

Report & Financial Statements

For the year ended 31 December 2009

**Grenville Underwriting I
Limited**

Company Registration No: 03257721

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GRENVILLE UNDERWRITING I LIMITED

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COMPANY INFORMATION

DIRECTORS

G P Nash
C J Hodgson

COMPANY SECRETARY

C J Hodgson

REGISTERED ADDRESS

Pingle House
Priors Hardwick
Southam, Warwickshire
CV47 7SL

AUDITORS

Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

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 2009

The Company's registration number is 03257721

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.

RESULTS AND DIVIDENDS

The loss for the period amounts to £ 42,000 (2008 £132,000). The directors do not recommend the payment of a dividend. The retained loss has been taken to reserves.

FUTURE DEVELOPMENTS

The company has not passed the Lloyd's Solvency Test at 31 December 2009. 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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the managing agent of that Syndicate and it looks to the managing agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

Hedge accounting is not used by the company.

DIRECTORS

The directors who served during the year were as follows

G P Nash
C J Hodgson

DIRECTORS' REPORT (continued)**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Under the Companies Act 2006 section 418, we confirm that

(a) so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) we have taken all the steps that we ought to have taken as directors in order to make us aware of any relevant information and to establish that the Company's auditors are aware of that information.

AUDITORS

Mazars LLP will continue in office in accordance with CA 2006, s 487(2)

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



Director

So .9. 2010

G NASH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRENVILLE UNDERWRITING I LIMITED

We have audited the financial statements of Grenville Underwriting I Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

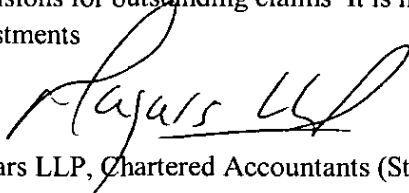
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRENVILLE UNDERWRITING I LIMITED (CONT)

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 20 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, Chartered Accountants (Statutory auditor)

Andrew Hubbard (Senior statutory auditor)

Tower Bridge House, St Katharine's Way, London, E1W 1DD

30 September 2010

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2009

| | Notes | 2009 £'000 | 2008 £'000 |
|---|-------|---------------|---------------|
| Technical account | | | |
| Gross premiums written | 4 | 2 | 3 |
| Outward reinsurance premiums | 4 | 2 | (2) |
| | | <u>4</u> | <u>1</u> |
| Change in provision for unearned premium | | | |
| - gross amount | | - | - |
| - reinsurers' share | | - | - |
| | | <u>-</u> | <u>-</u> |
| Earned premiums, net of reinsurance | | 4 | 1 |
| Allocated investment return transferred from the non technical account | | 2 | 10 |
| Claims paid | | | |
| - gross amount | 4 | (79) | (71) |
| - reinsurers' share | 4 | 30 | 23 |
| | | <u>(49)</u> | <u>(48)</u> |
| Change in the provision for claims | | | |
| - gross amount | 4 | 89 | 52 |
| - reinsurers' share | 4 | (46) | (17) |
| | | <u>43</u> | <u>35</u> |
| Claims incurred net of reinsurance | | <u>(6)</u> | <u>(13)</u> |
| Syndicate operating expenses | 4/5 | (2) | 5 |
| Personal expenses | 4 | (1) | (3) |
| Interest payable | 4 | - | - |
| | | <u>(3)</u> | <u>2</u> |
| Net operating expenses | | <u>(3)</u> | <u>2</u> |
| Balance on the technical account for general business | | <u>(3)</u> | <u>-</u> |

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

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2009

(continued)

| | Notes | 2009 £'000 | 2008 £'000 |
|---|-------|---------------|---------------|
| Non technical account | | | |
| Balance on the general business technical account | | (3) | - |
| Investment income | 6 | 4 | 14 |
| Realised gains on investments | | 1 | - |
| Unrealised gains on investments | | - | 2 |
| Realised losses on investments | 7 | (2) | (3) |
| Unrealised losses on investments | | (1) | (3) |
| Investment expenses and charges | 7 | - | - |
| Allocated investment return transferred to the general business technical account | | (2) | (10) |
| Exchange gain/(loss) | | 7 | (114) |
| Administrative expenses | | 1 | (18) |
| Other Charges | | (58) | - |
| Provision for run off costs | 16 | 13 | - |
| Loss on ordinary activities before tax | 8 | (40) | (132) |
| Tax charge on ordinary activities | 11 | (2) | - |
| Retained loss for the period | 15 | (42) | (132) |

All turnover and results are derived from discontinued operations. The company had no recognised gains or losses in the year ended 31 December 2009 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 10 to 19 form part of these financial statements.

