

ROYAL & SUN ALLIANCE INSURANCE (GLOBAL) LIMITED

Report and Accounts

for the year ended 31 December 2005



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Directors

D Cockrem

R C Cox (Resigned 30th September)

I A Craston

M G Culmer

M Harris

H M Maxwell

B J McManus

Secretary

L Thomas

Registered office

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

Auditors

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

Royal & Sun Alliance Insurance (Global) Limited

Directors' Report

for the year ended 31 December 2005

Principal Activity

The principal activity of the Company is the writing of general insurance business, including multinational business, in Netherlands and Belgium.

Review of the year and future developments

The directors are satisfied with both the level of business and the financial position of the Company.

Result and dividend

The result for the year is shown in the profit and loss account on page 13. The directors do not recommend the payment of a dividend (2004: £Nil).

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Company has in place an elective resolution under which it is not necessary to reappoint the auditors at each Annual General Meeting.

As far as the directors are aware there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Royal & Sun Alliance Insurance (Global) Limited

Directors' report (continued)

for the year ended 31 December 2005

Directors and their interests

The names of the current directors are listed on page 2. B J McManus and R C Cox were appointed as directors of the Company on 31 May 2005 and 29 June 2005 respectively. M Harris, D Cockrem, H M Maxwell and M G Culmer were all appointed as directors of the Company on 22 December 2005. I A Craston served as a director throughout the year. P C Regan resigned as a director on 31 December 2005.

None of the directors had any interests in the shares of the Company.

The interests in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc, together with details of all share options to subscribe for shares in Royal & Sun Alliance Insurance Group plc, that are held by M G Culmer, who is also a director of that company during the year are disclosed in the financial statements of that company. The interests of M Harris, D P Cockrem and H M Maxwell in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc, together with details of all share options to subscribe for shares in Royal & Sun Alliance Insurance Group plc that are held by these directors, are disclosed in the financial statements of Royal & Sun Alliance Insurance plc. The interests in the ordinary shares of 27.5p each in Royal & Sun Alliance Insurance Group plc of I A Craston, B J McManus, R C Cox and P C Regan are as follows:-

	Ordinary shares held at 1 January 2005 or on appointment (Note 1)	Ordinary shares acquired during the year	Ordinary shares disposed during the year	Ordinary shares held at 31 December 2005 (Note 1)
I A Craston	9,153	-	-	9,153
B J McManus	15,493	869	-	16,362
R C Cox	5,760	323	-	6,083
P C Regan	-	-	-	-

Note 1 Ordinary shares of 27.5p each.

In addition to the interests shown above, M Harris, D P Cockrem, H M Maxwell, I A Craston, B J McManus, R C Cox and P C Regan had a beneficial interest, as at 31 December 2005, in 19,182,272 (2004: 12,369,290) shares of 27.5p each in Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust and all directors had a beneficial interest, as at 31 December 2005, in 4,938,894 (2004: 3,038,894) shares of 27.5p each in the Royal & Sun Alliance Insurance Group plc held in the Royal & Sun Alliance ESOP Trust No 2. All employees of the Group and certain option-holders have a beneficial interest in the shares held in these trusts with the exception of the executive directors of Royal & Sun Alliance Insurance Group plc who are excluded from the beneficiaries of the Royal & Sun Alliance ESOP Trust.

The interests in options to subscribe for ordinary shares of Royal & Sun Alliance Insurance Group plc of I A Craston, B J McManus, R C Cox and P C Regan are as follows:

Options to subscribe for ordinary shares of 27.5p each					
	Held at 1 January 2005 or on appointment	Granted	During 2005 Exercised	Lapsed	Held at 31 December 2005
I A Craston	276,547	30,000	-	-	306,547
B J McManus	317,572	475,000	-	7,394	785,178
R C Cox	271,847	53,241	-	-	325,088
P C Regan	645,402	451,250	-	-	1,096,652

Royal & Sun Alliance Insurance (Global) Limited

Directors' report (continued)

for the year ended 31 December 2005

Long-term incentive scheme interests held during 2005 in respect of the ordinary shares of 27.5p each of Royal & Sun Alliance Insurance Group plc as a result of Share Matching Plan awards for I A Craston, B J McManus, R C Cox and P C Regan are as follows:

