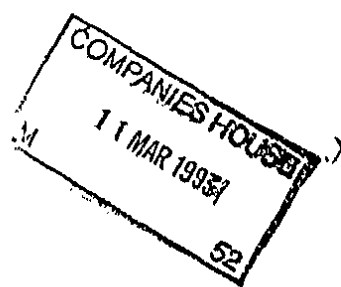


ROYAL INSURANCE (GLOBAL) LIMITED
A MEMBER OF THE ROYAL INSURANCE GROUP

REPORT AND ACCOUNTS

1992



Company Registration Number: 121651

ROYAL INSURANCE (GLOBAL) LIMITED

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ROYAL INSURANCE (GLOBAL) LIMITED
DIRECTORS AND GENERAL MANAGEMENT

Directors

Sir John Cuckney

Chairman

Sir Derek Alun-Jones

Mr T J Brown

Mr W E Buckley

Mr L N Campbell

Mr R A Elms

Mr R A Gamble

Mr H J van der Hoeven

Mr R O Hudson

Mr J D McDonald
(alternate to Mr W E Buckley)

Mr W R Rowland

Mr P J Sharman

Secretary

Mr N J Maguire

Registered Office:

34/36 Lime Street,
London, EC3M 7JE

ROYAL INSURANCE (GLOBAL) LIMITED

DIRECTORS' REPORT

The Directors present to the Members the Accounts of the Company for the year ended 31st December 1992, together with their Report.

Post Balance Sheet Event

On 1st January 1993 the Company transferred to Royal Insurance plc its UK based general insurance business together with all the relevant assets and liabilities. On the same date, all staff employed by the Company were transferred to the employment of Royal Insurance plc.

Principal Activity

The principal activity of the Company is the transaction of general insurance business, including multinational business, in the United Kingdom and overseas.

Review of the Year

Whilst the overall pre-tax position was a loss of £6.3M it must be taken into account that this was only the second year of the operation and the build up of premium exposure continued albeit at a reduced rate compared to 1991.

The year saw the market hardening in the UK and Pacific but rates continued to remain under pressure in Continental Europe and North America.

The Company established new dedicated offices in France, Belgium, Spain and Germany thereby strengthening its network in mainland Europe. In addition, it put into place its own representatives in Canada and Hong Kong. Where appropriate the network development will continue to ensure we maintain top quality expertise necessary to manage the business and provide the desired service level to our customers.

Future Developments

Following the Post Balance Sheet Event referred to above, Royal Global's current management and staff (Royal Insurance Global) will continue to act as the Royal Insurance Group's vehicle for multinational insurance. They will seek profitable business by taking advantage of the progress made in the previous two years. The presence of Royal Insurance Global as a key participant in the multinational insurance field is attracting favourable response from customers and brokers in all the principal markets. Royal Insurance Global will continue to develop a cohesive worldwide infrastructure through the high level technical skills of its Regional Control offices supported by dedicated local representatives, other Royal Group subsidiaries, affiliates and network partners throughout the world.

Royal Insurance Global is now well established to take advantage of any upturn in the insurance market throughout its main centres of operations. It will continue to seek long term relationships with its customers but this will not be done at the expense of profitability.

Result and Dividend

The loss for the year, after providing for UK and overseas taxation, was £5,074,000.

No dividend for the year will be paid.

ROYAL INSURANCE (GLOBAL) LIMITED

DIRECTORS' REPORT

Directors

The names of the Directors holding office at 31st December 1992 and their interests in the capital of the ultimate holding company, Royal Insurance Holdings plc, as at 1st January 1992 and 31st December 1992 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:

| Fully paid shares of 25p each | | |
|---|------------------|--------------------|
| | <u>At 1.1.92</u> | <u>At 31.12.92</u> |
| * Sir John Cuckney (appointed 4.6.92) | | |
| * Sir Derek Alun-Jones (appointed 30.6.92) | | |
| Mr T J Brown | 1,072 ** | 2,137 ** |
| * Mr W E Buckley | | |
| Mr L N Campbell | Nil ** | Nil ** |
| * Mr R A Elms | | |
| * Mr R A Gamble (appointed 30.6.92) | | |
| Mr H J van der Hoeven | 403 ** | 403 ** |
| Mr R O Hudson | 987 ** | 987 ** |
| Mr J D McDonald | Nil ** | Nil ** |
| * Mr W R Rowland (appointed 30.6.92) | | |
| Mr P J Sharman (appointed 30.6.92) | 2,261 ** + | 2,261 ** |

* Director of the ultimate holding company Royal Insurance Holdings plc.
Interests in shares are recorded in the Directors' Report of that Company.

