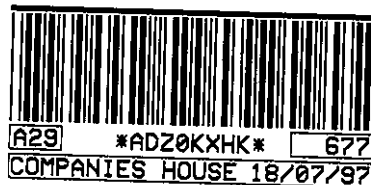


CN 121651

ROYAL INSURANCE (GLOBAL) LIMITED

**Report and Accounts
for the year ended 31st December 1996**



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Directors

R A Gamble	Chairman	
R A Elms	Deputy Chairman	(Resigned 31/12/96)
S A Atkins		
T J Brown		(Resigned 31/1/97)
L N Campbell		
R O Hudson		
R K McCorriston		
G A Richards		
W R Rowland		
P J Sharman		(Resigned 31/1/97)
P Spencer		(Appointed 22/1/96)

Secretary

N J Maguire

Registered office: 34/36 Lime Street, London, EC3M 7JE

Registered number: 121651

The directors present to the members the financial statements of the Company and the consolidated financial statements of the Group for the year 1996, together with their report.

Principal activity

The principal activity of the Company and its subsidiary is the transaction of general insurance business, including multinational business, in Netherlands, Belgium, Scandinavia and Australia.

Review of the year and future developments

During 1997 the directors will consider, in the light of the merger between Royal Insurance Holdings plc and Sun Alliance Group plc, whether it is desirable to transfer the business of the European branches to another subsidiary within the new group.

Profits and dividends

There was a loss attributable to the shareholders, after taxation for the year, of £1,346,000, which was transferred to reserves. The directors do not recommend the payment of a dividend.

Directors

The names of the directors holding office at 31st December 1996, and their interests (including the interests of spouses and children under 18) in the capital of Royal Insurance Holdings plc as at 1st January 1996 and Royal & Sun Alliance Insurance Group plc, as at 19th July 1996 and 31st December 1996, as recorded in the register maintained by the Company in accordance with the provisions of Section 325 of the Companies Act 1985 were as follows:

	Directors	Fully paid shares of 25p each		
		at 01.01.96	at 19.07.96	at 31.12.96
	S A Atkins	40,459	48,030	48,031
#	T J Brown (resigned 31/1/97)	-	-	-
	L N Campbell	18,479	26,931	27,179
#	R A Elms (resigned 31/12/96)	-	-	-
#	R A Gamble	-	-	-
	R O Hudson	23,481	12,940	12,940
	R K McCorriston	882	941	2,024
	G A Richards	1,705	3,820	3,854
#	W R Rowland	-	-	-
#	P J Sharman (resigned 31/1/97)	-	-	-
#	P Spencer (appointed 22/1/96)	-	-	-

Director of Royal Insurance plc. Interests in shares are recorded in the Directors'

Report of that company.

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

	Number of options in Royal Insurance Holdings plc			
Directors		During the year		
	Held at 01.01.96	Granted	Exercised	Held at 18.07.96 #
S A Atkins	49,717			49,717
L N Campbell	79,127			79,127
R O Hudson	63,856			63,856
R K McCorriston	52,296		15,422	36,874
G A Richards	76,795			76,795

	Number of options in Royal & Sun Alliance Insurance Group plc			
Directors		During the year		
	Held at 19.07.96	Granted	Exercised	Held at 31.12.96
S A Atkins	53,037	9,433		62,470
L N Campbell	84,408	9,433		93,841
R O Hudson	66,558	9,433		75,991
R K McCorriston	39,338		1,062	38,276
G A Richards	81,939	9,433	78,157	13,215

The merger event triggered the right to exercise all options within 6 months

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

	Number of appointed shares 01.01.96	Shares appointed during period	Appointed shares released during period	Number of appointed shares 18.07.96
S A Atkins	1,795	1,568	3,363	Nil
L N Campbell	3,323	1,813	5,136	Nil
R O Hudson	3,155	1,833	4,988	Nil
G A Richards	1,820	0	1,820	Nil

In accordance with the Rules of the Plan, all appointed shares vested into the participants own name on 17th July 1996, the day the court sanctioned the merger between Royal Insurance Holdings plc and Sun Alliance Group plc. The price of Royal Insurance Holdings plc ordinary shares on the day the shares vested was £3.83½ per share.