BALANCE SHEET as at 31 December 2009

| | Notes | 2009 Corporate Undertaking £'000 | Syndicate Participations £'000 | Total £'000 | 2008 Corporate Undertaking £'000 | Syndicate Participations £'000 | Total £'000 |
|--|-------|---|--------------------------------------|----------------|---|--------------------------------------|----------------|
| Assets | | | | | | | |
| Investments | | | | | | | |
| Financial investments | 12 | - | 152 | 152 | - | 272 | 272 |
| Reinsurers' share of technical provisions | | | | | | | |
| Claims outstanding | | - | 29 | 29 | - | 88 | 88 |
| Debtors | | | | | | | |
| Debtors arising out of direct insurance operations | | | | | | | |
| - due from intermediaries | | - | 5 | 5 | - | 10 | 10 |
| Debtors arising from reinsurance operations | | - | 15 | 15 | - | 25 | 25 |
| Amount due from parent undertaking | | - | 40 | 40 | 3 | 59 | 62 |
| Other debtors | | | | | | | |
| Corporate-syndicate control account | | 48 | (48) | - | 126 | (126) | - |
| | | 48 | 12 | 60 | 129 | (32) | 97 |
| Debtors due after more than 1 year | | | | | | | |
| | | - | - | - | - | - | - |
| Other assets | | | | | | | |
| Cash at bank and in hand | | - | 42 | 42 | - | 38 | 3 |
| Other | | - | 9 | 9 | - | 18 | 18 |
| | | - | 51 | 51 | - | 56 | 56 |
| Prepayments and accrued income | | | | | | | |
| Accrued interest and rent | | - | - | - | - | - | - |
| Total assets | | 48 | 244 | 292 | 129 | 384 | 513 |


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

BALANCE SHEET as at 31 December 2009

| | Notes | 2009 | | | 2008 | | |
|--|-------|-----------------------------------|--------------------------------------|----------------|-----------------------------------|--------------------------------------|----------------|
| | | Corporate Undertaking £'000 | Syndicate Participations £'000 | Total £'000 | Corporate Undertaking £'000 | Syndicate Participations £'000 | Total £'000 |
| Liabilities | | | | | | | |
| Capital and reserves | | | | | | | |
| Called up share capital | 14 | 65 (4,627) | - | 65 (4,627) | 65 (4,585) | - | 65 (4,585) |
| Profit and loss account | | | | | | | |
| Shareholders' funds attributable to equity shares | 15 | (4,562) | - | (4,562) | (4,520) | - | (4,520) |
| Technical provisions | | | | | | | |
| Claims outstanding | | - | 204 | 204 | - | 327 | 327 |
| Provision for other risks and charges | 16 | 26 | - | 26 | 39 | - | 39 |
| Deposits received from reinsurers | | - | - | - | - | - | - |
| Creditors | | | | | | | |
| Creditors arising out of direct insurance operations | | - | 6 | 6 | - | 18 | 18 |
| Creditors arising out of reinsurance operations | | - | - | - | 1,113 | - | 1,113 |
| Other creditors including taxation | 13 | 4,571 | 31 | 4,602 | 3,467 | 38 | 3,505 |
| | | 4,571 | 37 | 4,608 | 4,580 | 56 | 4,636 |
| Accruals and deferred income | | 13 | 3 | 16 | 30 | 1 | 31 |
| Total liabilities | | 48 | 244 | 292 | 129 | 384 | 513 |

The financial statements were approved by the board of directors on

30.9.2010


Director

G NASH

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2009****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 Schedule 3 of the Large and Medium sized Company (Accounts) Regulations 2008. 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 (as amended in December 2006), 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. PREPARATION OF CASHFLOW STATEMENT

The company has taken the exemption available in Financial Reporting Standard 1 not to prepare a cashflow statement as the company is a subsidiary undertaking where 90 per cent or more of the voting rights are controlled within the group, and consolidated financial statements including the subsidiary undertaking is included and is publicly available.

