Reports & Financial Statements

For the year ended 31 December 2005

Grenville Underwriting I Limited

Company Registration No: 3257721

GRENVILLE UNDERWRITING I LIMITED

INDEX

COMPANY INFORMATION

DIRECTORS	G P Nash C J Hodgson
COMPANY SECRETARY:	C J Hodgson
REGISTERED ADDRESS:	Pingle House Priors Hardwick Sotham, Warwickshire CV47 7SL
AUDITORS:	Mazars LLP 24 Bevis Marks LONDON EC3A 7NR
BANKERS:	National Westminster Bank PLC 1 Princes Street LONDON EC2R 8PB
SOLICITORS:	Denton Wilde Sapte 1 Fleet Place LONDON EC4M 7WS

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY AND STATUS

The company was formed to take advantage of rules whereby investors can participate in underwriting at Lloyd's on a limited liability basis. It was elected as a Corporate Member at Lloyd's on 4 October 1996.

The principal activity of the company is that of a corporate member of Lloyd's. Its first underwriting year was the 1997 account. The 2002 year of account was the company's last underwriting year.

The company has negative shareholders' funds and cannot be considered a going concern. The directors have therefore prepared the accounts on a realisation basis.

On 10 March 2003, the company was sold to Dimpton Limited.

RESULTS AND DIVIDENDS

The profit for the period amounts to £3,000 (2004 restated: loss of £196,000). The directors do not recommend the payment of a dividend. The retained profit has been taken to reserves.

Details of the surplus on the technical account of £32,000 (2004 deficit restated: £193,000) are set out in note 6 to the accounts.

FUTURE DEVELOPMENTS

The company has not passed the Lloyd's Solvency Test at 31 December 2005. It still has participations on run-off years of account and until those are closed, its current level of activity is not expected to change.

DIRECTORS

The directors who served during the year were as follows:

G P Nash
C J Hodgson

None of the directors have an interest in the share capital of the company.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 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.

AUDITORS

On 20 March 2000, 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. Mazars LLP will continue to act as independent auditors.

By order of the board

Director

31 October 2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF

GRENVILLE UNDERWRITING I LIMITED

We have audited the financial statements of Grenville Underwriting I Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, the Balance Sheet and related notes. These financial statements have been prepared on the accounting policies set out therein.

This report is made solely to the company's member 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 member those matters we are required to state to it 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 member, 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 the 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatement 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.

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.

Emphasis of matter: significant uncertainty affecting the value of technical provisions
In forming our opinion, which is not qualified, we have considered the overall adequacy of the disclosures made in note 19 to the financial statements concerning the level of technical provisions which the company is carrying. Due to the difficulty of assessing the ultimate cost of claims from syndicate run off years, the existing provisions are subject to significant uncertainty and may prove to be either excessive or inadequate. As the uncertainties are resolved, material adjustments may prove necessary to the value of technical provisions for outstanding claims. It is not possible to quantify the potential financial impact of these adjustments.

Mazars LLP

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

31 October 2006

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005

	Notes	2005 £'000	2004 (restated) £'000
Technical account			
Gross premiums written	4	27	1
Outward reinsurance premiums	4	10	(19)
		37	(18)
Change in provision for unearned premium			
- gross amount		-	85
- reinsurers' share		-	(10)
Earned premiums, net of reinsurance		37	57
Allocated investment return transferred from the non technical account		28	62
Claims paid			
- gross amount	4	463	1,273
- reinsurers' share	4	(170)	(404)
		293	869
Change in the provision for claims			
- gross amount	4	(472)	(1,264)
- reinsurers' share	4	210	557
		(262)	(707)
Claims incurred net of reinsurance		31	162
Syndicate operating expenses	4/5	(1)	(138)
Personal expenses	4	-	(3)
Interest payable	4	(1)	(9)
Net operating expenses		(2)	(150)
Balance on the technical account for general business	6	32	(193)

The notes on pages 10 to 19 form part of these financial statements.