On 31st December 1996 the market price of the ordinary shares in Royal & Sun Alliance Insurance Group plc was £4.44½p.

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.

Mr R A Elms resigned as director and deputy chairman of the Company with effect from 31/12/96.

Mr T J Brown resigned as director of the Company with effect from 31/1/97.

Mr P J Sharman resigned as director of the Company with effect from 31/1/97.

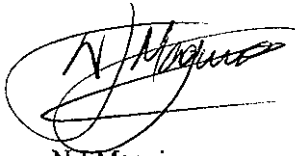
Mr P Spencer was appointed as director of the Company with effect from 22/1/96.

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

Auditors

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

By Order of the Board



N J Maguire
Company Secretary
London

3rd March 1997

Directors' responsibilities

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

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

We have audited the financial statements on pages 7 to 21.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

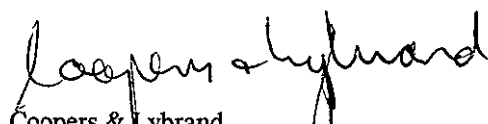
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 amounts set aside at 31st December 1996 and the effect of the movement in those reserves during the year on the balance on the general business technical account and profit on ordinary activities before tax, are disclosed in note 15.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December 1996 and of the loss and total recognised gains of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
5 March 1997

The financial statements are prepared in accordance with applicable UK accounting standards and the ABI Guidance on Accounting for Insurance Business issued in 1995 and amended in 1997.

Presentation and policy changes

As a result of the merger of Royal Insurance Holdings plc and Sun Alliance Group plc, the Company has changed its accounting policy on the translation of revenue transactions (see note 15) and the presentation of the reinsurers' share of technical provisions. Overseas revenue transactions are translated into sterling at rates ruling at the year end. Previously these amounts were translated at the average rates of exchange ruling during the year. The reinsurers' share of technical provisions is presented on the assets side of the balance sheet. Previously these amounts were shown in arriving at net technical provisions on the liabilities side of the balance sheet.

In addition, the Insurance Companies (Reserves) Act 1995 require the Group to set aside additional provisions in the UK to mitigate exceptionally high loss ratios in future years in respect of certain classes of business which display a high degree of claims volatility. The provisions will be released to profits in years when such exceptionally high loss ratios arise. They are required by law to be included within technical provisions in the balance sheet and changes in the provision are taken through the general business technical account.

Group accounts

The consolidated accounts of the Group include the results of subsidiaries drawn up to 31st December.

The Group consolidated profit and loss account and consolidated balance sheet and Parent Company balance sheet are drawn up in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985. As permitted by Section 230 of the Companies Act 1985, the Parent Company profit and loss account has not been included in these financial statements.

Translation and conversion 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 reserves.

General business technical account

General business 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.

Investment return

Income from investments is included, together with the related tax credit, in the profit and loss account on an accruals basis. Dividend income on ordinary shares is recognised when the related investment goes "ex-dividend". Realised gains and losses are dealt with in the non-technical account and unrealised gains and losses, together with the related tax, are dealt with in the revaluation reserve. Realised gains and losses represent the net sale proceeds less the purchase price.

Taxation

Taxation in the non-technical account is based on profits and income for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior years. UK tax in respect of overseas subsidiaries is based on dividends received.

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences: expected future rates of tax are used where applicable. Credit is taken for relief for trading losses only to the extent that the directors anticipate that profits will absorb such losses in the foreseeable future.

Technical provisions

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 appropriate 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 accordance with the requirements of UK legislation and are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date.

Investments

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

Tangible assets and depreciation

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

Subsidiaries

Subsidiaries are valued in the Parent Company balance sheet at the Company's shareholding proportion of their net assets.

Revaluation reserve

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

In the Parent Company balance sheet, the above terms, together with the corresponding difference in respect of subsidiaries, comprise the revaluation reserve.

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.

