

ROYAL & SUN ALLIANCE REINSURANCE LIMITED

Report and Accounts

for the year ended 31 December 2001



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Royal & Sun Alliance Reinsurance Limited

Directors

Directors

Non-Destructive Testers Limited

D E Reeves

Secretary

V Jones

Registered Office

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

Activities

The principal activity of the Company was the transaction of general reinsurance business in Belgium and Singapore. However, a decision was made to cease the underwriting of any new risks within these territories during the final quarter of the period.

The company also writes business on behalf of other entities within the Group. These risks are 100% ceded to the Group entities and the Company will continue to perform this function for the foreseeable future.

Review of the year and future developments

The directors are satisfied with both the level of business and the financial position. The placement of the direct reinsurance business into run-off will affect the net technical result going forward. However the amount of gross premium written on behalf of group is expected to remain at a similar level.

Result and dividend

The loss for the year is shown in the profit and loss account on page 12. The directors do not recommend the payment of a dividend (2000: £Nil).

Euro currency

The impact the introduction of the Euro has had on the Company is minimal. However system and product changes required to achieve Euro capability by 1 January 1999 were successfully implemented and work to change over to the Euro by 2002 remains on target. The incremental costs of the 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.

Royal & Sun Alliance Reinsurance Limited

Directors' report (continued) for the year ended 31 December 2001

Directors

Non-Destructive Testers Limited was appointed as a director on 21 November 2001. D E Reeves and P Spencer served as directors throughout the year. P Spencer resigned as a director on 31 March 2002.

The directors did not have any interests in the shares of the company. The interests in the shares of Royal & Sun Alliance Insurance Group plc for P Spencer are disclosed in the financial statements of that company.

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

	Ordinary shares held at 1 January 2001 or on appointment (Note 1)	Ordinary shares acquired	Ordinary shares disposed	Ordinary shares held at 31 December 2001 (Note 1)
D E Reeves	556	3,277	3,244	589

Notes

- 1 Ordinary shares of 27.5p each.

In addition to the interests shown above, the directors had a beneficial interest, as at 31 December 2001, in 11,543,076 shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and 697,200 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 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 2001 or on appointment	Granted	During 2001 Exercised	Lapsed	Held at 31 December 2001
D E Reeves	91,851	34,462	3,244	-	123,069

By order of the directors



J C Hance
(for and on behalf of Non-Destructive Testers Limited)
Director

25 April

2002

Royal & Sun Alliance Reinsurance 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 31 December 2001. 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 Reinsurance Limited

We have audited the financial statements which comprise the profit and loss account, 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.

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.

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.

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amount set aside at 31 December 2001, and the effect of the movement in those reserves during the year on the general business technical business technical result and profit before tax, are disclosed in the accounting policy 2(a)(ii) and note 13.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31 December 2001 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

25 April

2002

1. Accounting and disclosure requirements

The accounts of the Company are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985.

2. Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards and the Statement of Recommended Practice issued by the Association of British Insurers in December 1998. The financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets).

The Company has entered into mutual guarantees with Royal & Sun Alliance Insurance plc and certain of its UK subsidiaries for the payment of general insurance business liabilities.

(a) General insurance business

(i) Underwriting results

The underwriting result is accounted for on an annual basis. Premiums written are accounted for in the year in which 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. The commission and other acquisition costs incurred in writing the business are deferred and amortised over the period in which the related premiums are earned.

Claims paid represent all payments made during the period whether arising from events during that or earlier periods.

The balance on the general business technical account is arrived at after taking account of changes in the equalisation provision.

(ii) Technical provisions

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 but not settled at the balance sheet date. It includes related expenses and a deduction for the expected value 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.

Differences between the estimated cost and subsequent settlement are dealt with in the technical account for the year in which the claims are settled or re-estimated.

Provision is made, based on information available at the balance sheet date, for any estimated future underwriting losses relating to unexpired risks, after taking into account future investment income on relevant technical provisions. The unexpired risk provision is assessed in aggregate for business classes which in the opinion of the directors are managed together.

