profit and Loss Account : Technical Account - General Business
for the year ended 31st December 1995

		1995 £000	1994 £000
Premiums written	- gross	142,242	116,108
	- outward reinsurance	<u>(124,769)</u>	<u>(99,721)</u>
Premiums written, net of reinsurance		17,473	16,387
Change in the gross provision for unearned premiums		(13,838)	(34,249)
Change in the provision for unearned premiums, reinsurers' share		<u>13,086</u>	<u>34,981</u>
Earned premiums, net of reinsurance		16,721	17,119
Claims paid	- gross amount	(63,030)	(41,707)
	- reinsurers' share	<u>54,266</u>	<u>32,184</u>
	- net of reinsurance	(8,764)	(9,523)
Change in the provision for claims			
	- gross amount	19,473	(131,079)
	- reinsurers' share	<u>(20,471)</u>	<u>131,797</u>
	- net of reinsurance	(998)	718
Claims incurred, net of reinsurance		<u>(9,762)</u>	<u>(8,805)</u>
Acquisition costs		(15,829)	(15,172)
Change in deferred acquisition costs		(63)	(543)
Administrative expenses		-	-
Reinsurance commissions and profit participation		<u>10,101</u>	<u>10,117</u>
Net operating expenses		<u>(5,791)</u>	<u>(5,598)</u>
Balance on the technical account for general business		<u>1,168</u>	<u>2,716</u>

All figures relate to continuing operations.

The notes on pages 15 to 19 form part of these accounts .

Profit and Loss Account : Non-technical Account
for the year ended 31st December 1995

	1995 £000	1994 £000
Balance on the general business technical account (see page 9)	1,168	2,716
Investment income (see page 14)	728	527
Investment expenses and charges (see page 14)	(8)	(502)
Profit on ordinary activities before tax	1,888	2,741
Tax on profit on ordinary activities (see note 9)	(251)	(3)
Transfer to retained profits	1,637	2,738

All figures relate to continuing operations.

The notes on pages 15 to 19 form part of these accounts.

**Movements in Capital and Reserves including
Statement of Shareholder Recognised Gains**
for the year ended 31st December 1995

	Share capital/ premium	Revaluation reserve	Other reserves	Profit and loss account	1995	1994
	£000	£000	£000	£000	£000	£000
Capital and reserves at 1st January	127,373	(177)	20,929	(44,429)	103,696	101,561
Shareholder recognised gains/(losses)						
Profit for the year	-	-	-	1,637	1,637	2,738
Unrealised gains/(losses) on investments	-	178	-	-	178	(186)
Exchange	-	-	(574)	-	(574)	(417)
Taxation on reserve movements	-	-	-	-	-	-
Shareholder recognised gains/(losses)	-	178	(574)	1,637	1,241	2,135
Capital and reserves at 31st December	127,373	1	20,355	(42,792)	104,937	103,696

The profit and loss account includes the realised investment reserve : 1994 £8,515,000.

The investment fluctuation account has been renamed revaluation reserve.

The notes on pages 15 to 19 form part of these accounts.

Balance Sheet

as at 31st December 1995

ASSETS	1995 £000	1994 £000
Investments (see note 10)		
Other financial investments		
Debt securities and other fixed income securities		
Other government securities	4,547	3,316
Corporate bonds	2,017	1,856
Total other financial investments	6,564	5,172
Deposits with ceding undertakings	3,764	2,678
Total investments	10,328	7,850
Debtors		
Due from parent undertaking and fellow subsidiary undertakings	102,037	107,052
Debtors arising out of reinsurance operations	15,313	7,749
	117,350	114,801
Other assets		
Tangible assets (see note 12)	32	22
Cash at bank and in hand	7,826	6,137
	7,858	6,159
Prepayments and accrued income		
Accrued interest and rent	118	76
Deferred acquisition costs	2,216	2,257
Other prepayments and accrued income	607	175
	2,941	2,508
Total assets	138,477	131,318

The notes on pages 15 to 19 form part of these accounts.

