

Report & Financial Statements

For the year ended 31 December 2005

**Greenwich Lloyd's Underwriting
Limited**

Company Registration Number: 3228631



GREENWICH LLOYD'S UNDERWRITING LIMITED

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COMPANY INFORMATION

DIRECTORS: C J Hodgson
G P Nash

COMPANY SECRETARY: G P Nash

COMPANY REGISTRATION NUMBER: 3228631

REGISTERED ADDRESS: Pingle House
Priors Hardwick
Southam
Warwickshire CV47 7SL

AUDITORS: Mazars LLP
24 Bevis Marks
LONDON EC3A 7NR

BANKERS: National Westminster Bank PLC
1 Princes Street
LONDON EC2V 8PA

DIRECTORS' REPORT

The directors submit their report together with audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Both the level of business and the year end position were in line with expectations.

During the year, the company continued to wind down its remaining members' agency business. The company is not acting for any Names in respect of the 2003 or subsequent years of account and it will be deregistered as a Lloyd's members' agent as soon as is practical.

RESULTS AND DIVIDENDS

The result for the year is as shown in the profit and loss account on page 6. The board proposes no dividend (2004: £nil).

DIRECTORS

The directors who served during the year were:

C J Hodgson
G P Nash

DIRECTORS' INTERESTS

None of the directors had any interest in the share capital of the company.

Mr C J Hodgson and Mr G P Nash are also directors of the ultimate parent undertaking, Greenwich Insurance Holdings Plc. Their interests in the share capital of that company are shown in its financial statements.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors 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. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)

AUDITORS

On 21 January 1998, the company passed an elective resolution in accordance with section 379A(1)(b)(c) and (e) of the Companies Act 1985, dispensing with the need to lay financial statements and reports before a general meeting and reappoint auditors annually.

Approved by the board of the directors
and signed on behalf of the board



Graham P Nash
Director

Pingle House
Priors Hardwick
Southam
Warwickshire CV47 7SL

31 May 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GREENWICH LLOYD'S UNDERWRITING LIMITED

We have audited the financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

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

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

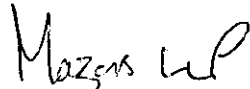
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

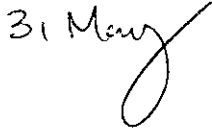
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
GREENWICH LLOYD'S UNDERWRITING LIMITED (continued)**

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks
London EC3A 7NR



2006

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2005

	Notes	2005 £	2004 £
TURNOVER	2	-	22,711
Administrative expenses		(101,347)	(27,734)
OPERATING LOSS		(101,347)	(5,023)
Interest receivable	3	2,146	2,142
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(99,201)	(2,881)
Taxation	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	12	(99,201)	(2,881)

All turnover and results are derived from continuing operations. The company had no recognised gains or losses in the year ended 31 December 2005 other than through the Profit and Loss Account.

There is no difference between the loss on ordinary activities before and after taxation and the historical cost equivalent.

The notes on pages 8 to 12 form part of these financial statements.

BALANCE SHEET as at 31 December 2005

	Notes	2005 £	2004 £
CURRENT ASSETS			
Debtors	7	925	80,080
Cash at bank and in hand	8	101,120	112,319
		<u>102,045</u>	<u>192,399</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(50,855)	(42,008)
NET CURRENT ASSETS		51,190	150,391
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	10	(307,618)	(307,618)
NET LIABILITIES		<u>(256,428)</u>	<u>(157,227)</u>
CAPITAL AND RESERVES			
Called up share capital	11	837,382	837,382
Profit and loss account	12	(1,093,810)	(994,609)
Shareholders' funds	12	<u>(256,428)</u>	<u>(157,227)</u>

These financial statements were approved by the Board on 31st May 2006
and signed on its behalf by:



G Nash
Director

The notes on pages 8 to 12 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2005****1. PRINCIPAL ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with applicable accounting standards and on the historical cost basis of accounting. The directors have considered the company's trading and cashflow projections and consider it is appropriate to prepare the company's financial statements on the going concern basis; the subordinated loan from the parent company will not be repaid whilst there are other creditors outstanding. The following are the major accounting policies of the company.

(a) Turnover

Turnover comprises agency salaries, winding up fees, profit commission, advisory fees and other related income, exclusive of value added tax.

Agency salaries are recognised in the year to which the fees relate. Winding up fees are accounted for when receivable. Profit commission is due when the underwriting year of account to which it relates is closed, normally at the end of three calendar years, and is accounted for when receivable.

(b) Taxation

Deferred taxation is provided in respect of the tax effect of all timing differences, at the rates of tax expected to apply when the timing differences reverse.

(c) Interest

Interest is accounted for on a receivable basis.

(d) Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No.1 (Revised 1996) on the grounds that it is entitled to as a wholly owned subsidiary of a parent undertaking which publishes a consolidated cash flow statement.