		Share awards held at 1 January 2005 or on appointment	Share awards granted	During 2005		Share awards held at 31 December 2005
				Share awards exercised	Share awards lapsed	
I A Craston	Deferred share awards	22,401	24,067	-	-	46,468
	Matching share awards	67,203	72,201	-	-	139,404
B J McManus	Deferred share awards	28,001	42,730	-	-	70,731
	Matching share awards	84,003	128,190	-	-	212,193
R C Cox	Deferred share awards	17,423	34,720	-	-	52,143
	Matching share awards	52,269	104,160	-	-	156,429
P C Regan	Deferred share awards	-	63,917	-	-	63,917
	Matching share awards	-	191,751	-	-	191,751

Details of the Share Matching Plan are contained in the report and accounts of Royal & Sun Alliance Insurance Group plc.

No other directors of the Company held long-term incentive scheme interests during 2005.

Financial risk management

The Company is a subsidiary of Royal & Sun Alliance Insurance Group plc and its management of risk is set at Group level. The Group's approach to financial risk, through its management of credit, market and liquidity risks, is set out below.

Credit risk

The primary sources of credit risk within the Group are investment and treasury activities and reinsurance counterparty risk. Within the investment management and treasury activities, a range of bank counterparty concentration and credit quality limits together with other controls are in place to ensure that exposure is managed within the Group risk appetite. New reinsurance cover is placed with reinsurers that are authorised as Approved Reinsurance Counterparties recommended by the Group Reinsurance Credit Committee under criteria approved by the Board Risk Committee. Target credit profiles and single name limits are set to manage and control the Group's reinsurance credit exposure within the Group's risk appetite. The overall risk appetite for credit risk within all of the Group's activity remains low.

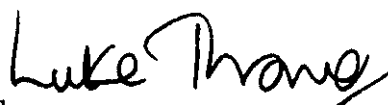
Market risk

Market risk arises from the Group's investment portfolios. The Global Asset Management Committee is the management committee that oversees the Group's investment strategy under the oversight of the Investment Committee and operating within risk limits set by the Board Risk Committee. During 2005 the Group has introduced enhanced risk analytical techniques in line with the Group's capital model to improve the quantification and understanding of the risk exposures.

Liquidity risk

Liquidity risk is considered to be a low risk category. Group liquidity is managed by Group Treasury and each operation is required to maintain a minimum level of cash or cash equivalents or highly liquid assets that can be liquidated within a maximum stated period of time. Contingency funding plans are prepared and monitored to ensure that these minimum levels are met even in stress conditions.

By order of the directors



L Thomas
Secretary

23 October 2006

Royal & Sun Alliance Insurance (Global) Limited

Statement of directors' responsibilities

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Royal & Sun Alliance Insurance (Global) Limited Independent Auditors' Report

Independent auditors' report to the members of Royal & Sun Alliance Insurance (Global) Limited

We have audited the financial statements of Royal & Sun Alliance Insurance (Global) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 2005, and the effect of the movement in those reserves during the year on the general business technical result and profit before tax, are disclosed in the accounting policy 2 (a) ii.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, United Kingdom 23 October 2006

1. Accounting and disclosure requirements

The financial statements of the Company have been prepared in accordance with applicable UK accounting standards and with the Statement of Recommended Practice (SORP) issued by the Association of British Insurers ("the ABI SORP") dated December 2005. The financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets).

The balance sheet of the company has been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

2. Accounting policies

A summary of the major accounting policies, which have been consistently applied, is set out below:

(a) General insurance business

(i) Underwriting results

The underwriting result is accounted for on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. 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.

Equalisation provisions are established in the United Kingdom in accordance with the Insurance Companies (Reserves) Act 1995. These provisions, notwithstanding that they do not represent liabilities at the balance sheet date as they are over and above the anticipated ultimate cost of outstanding claims, are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet and any change in the provisions during the year is shown in the general business technical account.

