

Grenville Underwriting PLC

Financial statements for the year ended 31 December 1998

Registered number: 3257721



Directors' Report

For the year ended 31st December 1998

The directors submit their report together with the audited financial statements of the Company for the period ended 31 December 1998.

Principal activity and status

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

The principal activity of the Company is that of a corporate member of Lloyd's. Its first underwriting year is the 1997 account. Under Lloyd's three year accounting regime the results of the 1997 account will not be reported until 2000.

On 1st January 1998 Greenwich Insurance Holdings PLC acquired 100% of the share capital of Grenville Underwriting PLC and subsequently transferred ownership to Grenville Holdings Ltd.

Results and dividends

The loss for the period amounts to £344,027 (1997 £222,305). The directors cannot recommend the payment of a dividend. The retained loss is to be taken to reserves.

Presentation of the accounts

The accounts have been prepared in accordance with the provisions of Section 255 and Schedule 9A of the Companies Act 1985.

Future developments

The Company proposes to continue its current activities.

Directors

The directors who served during the period and their interests in the Company were as follows:

		Number of 50p ordinary shares	
		At 1 st January 1998	At 31 st December 1998
R.S.T. Gunter	(appointed 21 st January 1998 – resigned 14 th January 1999)	-	-
A.V. Hilton		1	-
J.R. Maudslay	(appointed 21 st January 1998 – resigned 3 rd December 1998)	-	-
G.P. Nash	(appointed 21 st January 1998)	-	-
R.G.G. Thynne		5,001	-

Except for A.V. Hilton, the above directors are also directors of the Company's parent undertaking, Greenwich Insurance Holdings PLC, and their interests in the share capital of that company are disclosed in its financial statements.

Directors' Report (continued)

For the year ended 31st December 1998

Underwriting Review

The syndicates supported by the Company are set out below. This is very closely aligned with the Greenwich MAPA and represents a spread across all classes of business. The aim of the directors is to achieve a return close to the market average, whilst minimising the impact of single syndicate losses. The spread achieved would also reduce the impact of single market losses.

1997 Underwriting

syn	Underwriter	Line	% of total	synd	Underwriter	Line	% of total
Marine				Non Marine			
2	Upton	40,432	0.43	51	Taylor	175,188	1.85
457	Watkins	103,003	1.09	55	Lloyd-Roberts	105,103	1.11
488	Charman	238,598	2.52	122	Hunter	69,383	0.73
535	Davies	102,827	1.09	205	Jago	99,832	1.05
536	Berry	38,435	0.41	219	Finn	181,197	1.91
566	Hamblin	311,436	3.29	227	Gravett	39,932	0.42
588	Metcalfe	248,581	2.63	318	Pritchard	39,932	0.42
590	Wootton	104,535	1.10	376	Montgomerie	103,002	1.09
672	Agnew	314,468	3.32	386	Wallace	182,563	1.93
735	Shone	94,839	1.00	435	Mann	124,789	1.32
741	Wright	250,020	2.64	463	Davies	152,243	1.61
861	Brockbank	398,210	4.21	490	Brotherton	302,000	3.19
1036	Copping	145,595	1.54	544	Pitt	249,579	2.64
1084	Hayward	127,785	1.35	623	Beazley	90,847	0.96
1093	Howell	46,640	0.49	702	Brown	109,531	1.16
1183	Atkin	37,836	0.40	780	Caudle	44,603	0.47
1215	Hurst-Bannister	125,147	1.32	839	Marshall	454,581	4.80
1221	Thomas	109,815	1.16	923	Simmonds	67,386	0.71
Motor				947	Simmonds	189,680	2.00
37	Lovis	170,310	1.80	990	Cox	107,319	1.13
218	Heath	359,394	3.80	991	Grant	137,206	1.45
587	Brick	97,623	1.03	994	Deem	217,839	2.30
866	Wiley	319,462	3.37	1027	Newton	154,739	1.63
877	Cunningham	219,823	2.32	1047	Wasey	58,668	0.62
Aviation				1101	Theakston	117,302	1.24
48	Williams	96,925	1.02	1156	Murphy	126,687	1.34
173	Dampier	139,765	1.48	1173	Cottrell	194,028	2.05
270	Knowles	211,135	2.23	1176	Dawson	72,098	0.76
340	Tilling	38,935	0.41	Composite			
734	Silvio	120,540	1.27	33	Childs	108,023	1.14
960	Williams	171,510	1.81	79	Youell	299,494	3.16
				510	Rendall	121,675	1.29
				2001	Keeling	188,183	1.99

Directors' Report (continued)

For the year ended 31st December 1998

1998 Underwriting

Syn	Underwriter	Line	% of total	Syn	Underwriter	Line	% of total
Marine				Non-Marine			
2	Upton	90,432	0.10	51	Taylor	355,188	0.17
535	Davies	72,827	0.15	205	Jago	239,832	0.20
566	Hamblin	311,436	0.23	219	Kendrick	119,422	0.10
588	Metcalfe	273,581	0.32	227	Gravett	129,932	0.41
672	Agnew	314,468	0.12	376	Montgomerie	295,727	0.46
735	Shone	144,839	0.17	386	Wallace	182,563	0.15
741	Wright	100,020	0.38	435	Mann	384,789	0.16
1084	Hayward	127,785	0.16	490	Brotherton	302,000	0.26
1093	Howell	55,091	0.22	529	Etheridge	60,000	0.26
1221	Thomas	109,815	0.16	544	Pitt	149,621	0.40
1308	Spinney	183,945	0.23	702	Brown	114,964	0.13
Motor				727	Meacock	100,000	0.19
37	Lovis	175,794	0.15	839	Marshall	109,123	0.20
218	Watkins	386,349	0.17	947	Simmonds	257,066	0.49
253	Acott	75,000	0.27	991	Grant	174,950	0.29
587	Brick	131,303	0.15	994	Deem	96,626	0.30
866	Wiley	119,462	0.20	1007	Villers	175,000	0.12
877	Cunningham	111,310	0.19	1047	Wasey	81,496	0.39
963	Wallace	125,000	0.11	1101	Theakston	192,302	0.35
Aviation				1156	Murphy	126,687	0.19
48	Williams	96,925	0.14	1173	Cottrell	261,938	0.32
173	Dampier	150,247	1.30	1212	Burnhope	120,000	0.13
270	Knowles	211,135	0.38	Composite			
340	Tilling	38,935	0.04	33	Childs	205,708	0.06
800	Clapham	60,000	0.10	79	H-Bannister	459,641	0.23
960	Green	127,775	0.10	510	Rendall	206,466	0.08
1999	Spinney	46,000	0.46	861	Reith	539,000	0.23
				1485	Woolton	100,558	0.16
				2001	Keeling	288,183	0.05