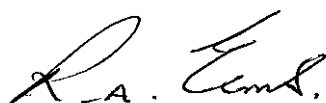
Balance Sheet

as at 31st December 1995

		1995	1994
		£000	£000
LIABILITIES			
Capital and reserves (see page 11)			
Called up share capital (see note 15)		70,000	70,000
Share premium account		57,373	57,373
Revaluation reserve		1	(177)
Other reserves		20,355	20,929
Profit and loss account		(42,792)	(44,429)
Equity shareholders' funds		104,937	103,696
Technical provisions			
Provision for unearned premiums	- gross amount	65,216	48,831
	- reinsurance amount	(57,823)	(42,492)
	- net amount	7,393	6,339
Claims outstanding	- gross amount	151,915	166,234
	- reinsurance amount	(129,662)	(146,203)
	- net amount	22,253	20,031
Deposits received from reinsurers		-	73
Creditors			
Creditors arising out of reinsurance operations		3,569	1,083
Other creditors including taxation and social security		325	96
		3,894	1,252
Total liabilities		138,477	131,318

All creditors are payable within a period of five years.

The accounts on pages 7 to 19 were approved today by the board of directors and signed on its behalf by :



R A Elms : Chairman



T J Brown : Director

London, 14 February 1996

The notes on pages 15 to 19 form part of these accounts.

Investment Return

for the year ended 31st December 1995

	1995 £000	1994 £000
Investment income		
Income from investments	728	527
Investment expenses and charges		
Losses on the realisation of investments	(8)	(502)
Net investment income in non-technical account	720	25
Unrealised gains/(losses) on investments	178	(186)
Investment return attributable to shareholders	898	(161)

The notes on pages 15 to 19 form part of the accounts.

Notes on the Accounts

	Revenue		Assets/Liabilities	
	1995	1994	1995	1994
1. Exchange rates				
In respect of the major overseas currencies the rates of exchange used in these financial statements are:				
Belgian Franc	46.55	51.15	45.69	49.80
Singapore Dollar	2.24	2.34	2.20	2.28
U.S. Dollar	1.58	1.53	1.55	1.56
Deutsche Mark	2.26	2.43	2.22	2.48
French Franc	7.88	8.49	7.59	8.35

	1995 £000	1994 £000
2. Segmental analysis of business by class and geographical area		
Net premiums written		
Europe (excluding UK)	8,440	8,730
Far East and Australasia	9,033	7,657
	<u>17,473</u>	<u>16,387</u>

Net premiums are disclosed by origin. There is no material difference between the amounts shown and those by reference to destination (i.e. location of risk). All business written is within the reinsurance class, and is analysed as follows :-

Gross premiums written	142,242	116,108
Gross premiums earned	128,404	81,859
Gross claims incurred	(43,557)	(172,786)
Gross operating expenses	(26,240)	(22,814)
Reinsurance balance	<u>(57,439)</u>	<u>116,457</u>
Profit/(Loss) before taxation		
Europe (including UK)	(174)	1,586
Far East and Australasia	2,062	1,155
	<u>1,888</u>	<u>2,741</u>
Net Assets as at 31st December		
Europe (including UK)	100,122	100,768
Far East and Australasia	4,815	2,928
	<u>104,937</u>	<u>103,696</u>

3. Prior years' claims provision

The over/(under) provision in claims provisions at the beginning of the year compared to payments and provisions at the end of the year in respect of prior years claims was £2,785,000 (1994 : over provision £2,302,000).

	1995 £000	1994 £000
4. Net operating expenses : technical account - general business		
Net operating expenses include:		
Depreciation	6	16
Operating lease rentals - premises	125	56
Operating lease rentals - other assets	<u>14</u>	<u>-</u>

Total commissions for reinsurance business accounted for by the company during the year, excluding payments to employees, amounted to £14,491,000 (1994 : £14,302,000).

5. Directors' remuneration and loans

In 1994 and 1995, no director received remuneration solely by virtue of performing services as an officer of the company.

Notes on the Accounts

6. Employee information

Staff costs for all employees, including executive directors, consist of:

	1995 £000	1994 £000
Wages and salaries	369	308
Social security costs	46	47
Pension costs	44	34
	<u>459</u>	<u>389</u>

The average number of employees of the company during the year, including executive directors, was:

	1995 Number	1994 Number
Brussels	6	6
Singapore	8	8
	<u>14</u>	<u>14</u>

7. Pension costs and post-retirement benefits

The company participates in two overseas pensions schemes, one of which is a funded defined contribution scheme and the other a funded defined benefit scheme.