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

(iii) Reinsurance recoveries

Reinsurance recoveries in respect of claims outstanding whether reported or not are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Company's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to the market data on the financial strength of each of the reinsurance companies and taking into account any disputes on, and defects in contract wordings.

(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'. Investment income is recorded net after deducting related tax charges on dividend income. Realised and unrealised gains and losses are dealt with in the non-technical account. Realised gains and losses represent the net sale proceeds less the purchase price. Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or in the case of investments purchased in the year, the cost of acquisition.

(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 provided in full and consists of the estimated taxation or relief from taxation which is expected to arise from material timing differences using rates based on tax rates and laws that have been substantively enacted by the balance sheet date. Credit is taken for relief for trading and other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in the foreseeable future.

Deferred tax balances are not discounted (previously, deferred tax balances were discounted at rates reflecting post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets and liabilities; the rates used were within the range of 1% to 4%).

(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 denominated in foreign currencies are translated into sterling at rates ruling at the year-end and results of business denominated in foreign currencies are translated at the average rate for the period; the resulting exchange differences are taken to reserves. Previously the results of business denominated in foreign currency were translated into sterling at rates ruling at the year-end. There is no material effect on profit or net assets for either of the years presented arising from the change. Transactions denominated in foreign currencies are translated at the prevailing rate at the date of transaction and the resulting exchange differences are taken to the statement of total recognised gains and losses.

(f) Tangible assets and depreciation

Tangible assets comprise fixtures, fittings, tools and equipment which are capitalised and depreciated on a straight line basis 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.

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 Insurance (Global) Limited

Profit and Loss Account for the year ended 31 December 2005

Technical account - General business

	Notes	2005 £000	2004 £000
Gross premiums written		66,947	80,849
Outward reinsurance premiums		(39,441)	(51,446)
Net premiums written	2	27,506	29,403
Change in the gross provision for unearned premiums		1,589	3,594
Change in the provision for unearned premiums, reinsurers' share		(1,592)	(1,590)
Earned premiums, net of reinsurance		27,503	31,407
Claims paid			
Gross amount		(38,017)	(194,594)
Reinsurers' share		23,106	149,662
		(14,911)	(44,932)
Change in the provision for claims			
Gross amount		17,915	264,769
Reinsurers' share		(6,348)	(239,930)
		11,567	24,839
Claims incurred, net of reinsurance		(3,344)	(20,093)
Acquisition costs		(2,828)	(4,504)
Change in deferred acquisition costs		(322)	209
Administrative expenses		(6,791)	(4,412)
Reinsurance commissions and profit participation		3,682	1,590
Net operating expenses	3	(6,259)	(7,117)
Balance on the technical account before change in the equalisation provision		17,900	4,197
Change in the equalisation provision		(663)	(753)
Balance on the technical account for general business		17,237	3,444

Royal & Sun Alliance Insurance (Global) Limited

Profit and Loss Account for the year ended 31 December 2005

Non-technical account

	Notes	2005 £000	2004 £000
Balance on the general business technical account		17,237	3,444
Investment income	8	6,294	6,133
Realised gains on investments		-	283
Unrealised gains on investments		324	266
Realised losses on investments		(1,192)	-
Unrealised losses on investments		(321)	(2,862)
Profit on ordinary activities before taxation	2a	22,342	7,264
Taxation on profit on ordinary activities	7	(6,124)	(4,587)
Profit on ordinary activities after taxation		16,218	2,677
Retained profit for the year		16,218	2,677

All figures relate to continuing operations and are analysed in note 2.

The notes on pages 16 to 21 and the accounting policies on pages 8 to 11 form part of these accounts.

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 basis. Accordingly, a note on the historical profits and losses for the year is not given.