Royal Insurance (Global) Limited
Consolidated Profit and Loss Account
Technical Account - General Business
for the year ended 31st December 1996

		1996 £000	1995 £000
Premiums written	- gross	37,278	47,271
	- outward reinsurance	(22,823)	(27,294)
Premiums written, net of reinsurance		14,455	19,977
Change in the gross provision for unearned premiums		(1,654)	69
Change in the provision for unearned premiums, reinsurers' share		1,300	325
Earned premiums, net of reinsurance		14,101	20,371
Claims paid	- gross amount	(17,914)	(31,413)
	- reinsurers' share	10,844	19,926
	- net of reinsurance	(7,070)	(11,487)
Change in the provision for claims			
	- gross amount	2,909	7,800
	- reinsurers' share	(7,179)	(11,662)
	- net of reinsurance	(4,270)	(3,862)
Claims incurred, net of reinsurance		(11,340)	(15,349)
Acquisition costs		(4,842)	(6,571)
Change in deferred acquisition costs		377	329
Administrative expenses		(862)	-
Reinsurance commissions and profit participation		2,178	4,078
Net operating expenses		(3,149)	(2,164)
Change in the equalisation provision		(359)	-
Balance on the technical account for general business		(747)	2,858

All 1996 figures relate to continuing operations. The corresponding figures for 1995 include amounts relating to operations transferred to a fellow subsidiary. Analysis of the corresponding figures is provided in note 4.

The notes on pages 16 to 21 form part of these accounts.

Royal Insurance (Global) Limited
Consolidated Profit and Loss Account
Non-Technical Account
for the year ended 31st December 1996

	1996 £000	1995 £000
Balance on the general business technical account (see page 9)	(747)	2,858
Investment income (see note 8)	1,287	1,125
Investment expenses and charges (see note 8)	-	(2)
Profit on ordinary activities before tax	540	3,981
Tax on profit on ordinary activities (see note 10)	(1,886)	(1,596)
Transfer to retained profits	(1,346)	2,385

All 1996 figures relate to continuing operations. The corresponding figures for 1995 include amounts relating to operations transferred to a fellow subsidiary. Analysis of the corresponding figures is provided in note 4.

The notes on pages 16 to 21 form part of these accounts.

Royal Insurance (Global) Limited
Movements in Consolidated Capital and Reserves
including Statement of Shareholder Recognised Gains
for the year ended 31st December 1996

	Share capital/ premium	Revaluation reserve	Other reserves	Profit and loss account	1996	1995
	£000	£000	£000	£000	£000	£000
Capital and reserves at 1st January	64,722	248	(14,560)	(13,603)	36,807	32,456
Shareholder consolidated recognised gains/(losses)						
Profit for the year				(1,346)	(1,346)	2,385
Unrealised gains/(losses) on investments		(108)			(108)	663
Exchange			(627)	813	186	1,303
Taxation on reserve movements					-	-
Shareholder consolidated recognised gains/(losses)	-	(108)	(627)	(533)	(1,268)	4,351
Capital and reserves at 31st December	64,722	140	(15,187)	(14,136)	35,539	36,807

The notes on pages 16 to 21 form part of these accounts.

Royal Insurance (Global) Limited
Consolidated Balance Sheet
as at 31st December 1996

ASSETS	1996	1995
	£000	£000
Investments (see note 11)		
Other financial investments		
Debt securities and other fixed income securities		
Other government securities	<u>9,251</u>	<u>8,442</u>
Total investments	9,251	8,442
Reinsurers' share of technical provisions		
Provision for unearned premiums	<u>5,759</u>	<u>5,689</u>
Claims outstanding	<u>12,615</u>	<u>24,389</u>
	18,374	30,078
Debtors		
Debtors arising out of direct insurance operations		
Policyholders	<u>1,771</u>	<u>3,276</u>
Intermediaries	<u>7,231</u>	<u>6,463</u>
Due from parent undertaking and fellow subsidiary undertakings	<u>55,063</u>	<u>59,777</u>
Debtors arising out of reinsurance operations	<u>2,751</u>	<u>1,126</u>
Other debtors	<u>434</u>	<u>1,307</u>
	67,250	71,949
Other assets		
Tangible assets (see note 12)	<u>82</u>	<u>131</u>
Cash at bank and in hand	<u>12,898</u>	<u>18,095</u>
	12,980	18,226
Prepayments and accrued income		
Accrued interest and rent	<u>438</u>	<u>352</u>
Deferred acquisition costs	<u>770</u>	<u>918</u>
Other prepayments and accrued income	<u>-</u>	<u>5</u>
	1,208	1,275
Total assets	109,063	129,970

The notes on pages 16 to 21 form part of these accounts.