** These figures exclude share options (shown in the next table).

+ At date of appointment.

ROYAL INSURANCE (GLOBAL) LIMITED

DIRECTORS' REPORT

In addition the following Directors, who were not also directors of the ultimate holding company, have options to subscribe for shares of 25p each granted under the terms of employee share option schemes as follows:

| | <u>At 1.1.92</u> | <u>At 31.12.92</u> | <u>Fully paid shares of 25p each</u> | |
|---------------------------------------|------------------|--------------------|--------------------------------------|------------------------------------|
| | | | <u>Options</u> <u>Granted</u> | <u>Options</u> <u>Exercised</u> |
| Mr T J Brown | 75,064 | 144,429 | 74,743 | Nil |
| Mr L N Campbell | 42,930 | 98,111 | 61,410 | Nil |
| Mr H J van der Hoeven | 71,972 | 71,972 | Nil | Nil |
| Mr R O Hudson | 29,557 | 94,393 | 70,932 | Nil |
| Mr J D McDonald | Nil | Nil | Nil | Nil |
| Mr P J Sharman (appointed 30.6.92) | 43,534 + | 147,557 | 104,023 | Nil |

+ At date of appointment.

Messrs I L Rushton and W G Prince resigned as Directors of the Company with effect from 4th June 1992.

Sir John Cuckney was appointed a Director and was elected Chairman of the Company with effect from 4th June 1992.

Sir Derek Alun-Jones and Messrs R A Gamble, W R Rowland and P J Sharman were appointed Directors of the Company with effect from 30th June 1992.

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.

Auditor

The Company's Auditor is Coopers & Lybrand. Until 1st June 1992 the firm practised in the name of Coopers & Lybrand Deloitte. In accordance with the Companies Act 1989 the Company has dispensed with the appointment of an Auditor annually.

By Order of the Board


Mr N J Maguire
Secretary

London, 22nd February 1993

ROYAL INSURANCE (GLOBAL) LIMITED

ACCOUNTING POLICIES

The accounts are prepared in accordance with applicable accounting standards. There were no material changes in accounting policy.

a) 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.

b) General Insurance Result

The Underwriting Balance is net of reinsurance and after making provision for unearned premiums and outstanding claims.

Premiums are accounted for when related risks commence and include estimates where the amounts are not determined at the Balance Sheet date.

Acquisition expenses attributable to unearned premiums are deferred.

Investment Income included in the General Insurance Result represents the earnings from the investment of the Insurance Funds. As there is no specific segregation of the assets the amount shown is an allocation from appropriate categories of investment income.

c) Investment Income

Investment Income is net of related expenses and interest payable.

d) Taxation

UK and Overseas Taxation in the Profit and Loss Account is based on the profits/(losses) 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.

Tax payable or recoverable on the realisation of investments is carried to reserve.

ROYAL INSURANCE (GLOBAL) LIMITED

ACCOUNTING POLICIES

e) Realised and Unrealised Retained Profits and Reserves

Realised items comprise net profits/(losses) from insurance and other trading activities, investment income and net profits/(losses) on the disposal of investments and other assets.

Unrealised items are those not classified as realised.

Realised profits are not necessarily all available for distribution.

f) Insurance Funds

Insurance Funds include provisions and reserves as defined by the Companies Act 1985; in the Balance Sheet they are adjusted to year-end exchange rates.

Unearned Premiums represent the proportion of written premiums relating to periods of insurance subsequent to the balance sheet date, calculated on a pro-rata basis.

Outstanding Claims comprise the estimated cost of claims incurred, whether reported or not, and not settled at the balance sheet date, after deduction of salvage and other recoveries.

Differences between the estimated cost and subsequent settlement are dealt with in the revenue account for the year in which the claims are settled or re-estimated using the best information available regarding the claims settlement patterns and anticipated future inflation trends.