The total funding cost for the company in 1995 was £44,445 (1994 : £34,271). There are no significant contributions outstanding or prepaid as at 31st December.

8. Auditors' remuneration

	1995 £	1994 £
Remuneration - for audit	16,923*	16,766*
- for other services	14,648	11,824
	<u>31,571</u>	<u>28,590</u>

* estimated

9. Taxation on profit on ordinary activities

	1995 £000	1994 £000
Overseas Taxation	<u>(251)</u>	<u>(3)</u>

UK Corporation Tax for the current year is based on a rate of 33% (1994 33%).

Included in the above are:

Taxation relating to prior years	<u>-</u>	<u>-</u>
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Notes on the Accounts

10. Investments

Other financial investments

Debt securities and other fixed income securities

Deposits with ceding undertakings

Total investments

1995		1994	
Market value	Historic cost	Market value	Historic cost
£000	£000	£000	£000
6,564	6,563	5,172	5,349
3,764	3,764	2,678	2,678
10,328	10,327	7,850	8,027

Listed investments included above are shown in note 11.

11. Listed investments

Listed investments included in note 10 are as follows :

Debt securities and other fixed income securities

1995		1994	
Market value	Historic cost	Market value	Historic cost
£000	£000	£000	£000
6,564	6,563	5,172	5,349
6,564	6,563	5,172	5,349

12. Tangible assets

Cost

At 1st January

Additions

Disposals

Exchange adjustments

At 31st December

1995 £000
185
19
(30)
10
184

Depreciation

At 1st January

Charge for the year

Disposals

Exchange adjustments

At 31st December

163
6
(25)
8
152

Net book value

At 31st December 1995

At 31st December 1994

32
22

All tangible assets relate to fixtures, fittings, tools and equipment.

Notes on the Accounts

14. Deferred taxation	Provided		Unprovided	
	1995 £000	1994 £000	1995 £000	1994 £000
On unrealised gains/(losses) arising from investments	-	-	-	58
Other timing differences	-	-	-	-
	-	-	-	58

Unprovided deferred taxation reflects amounts not expected to crystallise in the foreseeable future.

15. Share capital		1995 £000	1994 £000
Authorised:	100,000,000 (1994 100,000,000) shares of 100p each	100,000	100,000
Issued and paid up:	70,000,000 (1994 70,000,000) shares of 100p each	70,000	70,000

16. Prior year adjustment

As a result of the implementation of the Companies Act 1985 (Insurance Company Accounts) Regulations 1993, prior year amounts have been restated.

The profit on ordinary activities before taxation previously reported as £3,243,000 has been decreased to £2,741,000 as a result of the inclusion of realised losses on investments of £502,000. The change in policy has had the effect of decreasing the profit before taxation on ordinary activities in 1995 by £8,000.

17. Contingent Liabilities

Other than in the normal course of insurance business the Company had no material contingent liabilities as at 31st December 1995.

18. Leases	Land and Buildings		Other	
	1995 £000	1994 £000	1995 £000	1994 £000
Annual commitments under non-cancellable operating leases were repayable as follows:				
1 year or less	-	-	-	-
Between 2 and 5 years	125	56	15	-
After 5 years	-	-	-	-
	125	56	15	-

All material leases of land and buildings are subject to rent review periods of between three and five years.

19. Cash flow statement

As permitted by FRS 1, the company has not prepared a cash flow statement as it is a wholly owned subsidiary. The ultimate parent company presents a consolidated cash flow statement dealing with the cash flows of the group.

Notes on the Accounts

20. Asset valuation

The basis of valuation of assets in the accounts is set out in the accounting policies on page 8. The directors have considered the value at 31st December 1995 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.

21. General business guarantee

UK group companies transacting general insurance business have entered into an arrangement whereby they mutually guarantee to meet and discharge all their general insurance business obligations.

22. Parent company

The company's ultimate holding company is Royal Insurance Holdings plc, registered in England and Wales. The parent of the smallest group for which accounts including Royal Reinsurance Company Limited are drawn up is Royal Insurance plc, registered in England and Wales.

Copies of the consolidated accounts of Royal Insurance Holdings plc can be obtained from the registered office at : 1 Cornhill, London EC3V 3QR.