Royal Insurance (Global) Limited
Consolidated Balance Sheet
as at 31st December 1996

LIABILITIES

Capital and reserves (see page 11)

Called up share capital (see note 17)

Share premium account

Revaluation reserve

Other reserves

Profit and loss account

Equity shareholders' funds

Technical provisions

Provision for unearned premiums

Claims outstanding

Equalisation provision (see note 15)

Provisions for other risks and charges (see note 14)

Provision for taxation - deferred taxation (see note 16)

Creditors

Creditors arising out of direct insurance operations

Creditors arising out of reinsurance operations

Amounts owed to parent undertakings and fellow subsidiary undertakings

Other creditors including taxation and social security

Accruals and deferred income

Total liabilities

	1996 £000	1995 £000
Called up share capital (see note 17)	36,367	36,367
Share premium account	28,355	28,355
Revaluation reserve	140	248
Other reserves	(15,187)	(14,560)
Profit and loss account	(14,136)	(13,603)
Equity shareholders' funds	35,539	36,807
Technical provisions		
Provision for unearned premiums	10,574	13,255
Claims outstanding	36,667	51,659
Equalisation provision (see note 15)	359	-
	47,600	64,914
Provisions for other risks and charges (see note 14)		
Provision for taxation - deferred taxation (see note 16)	-	5
Creditors		
Creditors arising out of direct insurance operations	3,104	6,118
Creditors arising out of reinsurance operations	9,470	7,423
Amounts owed to parent undertakings and fellow subsidiary undertakings	11,959	11,182
Other creditors including taxation and social security	1,391	3,353
	25,924	28,076
Accruals and deferred income	-	168
Total liabilities	109,063	129,970

All creditors are payable within a period of five years.

The notes on pages 16 to 21 form part of these accounts.

Royal Insurance (Global) Limited
Parent Company Balance Sheet
as at 31st December 1996

ASSETS	1996	1995
	£000	£000
Investments		
Investment in group undertakings and participating interests (see note 13)	3,028	2,942
Other financial investments		
Debt securities and other fixed income securities		
Other government securities	9,251	8,442
Total investments	12,279	11,384
Reinsurers' share of technical provisions		
Provision for unearned premiums	5,759	5,689
Claims outstanding	12,615	24,389
	18,374	30,078
Debtors		
Debtors arising out of direct insurance operations		
Policyholders	1,771	3,276
Intermediaries	7,231	6,463
Due from parent undertakings and fellow subsidiary undertakings	51,994	59,777
Debtors arising out of reinsurance operations	2,751	1,126
Other debtors	434	1,307
	64,181	71,949
Other assets		
Tangible assets (see note 12)	82	131
Cash at bank and in hand	12,898	18,095
	12,980	18,226
Prepayments and accrued income		
Accrued interest and rent	438	352
Deferred acquisition costs	770	918
Other prepayments and accrued income	-	5
	1,208	1,275
Total assets	109,022	132,912

The notes on pages 16 to 21 form part of these accounts.

LIABILITIES

Capital and reserves

	1996 £000	1995 £000
Called up share capital (see note 17)	36,367	36,367
Share premium account	28,355	28,355
Revaluation reserve	3,168	3,190
Other reserves	(15,187)	(14,560)
Profit and loss account	(17,164)	(16,545)

Equity shareholders' funds

35,539 36,807

Technical provisions

Provision for unearned premiums	10,574	13,255
Claims outstanding	36,667	51,659
Equalisation provision	359	-
	47,600	64,914

Provisions for other risks and charges (see note 14)

Provision for taxation - deferred taxation	-	5
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Creditors

Creditors arising out of direct insurance operations	3,104	6,118
Creditors arising out of reinsurance operations	9,470	7,423
Amounts owed to parent undertakings and fellow subsidiary undertakings	11,959	10,970
Due to subsidiary undertaking	-	3,154
Other creditors including taxation and social security	1,350	3,353
	25,883	31,018

Accruals and deferred income

- 168

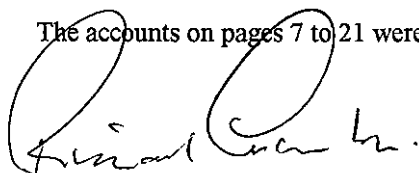
Total liabilities

109,022 132,912

All creditors are payable within a period of five years.