3. ACCOUNTING POLICIES**(a) Going concern**

As at 31 December 2009 the company had negative shareholders' funds of £4,562,000 (2008 £4,520,000). 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

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. The deferred tax is not discounted.

(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 2009 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

In June 2003, the EU Insurance Accounts Directive ("the Directive") was amended so that syndicates were no longer required to prepare accounts on the three year funded basis. Instead, the Directive now provides a framework that allows Lloyd's to use annual accounting for all aspects for reporting and the amendments to the Directive have been implemented in the UK by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004.

The transition by Lloyd's to the annual basis of accounting for Returns and for its central Schedule 3 facility means that the annual accounting information is available to allow the financial statements of the company to be prepared on this basis.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

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 2009 (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 2009 (continued)

4. SEGMENTAL ANALYSIS

| | Gross premiums written | | Gross premium earned | | Gross claims incurred | | Gross operating expenses | | Reinsurance balance | |
|-----------------------------------|------------------------|----------|----------------------|----------|-----------------------|-------------|--------------------------|----------|---------------------|------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Direct business | | | | | | | | | | |
| Accident and health | 1 | 1 | 1 | 1 | 3 | (27) | - | - | (1) | 9 |
| Motor – third party liability | - | - | - | - | - | - | - | - | - | - |
| Motor – other classes | - | - | - | - | - | (1) | - | - | - | - |
| Marine, aviation and transport | - | - | - | - | - | 2 | - | - | - | (1) |
| Fire and other damage to property | - | - | - | - | - | 2 | - | - | (1) | (1) |
| Third party liability | - | 1 | - | 1 | - | 17 | - | 2 | (4) | (9) |
| Credit and suretyship | - | - | - | - | 5 | (2) | 1 | - | - | - |
| Legal expenses | - | - | - | - | (1) | - | - | - | - | (1) |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total direct | <u>1</u> | <u>2</u> | <u>1</u> | <u>2</u> | <u>7</u> | <u>(9)</u> | <u>1</u> | <u>2</u> | <u>(6)</u> | <u>(3)</u> |
| Reinsurance business | | | | | | | | | | |
| | 1 | 1 | 1 | 1 | 3 | (10) | (3) | - | (8) | 7 |
| Total | <u>2</u> | <u>3</u> | <u>2</u> | <u>3</u> | <u>10</u> | <u>(19)</u> | <u>(2)</u> | <u>2</u> | <u>(14)</u> | <u>4</u> |

All insurance business is underwritten in the UK in the Lloyds insurance market, which has been treated as one geographical segment for the purpose of SSAP25 Segmental Reporting

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

5. SYNDICATE OPERATING EXPENSES

| | 2009 £'000 | 2008 £'000 |
|---------------------|-----------------------------|-----------------------------|
| Acquisition costs | (1) | - |
| Syndicate expenses | (1) | - |
| Exchange adjustment | - | 5 |
| | <u>(2)</u> | <u>5</u> |

6. INVESTMENT INCOME

| | 2009 £'000 | 2008 £'000 |
|-------------------------------|-----------------------------|-----------------------------|
| Income from investments | 4 | 10 |
| Realised gains on investments | - | 4 |
| | <u>4</u> | <u>14</u> |

7. INVESTMENT EXPENSES AND CHARGES

| | 2009 £'000 | 2008 £'000 |
|--------------------------------|-----------------------------|-----------------------------|
| Investment management expenses | - | - |
| Realised losses on investments | (2) | (3) |
| | <u>(2)</u> | <u>(3)</u> |

8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|-----------------------------|
| The profit on ordinary activities before tax is stated after charging | | |
| Auditor's remuneration | | |
| - Audit fees | 9 | 9 |
| | <u>9</u> | <u>9</u> |

9. STAFF COSTS

There were no staff employed by the company other than the directors during the period (2008 Nil)
The average number of directors for the period was 2 (2008 2)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