2. SEGMENTAL INFORMATION

The turnover, loss before taxation and net liabilities are attributable to the principal activity of the company. The company operates in the UK and the whole of its turnover is with the UK market.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005 (continued)

3. INTEREST RECEIVABLE

	2005	2004
	£	£
Bank interest	2,146	2,142
	<u>2,146</u>	<u>2,142</u>

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£	£
The loss on ordinary activities is stated after charging:		
Auditors' remuneration for audit services	5,000	5,000
Auditor's remuneration for non-audit services	2,700	2,300
	<u>7,700</u>	<u>7,300</u>

5. STAFF COSTS AND DIRECTORS' REMUNERATION

No staff costs or directors' remuneration have been borne by the company (2004:£nil).

6. TAXATION

	2005	2004
	£	£
(a) Analysis of charge in period		
Current tax:		
UK corporation tax on losses for the period	-	-
Adjustment in respect of previous periods	-	-
	<u>-</u>	<u>-</u>
Current tax charge for period (see (b) below)	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Tax on ordinary activities	£-	£-
	<u>-</u>	<u>-</u>
(b) Factors affecting tax charge for period		
Loss on ordinary activities before tax	(99,201)	(2,881)
	<u>(99,201)</u>	<u>(2,881)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(29,760)	(864)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	22,616	(2,700)
Tax losses carried forward	7,144	3,564
	<u>29,760</u>	<u>(2,700)</u>
Current tax charge for period (see (a) above)	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005 (continued)

6. TAXATION (continued)

No deferred tax asset has been recognised in respect of the trading losses carried forward because of uncertainty as to the availability of future trading profits against which they might be relieved.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Other debtors	925	80,080
	<u> </u>	<u> </u>

Provision of £1,378,915 (2004:£1,303,527) has been made against the total balance owed by the ultimate parent company.

8. CASH AT BANK

Cash at bank includes £22,685 (2004:£52,104) held in trust for Names.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Other taxation including social security costs	806	806
Accruals and deferred income	16,547	8,777
Sundry creditors	33,502	32,425
	<u> </u>	<u> </u>
	50,855	42,008
	<u> </u>	<u> </u>

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2005	2004
	£	£
Amount due to parent undertaking	307,618	307,618
	<u> </u>	<u> </u>

The above amount constitutes an interest free loan by Greenwich Holdings Limited. The loan is subordinated to all other creditors and is repayable only if and when all such creditors have been paid or satisfied in full, and in any event shall not be repaid without prior written consent of the Council of Lloyd's

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2005 (continued)

11. SHARE CAPITAL

	2005 £	2004 £
Authorised share capital:		
Ordinary shares of £1 each	1,250,000	1,250,000
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>837,382</u>	<u>837,382</u>

12. MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Profit and loss account £	Total £
At 1 January 2005	837,832	(994,609)	(157,227)
Loss for the year	-	(99,201)	(99,201)
	<u>837,832</u>	<u>(1,093,810)</u>	<u>(256,428)</u>
At 31 December 2005	<u>837,832</u>	<u>(1,093,810)</u>	<u>(256,428)</u>

13. PARENT UNDERTAKING AND EXEMPTION FROM PRODUCING GROUP ACCOUNTS

The immediate parent undertaking is Greenwich Holdings Limited. The ultimate parent is Greenwich Insurance Holdings plc. Copies of the consolidated Greenwich Insurance Holdings PLC statutory accounts may be obtained from the company secretary, Greenwich Lloyd's Underwriting Limited, Pingle House, Priors Hardwick, Southam, Warwickshire, CV47 7SL.

14. RELATED PARTY TRANSACTIONS

Under the provision of the Financial Reporting Standard No. 8, the company is exempt from disclosing transactions with group related parties, as it is a wholly owned subsidiary.

15. FLOATING CHARGE

On 31 December 1998, Greenwich Lloyd's Underwriting Limited gave European International Reinsurance Company Limited a floating charge over all the assets of the company. However, the charge does not apply to any assets required by the company's capital and solvency requirements pursuant to the Underwriting Agents Byelaw (No. 2 of 2003). The annual financial return to Lloyd's as at 31 December 2005 showed a shortfall of net assets of £348,810 (2004: £249,609).

The secured amounts currently exceed the company's assets and the former fellow subsidiaries are unable to pay the sums owed. EIR has agreed, however, not to enforce its security provided Greenwich Insurance Holdings PLC makes and continues to make all reasonable efforts to maximise the realisable value of the security given by it and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005 (continued)

16. CONTINGENT LIABILITIES

One former Name has commenced arbitration proceedings against the company to recover a loss resulting from his underwriting through the company's agency. This former Name has made an unsubstantiated claim for £293,000 which the directors believe to be groundless and will contest vigorously. No payment is expected to be required in respect of this claim and no provision has been made.

A small number of shareholders in Greenwich Insurance Holdings plc, the company's ultimate parent, have made claims against Greenwich Insurance Holdings plc and related parties, including Greenwich Lloyd's Underwriting Limited, to recover alleged losses of £723,288 arising from their participation in the Grenville II conversion scheme. The directors do not believe that these claims have any validity and the company will again contest liability vigorously. No payment is expected to be required by the company in respect of these claims and no provision has been made.