The notes on pages 16 to 21 form part of these accounts.

The accounts on pages 7 to 21 were approved by the Board of Directors and are signed on its behalf by :



R A Gamble : Chairman



P Spencer : Director

London, 31 March 1997

1. Exchange rates

In respect of the major overseas currencies the rates of exchange used in these financial statements are:

	1996	1995
Netherlands guilder	2.96	2.49
Australian dollar	2.15	2.09
Irish punt	1.01	0.97
Swedish krona	11.61	10.29
Belgian franc	54.36	45.69

2. Net profit attributable to the shareholders

As permitted by Section 230 of the Companies Act 1985, the Parent Company's profit and loss account has not been included in these financial statements.

Of the consolidated loss of £1,346,000 (1995 : profit £2,385,000) shown in the profit and loss account, a loss of £1,509,000 (1995 : profit £2,077,000) has been dealt with in the financial statements of the Parent Company.

3. Segmental analysis of business by geographical area

	1996 £000	1995 £000
Net premiums written (by origin)		
Europe	10,739	14,396
Far East and Australasia	3,716	5,581
	14,455	19,977
Net premiums written (by location of risk)		
Europe	9,229	13,187
Far East and Australasia	3,029	4,661
Americas	1,499	1,761
Africa	240	192
Other	458	176
	14,455	19,977
Profit/(loss) before taxation		
Europe	1,649	2,284
Far East and Australasia	(1,109)	1,697
	540	3,981
Net assets as at 31st December		
Europe	42,579	42,138
Far East and Australasia	(7,040)	(5,331)
	35,539	36,807

4. Corresponding figures

The analysis between continuing and discontinued operations for the year ended 31 December 1995 is shown below. The discontinued operations relate to operations transferred to a fellow subsidiary undertaking on 1 January 1996.

	Continuing £'000	Discontinued £'000	Total £'000
Premiums written - gross	43,567	3,704	47,271
- outward reinsurance	(27,294)	-	(27,294)
Premiums written, net of reinsurance	16,273	3,704	19,977
Earned premiums, net of reinsurance	17,009	3,362	20,371
Claims incurred, net of reinsurance	(13,288)	(2,061)	(15,349)
Net operating expenses	(2,081)	(83)	(2,164)
Balance on the technical account for general business	1,640	1,218	2,858
Profit on ordinary activities before taxation	2,763	1,218	3,981

5. 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 £2,905,000 (1995 : under provision £394,000).

6. Net operating expenses : technical account - general business

Net operating expenses include:

Depreciation

Operating lease rentals - other assets

	1996 £000	1995 £000
Depreciation	48	27
Operating lease rentals - other assets	7	8

Total commissions for direct insurance business accounted for by the Company during the year excluding payments to employees, amounted to £4,398,000 (1995 : £6,136,000)

7. Directors' remuneration and loans

In 1995 and 1996, no director received remuneration solely by virtue of performing services as an officer of the Company.

8. Investment return

Other investment income

Income from investments

Gains on the realisation of investments

	1996 £000	1995 £000
Income from investments	1,203	1,125
Gains on the realisation of investments	84	-

Investment income

Investment expenses and charges

Losses on the realisation of investments

	1996 £000	1995 £000
Investment income	1,287	1,125
Investment expenses and charges	-	(2)

Net investment income

Unrealised gains/(losses) on investments

Investment return

	1996 £000	1995 £000
Net investment income	1,287	1,123
Unrealised gains/(losses) on investments	(108)	663
Investment return	1,179	1,786

9. Auditors' remuneration

Remuneration	-	for audit*
	-	for other services

* 1996 estimated, 1995 actual

1996 £	1995 £
29,542	31,174
37,436	23,718
66,978	54,892

10. Taxation on profit on ordinary activities

UK taxation

Group relief payable	(759)	-
Corporation tax	(11)	(1,328)
Double taxation relief	(989)	1,066

(759)	-
(11)	(1,328)
(989)	1,066

(1,759)	(262)
---------	-------

Overseas taxation

(127)	(1,334)
-------	---------

(1,886)	(1,596)
---------	---------

UK corporation tax for the current year is based on a rate of 33% (1995 33%).