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2005 (continued)

	Notes	2005 £'000	2004 (restated) £'000
Non technical account			
Balance on the general business technical account		32	(193)
Investment income		39	92
Investment expenses and charges		(1)	(2)
Realised losses- syndicate participation		(4)	(18)
Unrealised losses – syndicate participation		(6)	(10)
Allocated investment return transferred to the general business technical account		(28)	(62)
Exchange loss		(32)	-
Other charges		(9)	(18)
Provision for run off costs	15	-	-
Loss on ordinary activities before tax	7	(9)	(211)
Tax credit on ordinary activities	10	12	15
Retained profit/(loss) for the period	14	3	(196)

All activities are discontinued.

The notes on pages 10 to 19 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2005

	2005 £'000	2004 (restated) £'000
Profit/(loss) on ordinary activities after taxation	3	(196)
Prior year adjustment	(43)	
Total gains and losses recognised since the last annual report	(40)	

BALANCE SHEET as at 31 December 2005

	Notes	2005 Corporate Undertaking £'000	2005 Syndicate Participations £'000	2005 Total £'000	2004 (restated) Corporate Undertaking £'000	2004 (restated) Syndicate Participations £'000	2004 (restated) Total £'000
Assets							
Investments							
Financial investments	11	-	630	630	-	1,765	1,765
Reinsurers' share of technical provisions							
Claims outstanding		-	400	400	-	869	869
Debtors							
Debtors arising out of direct insurance operations:							
- due from intermediaries		-	43	43	-	61	61
Debtors arising from reinsurance operations		-	131	131		264	264
Amount due from parent undertaking		79	-	79	67	-	67
Other debtors		-	108	108	-	114	114
Corporate-syndicate control account		113	(113)	-	(120)	120	-
		192	169	361	(53)	559	506
Other assets							
Cash at bank and in hand		-	156	156	-	423	423
Other		-	54	54	-	232	232
		-	210	210	-	655	655
Prepayments and accrued income							
Accrued interest and rent		-	3	3	-	9	9
Total assets		192	1,412	1,604	(53)	3,857	3,804

The notes on pages 10 to 19 form part of these financial statements.

BALANCE SHEET as at 31 December 2005

	Notes	2005 Corporate Undertaking £'000	2005 Syndicate Participations £'000	2005 Total £'000	2004 (restated) Corporate Undertaking £'000	2004 (restated) Syndicate Participations £'000	2004 (restated) Total £'000
Liabilities							
Capital and reserves							
Called up share capital	13	65	-	65	65	-	65
Profit and loss account		(4,675)	-	(4,675)	(4,678)	-	(4,678)
Shareholders' funds attributable to equity shares	14	(4,610)	-	(4,610)	(4,613)	-	(4,613)
Technical provisions							
Claims outstanding		-	1,252	1,252	-	3,471	3,471
Provision for other risks and charges	15	39	-	39	39	-	39
Deposits received from reinsurers		-	10	10	-	12	12
Creditors							
Creditors arising out of direct insurance operations		-	22	22	-	211	211
Creditors arising out of reinsurance operations		1,182	29	1,211	1,182	-	1,182
Other creditors including taxation	12	3,550	92	3,642	3,317	147	3,464
		4,732	143	4,875	4,499	358	4,857
Accruals and deferred income		31	7	38	22	16	38
Total liabilities		192	1,412	1,604	(53)	3,857	3,804

The financial statements were approved by the board of directors on 31 October 2006

Director

G NASH

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

1. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable Accounting Standards in the United Kingdom. They are prepared in accordance with provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985. The company has followed, as applicable, the guidance in the Statement of Recommended Practice "Accounting for insurance business" issued by the Association of British Insurers in December 2005, except for the treatment of exchange adjustments. Part of the company's exchange gains and losses arise directly from its underwriting activities and, in the opinion of the directors, including these items in the technical account, (rather than the non technical account as recommended by the SORP) gives a better understanding of the company's activities.

2. CHANGE IN REPORTING BASIS

Under the ABI SORP, underwriting results should be determined on an annual basis. This requirement was previously relaxed for Lloyd's corporate vehicles as the three year basis of accounting adopted by Lloyd's syndicates produced insufficient information to allow the company to prepare the accounts on an annual basis. The transition by Lloyd's to the annual basis of accounting for the syndicate return and for its central Schedule 9A facility means that the necessary annual accounting information is now available and therefore the financial statements have been prepared on this basis. The move to the annual basis of accounting represents a fundamental change in the reporting basis rather than a series of changes of accounting policies. Comparative amounts for 2004 have been restated. The net effect of the change is reflected in a prior year adjustment to reserves, shown in note 14.