Provision is made for unexpired risks if the Unearned Premiums are inadequate, after taking into account future investment income on technical funds, to cover anticipated liabilities arising from existing contracts. For this purpose all classes of business are aggregated.

g) Cash Flow

The Company being a wholly owned subsidiary, it is not considered appropriate or meaningful to include within the Accounts a Cash Flow Statement as required by FRS 1.

h) Investments

Investments are shown at market value, for which purpose unlisted investments are included at Directors' valuation and properties at professional valuation. Profit and losses on the investment realisations are dealt with in Retained Profits and Reserves.

i) Fixtures, Fittings and Equipment

This item comprises computers, office equipment, machinery, motor cars, furniture and fittings which are capitalised and depreciated over periods not exceeding their estimated useful life.

ROYAL INSURANCE (GLOBAL) LIMITED

ACCOUNTING POLICIES

j) Investment Fluctuation Account

The fluctuation account represents the difference between cost and market value of investments.

k) Companies Act 1985

The accounts are drawn up in compliance with Section 255 of, and Schedule 9A to, the Companies Act 1985.

l) 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.

ROYAL INSURANCE (GLOBAL) LIMITED

REVENUE AND PROFIT & LOSS ACCOUNTS

for the year ended 31st December 1992

| | Notes | 1992 £000 | 1991 £000 |
|--------------------------|-------|--------------|--------------|
| REVENUE ACCOUNT | | | |
| Premiums Written | 4 | 91,728 | 85,278 |
| Premiums Earned | | 87,815 | 46,678 |
| Claims Incurred | 4 | 79,448 | 50,445 |
| Commission and Expenses | 5 | 22,654 | 15,480 |
| | | 102,102 | 65,925 |
| Underwriting Balance | | (14,287) | (19,247) |
| Investment Income | | 6,022 | 3,752 |
| General Insurance Result | | (8,265) | (15,495) |

PROFIT & LOSS ACCOUNT

| | | | |
|--------------------------------------|---|---------|----------|
| General Insurance Result | | (8,265) | (15,495) |
| Investment Income | | 8,010 | 5,990 |
| Allocated to General Insurance Funds | | 6,022 | 3,752 |
| Attributable to Capital & Reserves | | 1,988 | 2,238 |
| Loss before Taxation | | (6,277) | (13,257) |
| UK and Overseas Taxation | 3 | (1,203) | (622) |
| Loss after Taxation | | (5,074) | (12,635) |
| Dividend | | - | - |
| Transfer from Retained Profits | 1 | (5,074) | (12,635) |


ROYAL INSURANCE (GLOBAL) LIMITED

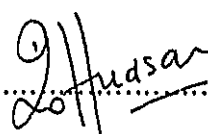
BALANCE SHEET

as at 31st December 1992

| | Notes | 1992 £000 | 1991 £000 |
|--|-------|--------------|--------------|
| CAPITAL & RESERVES | | | |
| Share Capital: | | | |
| Authorised £100m. Issued (36,367,172 shares of £1, fully paid) | | 36,367 | 36,367 |
| Share Premium Account | | 28,355 | 28,355 |
| Retained Profit & Reserves | 1 | (35,248) | (13,802) |
| Investment Fluctuation Account | | 1,093 | (25,160) |
| | | 30,567 | 25,760 |
| LIABILITIES | | | |
| Insurance Funds | | | |
| Unearned Premiums | | 49,417 | 43,630 |
| Outstanding Claims | | 122,436 | 73,041 |
| | | 171,853 | 116,671 |
| Deferred Taxation | 3 | - | (13) |
| Sundry Liabilities & Provisions (see Note 2) | 2 | 61,117 | 36,599 |
| | | 263,537 | 179,017 |
| Represented by | | | |
| INVESTMENTS | | | |
| British Government Securities | | 1,585 | - |
| Overseas Government Securities | | 35,052 | 31,036 |
| Local Authority Securities | | 8,560 | 8 |
| Debentures | | 18,074 | 13,895 |
| Ordinary Stocks & Shares | | 8,770 | 5,776 |
| Properties | | 213 | 221 |
| Cash on Deposit | | 44,837 | 23,738 |
| | | 117,091 | 74,674 |
| Other Assets | 2 | 146,446 | 104,343 |
| | | 263,537 | 179,017 |