Included in the above are:

Deferred taxation

5	(5)
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Taxation relating to prior years

(1,740)	(105)
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11. Investments

The historical cost of total investments included in the Group consolidated balance sheet and in the Company balance sheet is £9,111,000 (1995: £8,194,000). All investments are listed.

12. Tangible assets

Cost

At 1st January	165	165
Additions	5	5
Disposals	-	-
Exchange adjustments	(8)	(8)
At 31st December	162	162

Group 1996 £000	Company 1996 £000
165	165
5	5
-	-
(8)	(8)
162	162

Depreciation

At 1st January	34	34
Charge for the year	48	48
Disposals	-	-
Exchange adjustments	(2)	(2)
At 31st December	80	80

34	34
48	48
-	-
(2)	(2)
80	80

Net book value

At 31st December 1996

82	82
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At 31st December 1995

131	131
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All tangible assets relate to fixtures, fittings, tools and equipment.

13. Investment in group undertakings and participating interests

The Company's subsidiary at 31st December 1996 is Royal & Sun Alliance Global PTY Limited, (formerly Royal Global (Pacific) PTY Limited), a company incorporated in, and operating principally in Australia and engaged in the transaction of insurance related business. The holding is of equity shares and represents 100% of the nominal issued capital. The figure for investment in group undertakings in the Parent Company balance sheet comprises:

	1996 £000	1995 £000
Shares at cost	-	-
Adjustment to net asset value	3,028	2,942
	3,028	2,942

14. Movements on provisions for other risks and charges

	Deferred taxation	
	1996 £000	1995 £000
Group		
At 1st January	5	-
Charged/utilised	(5)	5
Exchange adjustments	-	-
At 31st December	-	5
Company		
At 1st January	5	-
Charged/utilised	(5)	5
Exchange adjustments	-	-
At 31st December	-	5

15. Effect of Accounting Policy Changes

i) Equalisation provision

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. The provision has been made for the first time in 1996.

The effect of including the provision is as follows:

	1996 £000	1995 £000
Provision as at 1st January	-	-
Decrease in balance on the general business technical account and in the profit before tax	359	-
Provision as at 31st December	359	-

ii) Translation of overseas operations

The Company has changed its policy for translating the results of overseas operations from average rates for the period to closing rates.

The change has the effect of decreasing current year profit before taxation by £151,000 and net premiums written by £1,614,000. The effect of the change on the prior year result was not significant and therefore the comparative figures have not been restated.

16. Deferred taxation

Group	Provided		Unprovided	
	1996 £000	1995 £000	1996 £000	1995 £000
On realised gains/(losses) arising from investments	-	-	-	82
Other timing differences	-	5	-	(7)
	-	5	-	75
Company				
On realised gains/(losses) arising from investments	-	-	-	82
Other timing differences	-	5	-	(7)
	-	5	-	75

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

Deferred taxation is not recognised in respect of liabilities which might arise on the distribution of appropriated profits of overseas subsidiaries.

17. Share capital

		1996 £000	1995 £000
Authorised:	100,000,000 (1995 100,000,000) shares of 100p each	100,000	100,000
Issued and paid up:	36,367,172 (1995 36,367,172) shares of 100p each	36,367	36,367

18. Contingent liabilities

Other than in the normal course of insurance business the Company and the Group had no material contingent liabilities as at 31st December 1996.

19. Leases

Annual commitments under non-cancellable operating leases were repayable as follows:

Group

Between 2 and 5 years

Company

Between 2 and 5 years

	1996 £000	1995 £000
	7	8
	7	8
	7	8
	7	8

There are no leases of land and buildings.

20. Cash flow statement

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

21. Asset valuation

The basis of the valuation of assets in the accounts is set out in the accounting policies on page 8. The directors have considered the value at 31st December 1996 of the remaining assets of the Company without actually revaluing them, and are satisfied that these assets are worth in total not less than the aggregate amount at which they are stated in the accounts.

22. 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.

23. Related policy transactions

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

24. Parent company

The Company's ultimate holding company is Royal & Sun Alliance Insurance Group plc, registered in England and Wales. The immediate parent company and 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 consolidated accounts of Royal & Sun Alliance Insurance Group plc can be obtained from the registered office at : 1 Bartholomew Lane, London EC2N 2AB.