Statement of total recognised gains and losses

	Revaluation £000	Profit & reserve loss account £000	2005 £000	2004 £000
Profit/ (loss) for the financial year	-	16,218	16,218	2,677
Foreign exchange gains (losses)	-	1,266	1,266	-
Shareholder recognised losses arising in the year	-	17,484	17,484	2,677

Reconciliation of movements in shareholders' funds

	Share capital £000	Share premium £000	Profit & loss account £000	2005 £000	2004 £000
Shareholders' funds at 1st January 2005	36,367	28,355	(32,518)	32,204	29,527
Retained profit for the year	-	-	16,218	16,218	2,677
Exchange gains / losses	-	-	1,266	1,266	-
Shareholders' funds at 31st December 2005	36,367	28,355	(15,034)	49,688	32,204

Royal & Sun Alliance Insurance (Global) Limited

Balance Sheet as at 31 December 2005

	Notes	2005 £000	2004 £000
Assets			
Tangible assets	11	21	57
Investments			
Investments in group undertakings and participating interests	9	5,040	5,040
Other financial investments	10	121,502	126,044
Reinsurers' share of technical provisions			
Provision for unearned premiums		4,797	6,491
Claims outstanding		30,917	37,436
		<u>35,714</u>	<u>43,927</u>
Debtors			
Debtors arising out of direct insurance operations		4,347	3,576
Debtors arising out of reinsurance operations		5,626	8,789
Amounts owed by group undertakings		29,829	46,850
Other debtors including taxation		1,256	2,584
		<u>41,058</u>	<u>61,799</u>
Other assets			
Cash at bank and in hand		14,072	3,604
Prepayments and accrued income			
Accrued interest and rent		1,343	1,290
Deferred acquisition costs		200	170
Prepayments and accrued income		29	19
		<u>1,572</u>	<u>1,479</u>
Total assets		<u>218,979</u>	<u>241,950</u>

Royal & Sun Alliance Insurance (Global) Limited

Balance Sheet as at 31 December 2005

	Notes	2005 £000	2004 £000
Liabilities			
Capital and reserves			
Called up share capital	13	36,367	36,367
Share premium account	12	28,355	28,355
Profit and loss account	12	(15,034)	(32,518)
Equity shareholders' funds		49,688	32,204
Technical provisions			
Provision for unearned premiums		9,811	11,571
Claims outstanding		68,946	87,385
Equalisation provision		1,416	753
		80,173	99,709
Creditors			
Creditors arising out of direct insurance operations		1,067	2,086
Creditors arising out of direct reinsurance operations		3,171	5,572
Amounts owed to group undertakings		78,147	95,505
Other creditors including taxation and social security		6,733	6,874
		89,118	110,037
Total liabilities		218,979	241,950

The accounts on pages 8 to 21 were approved by the directors on 23 October 2006, and signed on their behalf by: -

Helen M Macmillan

Director

23 October 2006

Royal & Sun Alliance Insurance (Global) Limited
Notes to the Accounts

1. Exchange Rates

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

	2005 Cumulative Average	2005 End of Period	2004 End of Period
Euro	1.46	1.46	1.41
US Dollar	1.82	1.72	1.92

2 (a) Segmental analysis of business by class and geographical area

	2005 £000	2004 £000
Net premiums written		
Europe	27,506	29,403
Rest of World	-	-
	27,506	29,403
Profit / (Loss) on ordinary activities before tax		
Europe	23,598	7,272
Rest of World	(1,256)	(8)
	22,342	7,264
Net assets as at 31 December		
Europe	62,692	44,216
Rest of World	(13,004)	(12,011)
	49,688	32,204

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.).

(b) Segmental analysis of business by class of business

	Direct Motor (Other) £000	Marine, Aviation & Transport £000	Direct Fire & Other Damage to Property £000	Direct Liability £000	Direct Total £000
2005					
Gross premiums written	-	-	57,669	9,278	66,947
Gross premiums earned	-	-	59,360	9,176	68,536
Gross claims incurred	-	-	(8,792)	(11,310)	(20,102)
Gross operating expenses	-	-	(7,140)	(2,801)	(9,941)
Gross Technical result	-	-	43,428	(4,935)	38,493
Reinsurance balance	-	-	(24,082)	3,489	(20,593)
Change in the equalisation provision	-	-	(663)	-	(663)
Net Technical result	-	-	18,683	(1,446)	17,237
2004					
Gross premiums written	-	-	71,571	9,278	80,849
Gross premiums earned	-	3	74,989	9,451	84,443
Gross claims incurred	19	5	74,245	(4,094)	70,175
Gross operating expenses	-	7	(10,320)	(1,773)	(12,086)
Gross Technical result	19	15	138,914	3,584	142,532
Reinsurance balance	53	(3)	(137,283)	(1,102)	(138,335)
Change in the equalisation provision	-	-	(753)	-	(753)
Net Technical result	72	12	878	2,482	3,444