The accounts on pages 7-16 were approved today by the Board of Directors and are signed on its behalf by :


 Director
 Mr T J Brown


 Director
 Mr R O Hudson

London, 22nd February 1993

ROYAL INSURANCE (GLOBAL) LIMITED

NOTES ON THE ACCOUNTS

1. Retained Profit and Reserves

| | 1992 £000 | 1991 £000 |
|--|--------------|--------------|
| The movement in these reserves (adjusted for tax as appropriate) were as follows:- | | |
| Balances at 1st January | (13,802) | - |
| Exchange | 7,793 | (1,793) |
| Realised investment (depreciation)/appreciation | (24,165) | 626 |
| Transfer from Profit & Loss Account | (5,074) | (12,635) |
| Balances at 31st December | (35,248) | (13,802) |

2. Other Assets & Sundry Liabilities and Provisions

| | 1992 £000 | 1991 £000 |
|---|--------------|--------------|
| Other Assets | | |
| Amounts receivable from policyholders, intermediaries and insurance companies | 56,984 | 41,808 |
| Deferred acquisition costs | 10,055 | 8,728 |
| Fixtures, fittings and equipment | 322 | 109 |
| Interest and dividends accrued | 2,144 | 967 |
| Amounts receivable from holding company and fellow subsidiaries | 69,742 | 45,296 |
| Tax recoverable | 667 | 438 |
| Sundry debit balances | 5,460 | 4,775 |
| Cash on current account | 1,072 | 2,222 |
| | 146,446 | 104,343 |
| Sundry Liabilities and Provisions | | |
| Amounts payable to policyholders, intermediaries and insurance companies | 26,072 | 14,861 |
| Amounts payable to holding company and fellow subsidiaries | 26,543 | 18,416 |
| Provision for taxation (see Note 3) | 272 | 316 |
| Sundry credit balances | 8,230 | 3,006 |
| | 61,117 | 36,599 |

ROYAL INSURANCE (GLOBAL) LIMITED

NOTES ON THE ACCOUNTS (Continued)

3. Taxation

| | 1992 £000 | 1991 £000 |
|--|--------------|--------------|
| The amount for UK and Overseas Taxation in the Profit and Loss Account comprises: | | |
| UK Taxation | | |
| Group Relief Recoverable | (1,008) | - |
| Corporation Tax | (543) | (872) |
| | (1,551) | (872) |
| Overseas Taxation | 348 | 250 |
| | (1,203) | (622) |
| UK Corporation Tax for the current year included above and in the provision for taxation is based on a rate of 33% (1991 - 33.25%). | | |
| Included in the above are: | | |
| Deferred Taxation | - | (13) |
| Prior year adjustments | 62 | - |
| Deferred Taxation in the Consolidated Balance Sheet comprises: | | |
| Tax relating to timing differences | - | (13) |
| The net potential amount of deferred taxation not expected to crystallise in the foreseeable future and for which credit has not been taken is : | | |
| On unrealised appreciation/depreciation in Balance Sheet value of investments | (361) | - |
| On trading losses | 3,624 | 3,678 |
| On other timing differences | 1,700 | 994 |
| | 4,963 | 4,672 |

ROYAL INSURANCE (GLOBAL) LIMITED

NOTES ON THE ACCOUNTS (Continued)

4. Premiums Written, Claims Incurred, and Funds

| | 1992 £000 | 1991 £000 |
|---------------------------------|--------------|--------------|
| This comprises: | | |
| Premiums Written | | |
| Gross | 180,672 | 142,109 |
| Reinsurance | 88,944 | 56,831 |
| Net | 91,728 | 85,278 |
| Unearned Premium Reserve | | |
| Gross | 79,453 | 64,532 |
| Reinsurance | 30,036 | 20,902 |
| Net | 49,417 | 43,630 |
| Claims Incurred | | |
| Gross | 99,169 | 88,433 |
| Reinsurance | 19,721 | 37,988 |
| Net | 79,448 | 50,445 |
| Outstanding Claims | | |
| Gross | 154,078 | 108,564 |
| Reinsurance | 31,642 | 35,523 |
| Net | 122,436 | 73,041 |

Premiums Written and Claims Incurred are stated at the average rates of exchange during the year.