Amounts are set aside as equalisation provisions in accordance with the Insurance Companies (Reserves) Act 1995 and the Insurance Companies (Reserves) Regulations 1996 for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 9A to the Companies Act 1985 to be included within the technical provisions.

(b) Investment return

Income from investments is included in the profit and loss account on an accruals basis. Dividend income on ordinary shares is recognised when the related investment goes 'ex-dividend'.

(c) Taxation

Taxation in the non-technical account is based on the profit 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 using 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.

A provision for deferred taxation on unrealised gains is made where disposals giving rise to a taxation liability are anticipated in the foreseeable future.

(d) 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.

(e) Translation of foreign currencies

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates ruling at the year end. The resulting exchange adjustments, including the differences arising from the translation of the technical provisions at the beginning of the year at year end rates are taken to the non-technical account.

(f) Tangible assets and depreciation

Tangible assets comprise fixtures, fittings, tools and equipment which are capitalised and depreciated over periods not exceeding their useful economic lives (between three and ten years) after taking into account residual value.

(g) Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

(h) Estimation Techniques, Uncertainties and Contingencies

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in respect of the technical provisions of the company.

The technical provisions include the provision for unearned premiums and unexpired risks as well as the provision for outstanding claims. The provisions for unearned premiums and unexpired risks represents the amount of income set aside by the Company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the balance sheet date. The provision for outstanding claims represents the Company's estimate of the cost of settlement of claims that have occurred by the balance sheet date but have not yet been finally settled.

In addition to the inherent uncertainty of having to make provision for future events, there is also considerable uncertainty as regards the eventual outcome of the claims that have occurred by the balance sheet date but remain unsettled. This includes claims that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured.

As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation Techniques

In general business, claims and unexpired risks provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, judicial decisions and economic conditions.

The Company employs a variety of statistical techniques and a number of different bases to determine these provisions. These include methods based upon the following:

- the development of previously settled claims, where payments to date are extrapolated for each prior year,
- estimates based upon a projection of claims numbers and average cost,
- notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years, and
- expected loss ratios.

In addition, the Company uses other methods such as the Bornhuetter-Ferguson method, which combines features of the above methods. The Company also uses bespoke methods for specialist classes of business.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjuster's estimates or projected separately in order to allow for the future development of large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The general business claims provisions are subject to annual independent review by external advisors. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisors who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. The results of these reviews are considered when establishing the appropriate levels of provisions for outstanding claims and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of general insurance business liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate. This technique means that the estimate is inevitably deterministic rather than stochastic. A stochastic valuation approach, whereby a range of possible outcomes is estimated and probabilities assigned thereto, is only possible in a limited number of situations.

Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss,
- uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring,
- uncertainty over the timing of a settlement to a policyholder for a loss suffered.

Accounting policies (continued)

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks. For certain classes of policy (e.g. term assurance) the value of the settlement of a claim may be specified under the policy terms while for other classes (e.g. motor insurance) the cost of a claim will be determined by an actual loss suffered by the policyholder.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Company. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as inflation, judicial trends, legislative changes and claims handling procedures.

There may also be complex technical issues that give rise to delays in notification arising from unresolved legal issues on policy coverage and the identity of the insureds. As a consequence, traditional techniques for estimating claims provisions cannot wholly be relied on and the Company employs specialised techniques to determine provisions using the extensive knowledge of both internal and external legal and professional advisors.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates. The Company seeks to provide appropriate levels of claims provision and provision for unexpired risks taking the known facts and experience into account however by their nature the quantification of the provisions must remain very uncertain.