3. ACCOUNTING POLICIES

(a) Going concern

As at 31 December 2005 the company had negative shareholders' funds of £4,610,000 (2004 restated: £4,613,000). The directors do not consider the company to be a going concern and have prepared the financial statements on a realisation basis.

(b) Investments, investment income, expenses and charges

Listed investments are stated at mid-market value. Deposits with credit institutions are stated at cost.

Investment income comprises interest receivable and dividends received plus realised and unrealised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluations.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year.

Investment income is initially recorded in the non-technical account. All investment income arising on syndicate participations is allocated to the technical account.

Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

3. ACCOUNTING POLICIES (continued)

(c) Taxation and deferred tax

Taxation is based on the taxable result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax at the rates of tax expected to apply when the timing differences reverse.

(d) Foreign currency transactions

Transactions in United States dollars, Canadian dollars and Euros are translated at the rates of exchange ruling at the date the transaction is processed or at an appropriate average rate. Unless otherwise stated, transactions in currencies other than United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are retranslated into sterling at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities at the balance sheet date are maintained at the rate of exchange ruling at the date the transaction is processed.

Exchange differences arising on translation are dealt with in the profit and loss account.

(e) Lloyd's underwriting activities

Basis of preparation

The accounting information in respect of underwriting income and assets and liabilities from syndicate participations has been provided by the managing agents through an information exchange facility operated by Lloyd's, and has been audited by the syndicate auditors.

The information supplied by the syndicates which has been used in these financial statements is based on syndicate data as at 31 December 2005 for the year ended on that date.

Assets and liabilities

The assets and liabilities entitled "syndicate participation" represent an aggregation of the proportion of assets and liabilities of each syndicate in which the company participates. These assets are held subject to the individual syndicate trust funds and the company cannot obtain or use them until such time as each syndicate underwriting year is closed and profits are distributed, or an advance profit release is made.

Basis of accounting for underwriting results

The underwriting results are determined on an annual basis of accounting. This represents a fundamental change in reporting basis rather than a series of changes in accounting policies. Previously results were determined on a three year funded basis whereby each underwriting year of account was normally kept open for three years and the result only ascertained at the end of the third year when the year of account was usually closed by reinsurance.

Under annual accounting, the incurred costs of claims, commission and related expenses are charged against the earned proportion of premiums net of reinsurance.

3. ACCOUNTING POLICIES (continued)

(e) Lloyd's underwriting activities (continued)

Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in prior years. Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include "reinsurance to close" premiums receivable (see below)

Premiums written may also include the reinsurance of other syndicates on which the company participates. No adjustments have been made to gross premiums written (or outward reinsurance premiums or gross and reinsurers' claims) to remove this intersyndicate reinsurance.

Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance

Except for gearing reinsurance, outwards reinsurance and any related reinsurance recoveries are accounted for in the same period as the premiums for the related inwards business being insured.

Outward reinsurance premiums may include "reinsurance to close" premiums payable (see below).

Claims incurred

Claims incurred include the cost of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the costs of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differ from the provision at the beginning of the year.

Provision for claims outstanding

Claims outstanding comprise amounts set aside for claims notified and claims incurred but not yet reported (IBNR). Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision is based on the information provided by managing agents. When appropriate, statistical methods have been applied to past experience of claims frequency and severity. The two most critical assumptions as regard claims provisions are that the past is a reasonable predictor of the likely level of claims development, and that the rating and other models used for more current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider the provision for gross claims and related reinsurance recoveries to be fairly stated. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made.

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

3. **ACCOUNTING POLICIES (continued)**

(e) Lloyd's underwriting activities (continued)

Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will discharge or procure the discharge of, or indemnify the reinsured members against, all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

(a) a premium; and

(b) either

(i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or

(ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the managing agent has a duty to ensure both sets of members are treated equitably.