In the Company's capacity as a global network service provider, gross premiums written of £8,168,000 (2004: £7,373,000), and gross claims paid of £4,596,000 (2004: £7,651,000) 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 Insurance (Global) Limited

Notes to the Accounts (continued)

3. Net operating expenses: technical account - general business

	2005 £000	2004 £000
Net operating expenses include:		
Depreciation	34	33
Operating lease rentals – other assets	121	450

Total commissions for reinsurance business accounted for by the Company during the year, excluding payments to employees, amounted to £1,054,000 (2004: £1,590,000).

4. Prior years' claims provision

The over 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 £13,029,000 (2004: £13,756,000).

5. Employees and staff costs

	2005 £000	2004 £000
Staff costs for all employees, including executive directors, consist of:		
Wages and salaries	1,959	2,090
Social security costs	280	284
Pension costs (See note 6 below)	22	572
	2,261	2,946

	2005 Number	2004 Number
Average number of employees of the Company during the year	50	50

6. Foreign pension schemes

Pension costs relating to foreign schemes are charged in accordance with local best practice using different accounting policies. The group's largest foreign schemes are in Belgium and Netherlands.

The Belgium scheme is a defined benefit scheme and contributions are made to a separately administered fund, which is used to purchase individual insurance contracts that are assigned to each member of the scheme. A minimum return is guaranteed under local legislation and any surplus arising on these contracts is retained for the benefit of the member. In the event that the return on assets is below the guaranteed minimum return, Royal & Sun Alliance Insurance Plc would need to fund this deficit through monthly contributions or to pay into the fund an amount to clear the deficit.

As at 31 December 2005 there was a deficit of £636 which was in respect of one member and the RSA fund had a balance of nil (2004 - £nil). As a result of the immateriality of the deficit and the low risk to the company of a material deficit arising due to the guaranteed income and regular adjustments to the contributions, the full disclosure requirements of Financial Reporting Standard 17 Retirement Benefits have not been provided. The pension charge is based on annual salaries and is booked to profit and loss on an accruals basis. The charge for the year was £53,000 (2004: £37,000).

The Netherlands scheme is a defined contribution scheme and requires contributions to be made to a separately administered fund. This scheme is accounted for using the applicable Netherlands accounting standard. The cost of obtaining actuarial valuations for the purpose of adjusting to the applicable UK accounting standard is considered to be out of proportion to the benefits to be gained. The pension charge is based on final salaries and is booked to profit and loss on an accruals basis. The credit for the year was £31,000 (2004: charge of £535,000).

7. Investment income

	2005 £000	2004 £000
Income from other financial investments	6,294	6,133

Royal & Sun Alliance Insurance (Global) Limited

Notes to the Accounts (continued)

8. Taxation

	2005 £000	2004 £000
Current Tax		
UK Corporation tax	5,817	2,492
Adjustment in respect of prior period	422	625
Double taxation relief	(3,004)	(2,492)
Foreign tax	3,461	3,953
Total current tax	6,696	4,578
Deferred Tax		
Timing differences – origination and reversal	7	12
Adjustments in respect of prior periods	(564)	(2)
Movement in discount	(15)	(1)
Total deferred tax	(572)	9
Tax charge	6,124	4,587

UK corporation tax for the current year is based on a rate of 30% (2004: 30%).

Factors affecting the current tax charge.