Royal & Sun Alliance Reinsurance Limited

Profit and loss account

for the year ended 31 December 2001

Technical account - General business

	Notes	2001 £000	2000 £000
Gross premiums written - continuing		255,042	212,064
- discontinued		32,863	25,926
	2	287,905	237,990
Outward reinsurance premiums		(256,386)	(212,369)
Net premiums written	2	31,519	25,621
Change in the gross provision for unearned premiums		(12,765)	6,620
Change in the provision for unearned premiums, reinsurers' share		9,885	(8,334)
Earned premiums, net of reinsurance		28,639	23,907
Claims paid			
Gross amount		(227,956)	(206,452)
Reinsurers' share		206,391	190,262
		(21,565)	(16,190)
Change in the provision for claims			
Gross amount		71,527	(135,791)
Reinsurers' share		(89,253)	130,026
		(17,726)	(5,765)
Claims incurred, net of reinsurance		(39,291)	(21,955)
Acquisition costs		(20,960)	(20,843)
Change in deferred acquisition costs		985	287
Administrative expenses		(1,543)	(458)
Reinsurance commissions and profit participation		12,818	12,619
Net operating expenses	4	(8,700)	(8,395)
Balance on the technical account before change in the equalisation provision	2	(19,352)	(6,443)
Change in the equalisation provision	13	-	406
Balance on the technical account for general business		(19,352)	(6,037)

Royal & Sun Alliance Reinsurance Limited

Profit and loss account

for the year ended 31 December 2001

Non-technical account

	Notes	2001 £000	2000 £000
Balance on the technical account for general business		(19,352)	(6,037)
Investment Income			
Investment income	8	7,952	8,284
Unrealised gain on investments	8	1,638	1,838
		<u>9,590</u>	<u>10,122</u>
Investment Expenses and Charges			
Realised loss on investments	8	(1,300)	(2,040)
Unrealised loss on investments	8	-	-
		<u>8,290</u>	<u>8,082</u>
Investment Return			
(Loss)/profit on ordinary activities before taxation	2	(11,062)	2,045
(Loss)/profit on ordinary activities before taxation	-	-	-
- continuing		-	-
- discontinued		(11,062)	2,045
		<u>(11,062)</u>	<u>2,045</u>
Taxation on (loss)/profit on ordinary activities	9	3,891	(839)
(Loss)/profit on ordinary activities after taxation		<u>(7,171)</u>	<u>1,206</u>
Retained (loss)/profit for the year		<u>(7,171)</u>	<u>1,206</u>

The figures relate to both continuing and discontinued operations and are analysed in note 3.

The notes on pages 15 to 19 and the accounting policies on pages 7 to 10 form part of these accounts.

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.

Royal & Sun Alliance Reinsurance Limited

Balance sheet as at 31 December 2001

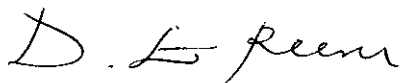
	Notes	2001 £000	2000 £000
Assets			
Investments			
Listed debt securities and other fixed income securities	11	120,374	96,571
Deposits with credit institutions		7,858	9,092
Total other financial investments		128,232	105,663
Deposits with ceding undertakings		5,561	5,227
Total investments		133,793	110,890
Reinsurers' share of technical provisions			
Provision for unearned premiums		112,835	103,287
Claims outstanding		365,535	453,662
		478,370	556,949
Debtors			
Debtors arising out of direct insurance operations		43	2
Debtors arising out of reinsurance operations		20,065	20,132
Due from parent undertaking and fellow subsidiary undertakings		20,601	44,665
Other debtors		6,067	1,745
		46,776	66,544
Other assets			
Tangible assets	12	15	50
Cash at bank and in hand		1,336	673
		1,351	723
Prepayments and accrued income			
Accrued interest		301	303
Prepayments and accrued income		1,506	1,908
Deferred acquisition costs		3,354	2,444
		5,161	4,655
Total assets		665,451	739,761

Royal & Sun Alliance Reinsurance Limited

Balance sheet as at 31 December 2001

	Notes	2001 £000	2000 £000
Liabilities			
Capital and reserves			
Called up share capital	14	70,000	70,000
Share premium account		57,373	57,373
Profit and loss account	10	(24,691)	(17,520)
Equity shareholders' funds		102,682	109,853
Technical provisions			
Provision for unearned premiums		123,502	111,335
Claims outstanding		419,794	491,404
Equalisation provision	13	-	-
		543,296	602,739
Creditors			
Reinsurance deposits received from reinsurers		326	328
Creditors arising out of direct insurance operations		419	45
Creditors arising out of reinsurance operations		7,695	11,223
Amounts due to parent undertakings and fellow subsidiary undertakings		10,254	14,605
Other creditors including taxation and social security		750	936
		19,444	27,137
Accruals and deferred income			
Accruals and deferred income		29	32
Total liabilities		665,451	739,761