10. DIRECTORS' REMUNERATION

There was no directors' remuneration during the period (2008 £nil)

11. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2009 £'000 | 2008 £'000 |
|---|-----------------------------|-----------------------------|
| (a) Analysis of credit in period | | |
| Current tax | | |
| UK corporation tax on profit of the period | - | - |
| Group relief surrendered | - | - |
| Adjustment in respect of previous periods | 2 | - |
| | <u>2</u> | <u>-</u> |
| Current tax credit for period (see (b) below) | <u>2</u> | <u>-</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | - | - |
| | <u>-</u> | <u>-</u> |
| Total deferred tax | <u>-</u> | <u>-</u> |
| Tax credit on profit on ordinary activities | <u>2</u> | <u>-</u> |
| (b) Factors affecting tax credit for period | | |
| Profit/(loss) on ordinary activities | (40) | (132) |
| | <u>(40)</u> | <u>(132)</u> |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%) | (11) | (38) |
| <i>Effects of</i> | | |
| Expenses not deductible for tax purposes | 23 | (2) |
| Creation/(utilisation) of tax losses | (13) | 25 |
| Other timing differences | 1 | 15 |
| Adjustment to prior year provision | 2 | - |
| | <u>2</u> | <u>-</u> |
| Current tax credit for period (see (a) above) | <u>2</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

11. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

| (c) Deferred tax asset not provided for | 2009 £'000 | 2008 £'000 |
|--|-----------------------|-----------------------|
| Tax losses | (626) | (639) |
| Total potential deferred tax not provided for | <u>(626)</u> | <u>(639)</u> |

12. FINANCIAL INVESTMENTS

| | 2009 Valuation £'000 | 2009 Cost £'000 | 2008 Valuation £'000 | 2008 Cost £'000 |
|---|-------------------------------------|--------------------------------|-------------------------------------|--------------------------------|
| Syndicate investments | | | | |
| Shares and other variable yield securities | 20 | 20 | 74 | 74 |
| Debt securities and other fixed income securities | 83 | 83 | 192 | 192 |
| Deposits with credit institutions | 49 | 49 | 6 | 6 |
| | <u>152</u> | <u>152</u> | <u>272</u> | <u>272</u> |

13. OTHER CREDITORS

| | 2009 Corporate Undertaking £'000 | 2008 Corporate Undertaking £'000 |
|-----------------|---|---|
| Other creditors | 4,571 | 3,467 |
| | <u>4,571</u> | <u>3,467</u> |

Also included in other creditors are amounts owed to the Lloyd's New Central Fund of £790,949 (2008 £861,074)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

14. CALLED UP SHARE CAPITAL

| | 2009 £'000 | 2008 £'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 |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2009 £ | 2008 £ |
|---------------------------------|-------------------------|-------------------------|
| Loss for the financial year | (42) | (132) |
| Decrease in shareholders' funds | (42) | (132) |
| Opening shareholders' funds | (4,520) | (4,388) |
| Closing shareholders' funds | (4,562) | (4,520) |

16. 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 £ 26,000 (2008 £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.

| | 2009 £'000 | Run off costs 2008 £'000 |
|---|-----------------------------|---|
| At 1 January | (39) | (39) |
| Profit and loss account charge for the year | 13 | - |
| Applied in year | - | - |
| At 31 December | (26) | (39) |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2009 (continued)

17. 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

18. RELATED PARTY TRANSACTIONS

Under the provisions of Financial Reporting Standard 8, the company is exempt from disclosing transactions with group related parties as 90 per cent or more of the voting rights are controlled within the group and consolidated financial statements incorporating the company are publicly available

At the balance sheet date amounts were owed to the following companies which are related by virtue of common directors,

| | |
|------------------------------------|------------|
| Greenwich Insurance Holdings PLC | £2,537,581 |
| Greenwich Lloyd's Underwriting Ltd | £12,660 |
| Grenville Holdings Limited | £64,840 |

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

19. 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 2009 £1,184,222 (2008 £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

20. 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 2009. These technical provisions are subject to significant uncertainty and may be materially excessive or inadequate