To the extent that the company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the company has assumed a greater proportion of the business of the syndicate. If the company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of the reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

However, payment of a reinsurance to close is conventionally accepted as terminating a reinsured member's participation on a syndicate year of account and it is treated for accounts purposes as settling all the company's outstanding gross liabilities in respect of the business so reinsured.

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

4. SEGMENTAL ANALYSIS

	Gross premiums written		Gross premium earned		Gross claims incurred		Gross operating expenses		Reinsurance balance	
	2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)	2005	2004 (restated)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Direct business										
Accident and health	(9)	3	(9)	21	15	67	(1)	(27)	(15)	(8)
Motor – third party liability	29	-	29	-	(6)	(77)	(3)	(2)	(11)	(15)
Motor – other classes	1	(5)	1	3	(1)	(8)	1	(13)	3	(3)
Marine, aviation and transport	-	7	-	10	(16)	(48)	1	(10)	(36)	(50)
Fire and other damage to property	1	(5)	1	18	-	(20)	-	(35)	2	(11)
Third party liability	-	6	-	7	(10)	81	-	(15)	(18)	12
Credit and suretyship	1	(13)	1	(13)	-	53	-	(3)	7	9
Legal expenses	-	-	-	-	(1)	1	-	-	-	-
Other	-	3	-	4	-	(145)	-	(13)	-	(20)
Total direct	23	(4)	23	50	(19)	(96)	(2)	(118)	(68)	(86)
Reinsurance business	4	5	4	36	10	105	-	(32)	38	(96)
Total	27	1	27	86	(9)	9	(2)	(150)	(30)	(182)

	2005	2004
	£'000	£'000
Gross premiums in respect of direct business:		
United Kingdom	3	(4)
Other EU member states	-	-
Rest of the world	-	-
	3	(4)

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

5. SYNDICATE OPERATING EXPENSES

	2005 £'000	2004 (restated) £'000
Syndicate expenses	(7)	(54)
Exchange adjustment	6	(53)
Commission/brokerage	-	(11)
Change in deferred acquisition costs	-	(23)
Reinsurance commission	-	3
	(1)	(138)

6. BALANCE ON TECHNICAL ACCOUNT

	2005 £'000	2004 £'000
Profit for 1997 year of account	2	8
Loss for 1998 year of account	2	(16)
Loss for 1999 year of account	(6)	(32)
Loss for 2000 year of account	8	(169)
Profit for 2001 year of account	26	2
Profit for 2002 year of account	-	14
	32	(193)

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAX

The loss on ordinary activities before tax is stated after charging:	2005 £'000	2004 £'000
Auditor's remuneration		
- Audit fees	8	10
- Other services	-	8

8. STAFF COSTS

There were no staff employed by the company other than the directors during the period (2004: Nil). The average number of directors for the period was 2 (2004: 2).

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

9. DIRECTORS' REMUNERATION

There was no directors' remuneration during the period (2004: £nil).

10. TAX ON LOSS ON ORDINARY ACTIVITIES

	2005 £'000	2004 (restated) £'000
(a) Analysis of credit in period		
Current tax:		
UK corporation tax on loss of the period	-	-
Group relief surrendered	(12)	(15)
Adjustment in respect of previous periods	-	-
Current tax credit for period (see (b) below)	(12)	(15)
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax credit on loss on ordinary activities	(12)	(15)

(b) Factors affecting tax credit for period

	2005 £'000	2004 (restated) £'000
Loss on ordinary activities	(9)	(211)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	(3)	(63)
Effects of:		
Expenses not deductible for tax purposes	(9)	45
Creation/(utilisation) of tax losses	-	108
Group relief surrendered for no payment	-	122
Timing differences re underwriting losses not recognised	-	(227)
Adjustment in respect of previous periods	-	-
Current tax credit for period (see (a) above)	(12)	(15)

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

10. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

Credit has been taken in the financial statements for further amounts payable to the company of £12,000 (2004: £15,000) in respect of the surrender of tax losses to other group companies amounting to £41,000 (2004: £298,000) in accordance with an agreement entered into during 2003 between the company and its current and former parent companies, certain other current and former fellow subsidiaries and European International Reinsurance Company Limited. These amounts are subject to agreement of the relevant tax computations and losses available with the Inland Revenue.