The accounts on pages 7 to 19 were approved today by the directors and signed on their behalf by:-



Director
25 April 2002

Royal & Sun Alliance Reinsurance Limited

Notes on the accounts

1. Exchange rates

The rates of exchange used in these accounts in respect of the major overseas currencies are:

	2001	2000
Belgian Franc	65.94	64.18
Singapore Dollar	2.69	2.59
US Dollar	1.46	1.49
German Deutschmark	3.20	3.11
French Franc	10.72	10.44

2. Segmental analysis of business by class and geographical area

	2001 £000	2000 £000
Net premiums written		
Europe (including UK)	19,044	16,015
Far East and Australasia	12,475	9,606
	<u>31,519</u>	<u>25,621</u>
(Loss)/profit before taxation and gain on disposal of business		
Europe (including UK)	(1,357)	3,659
Far East and Australasia	(9,705)	(1,614)
	<u>(11,062)</u>	<u>2,045</u>
Net assets as at 31 December		
Europe (including UK)	110,914	108,515
Far East and Australasia	(8,232)	1,338
	<u>102,682</u>	<u>109,853</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.

Gross premiums written	287,905	237,990
Gross premiums earned	275,140	244,610
Gross claims incurred	(156,429)	(342,243)
Gross operating expenses	(38,875)	(36,211)
Gross technical result	79,836	(133,844)
Reinsurance balance	(99,188)	127,401
Net technical result before equalisation provision	<u>(19,352)</u>	<u>(6,443)</u>

In the Company's capacity as a global network service provider, gross premiums earned of £245,555,000 (2000: £220,480,000), and gross claims incurred of £113,218,000 (2000: £312,549,000) do not result in a significant transfer of insurance risk to the Company. In respect of this business underlying insurance risk is retained by other group companies.

Royal & Sun Alliance Reinsurance Limited

Notes on the accounts (continued)

3. Corresponding figures

Reinsurance business was discontinued during the year following the decision in the final quarter to cease writing new risks in Belgium and Singapore. An analysis of continuing and discontinued business is detailed below:

	2001			2000 (Restated)		
	Continuing £000	Discontinued £000	Total £000	Continuing £000	Discontinued £000	Total £000
Premiums written - gross	255,416	32,489	287,905	212,064	25,926	237,990
- reinsurance	(255,416)	(970)	(256,386)	(212,064)	(305)	(212,369)
Premiums written, net of reinsurance	-	(31,519)	31,519	-	(25,621)	25,621
Earned premiums, net of reinsurance	-	28,639	28,639	-	23,907	23,907
Claims incurred, net of reinsurance	-	(39,291)	(39,291)	-	(21,955)	(21,955)
Net operating expenses	-	(8,700)	(8,700)	-	(8,395)	(8,395)
Change in equalisation provision	-	-	-	406	-	406
Balance on technical account for general business	-	(19,352)	(19,352)	406	(6,443)	(6,037)
(Loss)/profit on ordinary activities before tax	-	(11,062)	(11,062)	-	2,045	2,045

4. Net operating expenses: technical account - general business

	2001 £000	2000 £000
Net operating expenses include:		
Depreciation	35	47
Operating lease rentals – premises	74	76
Operating lease rentals – other assets	8	18

Total commissions for reinsurance business accounted for by the Company during the year, excluding payments to employees, amounted to £20,960,000 (2000: £20,009,000).

5. Prior years' claims provision

The 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 £19,074,000 (2000: £7,974,000).