The current tax charge for the year is less than (2004: more than) 30% due to the items set out in the reconciliation below:

	2005 £000	2004 £000
Profit/(loss) on ordinary activities before taxation	22,342	7,264
Tax at 30%	6,703	2,179
<i>Factors affecting charge:</i>		
Disallowed expenditure	149	324
Fiscal adjustment	(1,029)	-
Adjustment to prior year provisions	422	626
Other timing differences	(6)	(12)
Unrelieved foreign tax credits	457	1,461
Current tax charge for the period	6,696	4,578

Balance Sheet presentation of the deferred tax asset

	2005 £000	2004 £000
Accelerated capital allowances	45	51
Claims discounting	686	123
	731	174
Discount	-	(15)
Deferred tax asset	731	159

Royal & Sun Alliance Insurance (Global) Limited

Notes to the Accounts (continued)

8. Taxation (continued)

A deferred tax asset has not been recognised in respect of trading losses with an estimated tax value of £308,400, as it is not considered likely that suitable profits will arise to absorb these losses in the near future.

Other debtors: deferred taxation

Other debtors included in the balance sheet include £731,185 (2004: £158,871) relating to deferred tax.

	2005 £000	2004 £000
Deferred tax asset at 1 January	159	168
Credited / (charged)	572	(9)
Deferred tax asset at 31 December	731	159

9. Investments in group undertakings and participating interests

	2005 £000	2004 £000
Shares in subsidiary undertakings:		
Net asset value:		
At 1 January	5,040	2,340
Additions	-	2,700
At 31 December	5,040	5,040

Investments in subsidiary undertakings

The Company holds investments in British and Foreign Marine Insurance Company Limited and The Marine Insurance Company Limited both of which are subsidiaries of Royal & Sun Alliance Insurance Group plc. The Company originally held 66,999 shares in British and Foreign Marine Insurance Company Limited at a cost of £20 each and 39,999 shares in The Marine Insurance Company Limited at a cost of £25 each.

The principal activity of the Marine Insurance Company Limited is the writing of marine, aviation and transport insurance primarily in the UK and Europe.

Investment	Number of Shares held	Total Investment £'000
British and Foreign Marine Insurance Company Limited	66,999	1,340
The Marine Insurance Company Limited	147,997	3,700
Total Investment		5,040

10. Other financial investments

The historical cost of other financial investments is £124,789,000 (2004: £129,329,000).

Total other financial investments include listed investments with a market value of £91,860,000 (2004: £83,600,000).

	2005 £000	2004 £000
Other financial investments:		
Debt securities and other fixed income securities	91,860	83,600
Deposits with credit institutions	29,642	42,444
Balance at 31 December	121,502	126,044

Royal & Sun Alliance Insurance (Global) Limited

Notes to the Accounts (continued)

11. Tangible assets

	2005 £000	2004 £000
Cost		
At 1 January	289	287
Exchange adjustments	(9)	2
At 31 December	280	289
Depreciation		
At 1 January	232	198
Charge for the year	34	34
Exchange adjustments	(7)	
At 31 December	259	232
Net book value		
At 31 December	21	57

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

12. Reserves

	Share Premium £000	Profit and Loss Account £000	Total £000
Balance at 1 January 2005	28,355	(32,518)	(4,163)
Retained profit for the year	-	16,218	16,218
Exchange gains / losses	-	1,266	1,266
Balance at 31 December 2005	28,355	(15,034)	13,321

13. Share capital

	2005 £000	2004 £000
Authorised :		
100,000,000 shares of £1 each	100,000	100,000
Issued and fully paid :		
36,367,172 shares of £1 each	36,367	36,367

14. Leases

	2005 £000	2004 £000
Annual commitments under non-cancellable operating leases were repayable as follows:-		
1 year or less	116	157
Between 2 and 5 years	166	9
	282	252

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

Royal & Sun Alliance Insurance (Global) Limited

Notes to the Accounts (continued)

15. 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.

16. 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 £89,041 (2004: £53,560).

17. Capital commitments

The Company had no capital commitments at 31 December 2005 (2004: £nil)

18. Contingent liabilities

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

19. 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 1996) Cash Flow Statements and has elected not to prepare its own cash flow statement.

20. Related party transactions

Advantage has been taken of the exemption provided in FRS8 Related Party Disclosures from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries.

21. Parent companies

The Company's immediate parent Company is Royal & Sun Alliance Insurance plc which is registered in England and Wales.

The Company's ultimate parent Company and controlling party is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales, and is the parent company of the largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from 9th Floor, One Plantation Place, 30 Fenchurch Street, London, EC3M 3BD.