(c) Deferred tax asset not provided for	**2005** **£'000**	**2004 (restated)** **£'000**
Tax losses	(694)	(680)
Timing differences re recognition of underwriting results	-	(227)
Total potential deferred tax not provided for	(694)	(907)

11. FINANCIAL INVESTMENTS

Syndicate investments	**2005 Valuation £'000**	**2005 Cost £'000**	**2004 (restated) Valuation £'000**	**2004 (restated) Cost £'000**
Shares and other variable yield securities	1	1	3	2
Debt securities and other fixed interest securities	562	562	1,242	1,252
Deposits with credit institutions	67	67	518	518
Deposits with ceding undertakings	-	-	2	2
	630	630	1,765	1,774

12. OTHER CREDITORS

	2005 Corporate Undertaking £'000	**2004 (restated) Corporate Undertaking £'000**
Other creditors	3,550	3,317
	3,550	3,317

Included in other creditors are amounts owed to Greenwich Insurance Holdings PLC of £2,486,000 (2004: £2,486,000) which was the ultimate parent undertaking until 10 March 2003.

Also included in other creditors are amounts owed to the Lloyd's New Central Fund of £974,000 (2004: £740,000).

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

13. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised:		
50,000,000 ordinary shares of 50p each	25,000	25,000
Issued and fully paid up:		
130,002 ordinary shares of 50p each	65	65

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £	2004 (restated) £
Profit/(loss) for the financial year	3	(196)
Increase/(Reduction) in shareholders' funds	3	(196)
Opening shareholders' funds as previously reported	(4,570)	(4,517)
Prior year adjustment	(43)	100
Opening shareholders' funds as restated	(4,613)	(4,417)
Closing shareholders' funds	(4,610)	(4,613)

15. PROVISION FOR OTHER RISKS AND CHARGES

The company has ceased underwriting at Lloyd's and 2002 was the company's last year of account. The accounts include a provision of £39,000 (2004: £39,000) for the estimated future costs of the company's administration. The provision is reviewed each year and any adjustment is made through the profit and loss account.

	Run off costs	
	2005 £'000	2004 £'000
At 1 January	(39)	(39)
Profit and loss account charge for the year	-	-
Applied in year	-	-
At 31 December	(39)	(39)

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

16. PARENT UNDERTAKING

On 10 March 2003, 100% of the issued share capital of the company (together with that of its fellow subsidiaries, Grenville Underwriting II Limited, Grenville Underwriting III Limited and Grenville Underwriting IV Limited) was sold to Dimpton Limited, a company which has no connection with Greenwich Insurance Holdings PLC, the ultimate parent undertaking at that date, or any of its remaining subsidiaries.

The financial statements of Dimpton Limited are available from Companies House.

17. RELATED PARTY TRANSACTIONS

Since 10 March 2003 Greenwich Insurance Holdings PLC has provided management and administration services to the company under an agreement with Dimpton Limited. The fee for this service was £5,000 per annum which has been borne by Dimpton Limited.

18. GEARING REINSURANCE

On 31 December 1998, Greenwich Insurance Holdings PLC gave European International Reinsurance Company Limited ("EIR"), a floating charge over all the assets of the company to secure the various amounts payable to EIR under the gearing reinsurance agreement which enabled the company and fellow underwriting subsidiaries at the time to underwrite at Lloyd's on a 4 to 1 gearing ratio.

At 31 December 2005 £1,182,000 (2004: £1,182,000) was owed to EIR, which the company is not able to pay. EIR has agreed, however, not to enforce its security provided Dimpton Limited pays Greenwich Insurance Holdings PLC all the sums due to it under the terms of the sale and purchase agreement for the company.

19. ADEQUACY OF TECHNICAL PROVISIONS

Run-off years of account

A significant proportion of the company's gross technical provisions relates to syndicates which, for a variety of reasons, have been unable to close their 2001 or earlier years of account at 31 December 2005. These technical provisions are subject to significant uncertainty and may be materially excessive or inadequate.