6. Employees and staff costs

	2001 £000	2000 £000
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	380	386
Social security costs	69	49
Pension costs	39	30
	488	465
The average number of employees of the Company during the year, including executive directors, was:		
Brussels	7	5
Singapore	9	9
	16	14

Royal & Sun Alliance Reinsurance Limited

Notes on the accounts (continued)

7. Pensions costs and post-retirement benefits

The Company participates in a funded defined contribution scheme in Singapore and a funded defined benefit scheme in Brussels. The disclosures required for defined benefit schemes under FRS17 have not been made due to the immateriality of the scheme. This decision is based on the fund having a value at 31 December 2001 of £119,425 and that the scheme, which currently has 2 members, is now closed to new entrants.

The total funding cost for the Company in 2001 was £38,660 (2000: £30,440). There are no significant contributions outstanding or prepaid as at 31 December 2001.

8. Investment activity account

	2001 £000	2000 £000
Income from listed debt securities and other fixed income securities	6,907	7,249
Income from other investments	1,045	1,035
Investment income	7,952	8,284
Unrealised gain on investments	1,638	1,838
	9,590	10,122
Realised loss on investments	(1,300)	(2,040)
Unrealised loss on investments	-	-
Investment return	8,290	8,082

9. Taxation

The (credit)/charge for UK taxation in the profit and loss account comprises:

	2001 £000	2000 £000
UK Corporation Tax at 30% (2000: 30%)	(3,888)	635
Under provision in respect of prior period	-	200
Double taxation relief	-	-
	(3,888)	835
Overseas taxes on profits	(3)	4
	(3,891)	839

Deferred Tax

The potential liability for deferred taxation on unrealised appreciation of investments is not expected to be payable in the foreseeable future and therefore no provision has been made (2000: £Nil).

10. Reserves

Reserves and reserve movements are as follows:

	Profit and loss account	
	2001 £000	2000 £000
Balance at 1 January	(17,520)	(18,726)
Retained (loss)/profit for the year	(7,171)	1,206
Balance at 31 December	(24,691)	(17,520)

11. Investments

The historical cost of listed debt securities and other fixed income securities is £124,284,000 (2000: £99,410,000).

Royal & Sun Alliance Reinsurance Limited

Notes on the accounts (continued)

12. Tangible assets

	2001 £000
Cost	
At 1 January 2001	307
Additions	-
Disposals	(13)
Exchange adjustments	1
At 31 December 2001	<u>295</u>
Depreciation	
At 1 January 2001	257
Charge for the year	35
Disposals	(13)
Exchange adjustments	1
At 31 December 2001	<u>280</u>
Net book value	
At 31 December 2001	<u>15</u>
At 31 December 2000	<u>50</u>

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

13. Equalisation provision

The effect of including the provision is as follows:

	2001 £000	2000 £000
Provision as at 1 January	-	406
Change in the balance on the general business technical account and in the result before tax	-	(406)
Provision as at 31 December	<u>-</u>	<u>-</u>

14. Share capital

	2001 £000	2000 £000
Authorised:		
100,000,000 shares of £1 each	100,000	100,000
Issued and fully paid:		
70,000,000 shares of £1 each	70,000	70,000

15. Leases

	Land and Buildings		Other	
	2001 £000	2000 £000	2001 £000	2000 £000
Annual commitments under non-cancellable operating leases were repayable as follows:-				
1 year or less	44	-	2	-
Between 2 and 5 years	110	76	-	18
After 5 years	13	-	-	-
	<u>167</u>	<u>76</u>	<u>2</u>	<u>18</u>

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

16. Directors' emoluments

All the 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.

17. Auditors' remuneration

The cost of auditing the Company's accounts in the UK is borne by the parent company, Royal & Sun Alliance Insurance plc. The audit fees of overseas branches totalled £12,450 (2000: £8,000).

18. Capital commitments

The Company had no capital commitments at 31 December 2001 (2000: £Nil).

19. Contingent liabilities

The Company had no material contingent liabilities at 31 December 2001 (2000: £Nil).

20. 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.

21. 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.

22. Parent companies

The Company's immediate parent company is Royal & Sun Alliance Insurance plc which is registered in England and Wales, and is the parent undertaking of the smallest group to consolidate these financial statements.

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 30 Berkeley Square, London W1J 6EW.