Unearned Premium Reserve and Outstanding Claims are stated at the year-end rates of exchange.

5. Commission and Expenses

| | 1992 £000 | 1991 £000 |
|---|--------------|--------------|
| This item in the Revenue Account comprises: | | |
| Commission | 13,258 | 13,420 |
| Expenses | 9,807 | 9,768 |
| Including: | | |
| Depreciation | 44 | 13 |
| Taxes other than on Profits | 520 | 89 |
| | 23,585 | 23,277 |
| Adjustment for deferred acquisition costs | (931) | (7,797) |
| | 22,654 | 15,480 |

ROYAL INSURANCE (GLOBAL) LIMITED

NOTES ON THE ACCOUNTS (Continued)

6. Pension Costs

The Company participates in the main U.K. group pension scheme which is a funded defined benefit scheme and the particulars of the actuarial valuation are contained in the financial statements of Royal Insurance Holdings plc. The assets of the scheme are held in a separate trustee administered fund.

The total funding cost for the Company was £93,000 (1991 £99,000).

7. Directors' Remuneration

| | 1992 £ | 1991 £ |
|--|-----------|-----------|
| The emoluments of the Directors were as follows: | | |
| For services as Directors | 4,000 | - |
| For other services: | | |
| Pension fund contributions | 20,778 | - |
| Other emoluments | 288,616 | - |
| | 313,394 | - |

The emoluments of executive Directors include, where earned, performance bonuses relating to the previous year.

Of the Directors who discharged their duties wholly or mainly in the United Kingdom the emoluments, excluding pension fund contributions, were:

| | | | | | |
|--------------------------|-----------|---------|--------|---------|---|
| Chairman | | | | 2,000 | - |
| Highest paid Director | | | | 128,050 | - |
| Other Directors by scale | £0 | up to | £5,000 | 1 | - |
| | Exceeding | £65,000 | up to | £70,000 | 1 |
| | " | £90,000 | up to | £95,000 | 1 |

In 1991, no director received remuneration solely by virtue of performing services as an officer of the company consequently no disclosure was necessary.

8. Holding 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 Insurance (Global) Limited are drawn up is Royal Insurance plc registered in England and Wales.

Copies of the accounts for each of these companies can be obtained from the Registered Office as noted on Page 3 of these accounts.

ROYAL INSURANCE (GLOBAL) LIMITED

NOTES ON THE ACCOUNTS (Continued)

9. Auditor's Remuneration

| | 1992 £000 | 1991 £000 |
|--------------------------------------|--------------|--------------|
| The remuneration of the auditor was: | | |
| For audit duties | 51 | 16 |
| For other duties | 9 | - |

10. Group Restructure

With effect from 1st January 1993, the Company transferred to Royal Insurance plc its UK based general insurance business together with all assets and liabilities, including shares in associated companies.

The associates and investments will be transferred at the value at which they are established in the books of account of Royal Insurance (Global) Limited. Any changes arising on revaluation will be taken to investment reserve.

11. Principal Associated Undertakings at 31st December 1992

| <u>Country</u> | <u>Company</u> | <u>Holding %</u> |
|----------------|--|------------------|
| Great Britain | The British & Foreign Marine Insurance Company Limited | 14.31 |
| | The Marine Insurance Company Limited | 15.00 |

The above undertakings are engaged in the transaction of insurance or related business. The country shown is that of incorporation and principal operation. All holdings are of ordinary or like shares, and are included under ordinary stocks and shares in the balance sheet, on page 11.

The associates are valued in the Parent Company Balance Sheet at the Company's shareholding proportion of their net assets, including investments at market value.

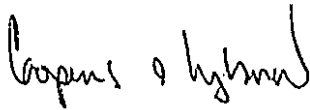
ROYAL INSURANCE (GLOBAL) LIMITED

AUDITOR'S REPORT

Report of the Auditor to the members of the Royal Insurance (Global) Limited

We have audited the financial statements for the year ended 31st December 1992 on pages 7 to 16 in accordance with Auditing Standards.

In our opinion the accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.



Coopers & Lybrand
Chartered Accountants and Registered Auditor
Liverpool, 22nd February 1993