Results

1997 was the first underwriting year in which the Company participated in Lloyd's and the result will not be reported until 2000. The deficit on the technical account of £410,873 represents a provision of £240,376 in respect of 19 Syndicates on the 1997 year of account on which a loss is predicted and of £170,497 in respect of 20 Syndicates on the 1998 year. No credit has been taken for Syndicates on which profits are predicted. This will have the effect of improving the results reported in future years. A small profit before members' agents fees and the cost of gearing reinsurance is expected on the close of the 1997 account and a small loss on the close of 1998.

Trading conditions

Trading conditions in 1998 were difficult in all markets and represented a deterioration on the previous year. It is likely that the 1999 account will produce only marginal returns, however, there are small signs of improvement in some areas of the market.

Directors' Report (continued)

For the year ended 31st December 1998

Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit and 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 confirm that the financial statements comply with the above requirements.

The directors are also responsible for keeping 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 of fraud and other irregularities.

Millennium IT Risk

The turn of the century could see faults in the processing of data which could have wide ranging consequences for all businesses. The Company is aware of this issue and is undertaking relevant steps to eliminate the problem within its internal operations. The Company does however remain potentially exposed to the failure of third parties to deal with their year 2000 exposures and will take practical steps to mitigate the effect. The total estimated costs of this issue to the Company are not expected to be material.

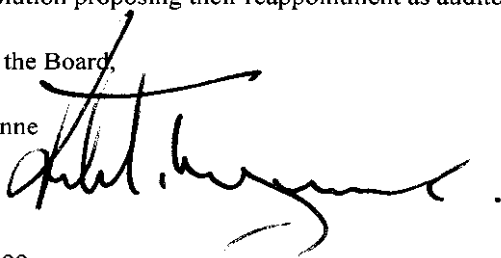
Auditors

During the year Binder Hamlyn resigned as auditors to the Company. Mazars Neville Russell were appointed by the Directors to fill the casual vacancy as auditors of the Company. In accordance with Section 385 of the Companies Act 1985, a resolution proposing their reappointment as auditors to the Company will be put to the annual general meeting.

By order of the Board,

R.G.G. Thynne

Director



30th June 1999

Auditors' report

For the year ended 31st December 1998

Report by the Auditors to the members of Grenville Underwriting PLC

We have audited the accounts on pages 6 to 14, which have been prepared on the basis of the accounting policies, set out on pages 10 to 11.

Respective responsibilities of directors and auditors

As described on page 4, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 assurances that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Mazars Neville Russell

Chartered Accountants and Registered Auditors

24 Bevis Marks

London

EC3A 7NR

30th June 1999

5 Grenville Underwriting PLC

Profit and loss account

For the year ended 31st December 1998

	Notes	1998 £	1997 £
Technical account			
Gross premiums written	2	12,151,774	8,164,689
Outward reinsurance premiums		(2,179,110)	(2,115,448)
Earned premiums, net of reinsurance		9,972,664	6,049,241
Allocated investment return transferred from the non technical account		178,079	35,630
Claims paid			
- gross amount	2	(3,047,488)	(658,890)
- reinsurers' share		929,172	165,588
		(2,118,316)	(493,302)
Change in the provision for claims			
- gross amount	2	(9,961,956)	(4,841,815)
- reinsurers' share		3,673,601	1,396,433
		(6,288,355)	(3,445,382)
Claims incurred net of reinsurance		(8,406,671)	(3,938,684)
Syndicate operating expenses	3	(1,866,486)	(1,815,122)
Personal expenses		(288,459)	(331,065)
Net operating expenses		(2,154,945)	(2,146,187)
Balance on the technical account for general business	4	(410,873)	-

Profit and loss account (continued)

For the year ended 31st December 1998

	Notes	1998	1997
		£	£
Non technical account			
Balance on the general business technical account		(410,873)	-
Investment income	5		
- syndicate participations		157,783	35,619
- corporate undertaking		-	1,803
Realised gains		24,344	1,360
Investment expenses and charges	6	(4,048)	(1,349)
Allocated investment return transferred to the general business technical account		(178,079)	(35,630)
Other income -- profit on sale of capacity		157,910	-
Other charges		(9,653)	(225,108)
Loss on ordinary activities before tax	7	(262,616)	(223,305)
Tax on loss on ordinary activities	10	(81,411)	-
Retained loss for the period	15	<u>(344,027)</u>	<u>(223,305)</u>
			-

There were no recognised gains or losses other than the loss for the period.

All activities are continuing.

The notes on pages 10 to 14 form part of these financial statements

Balance Sheet

As at 31st December 1998

Notes	1998			1997		
	Corporate Undertaking £	Syndicate Participations £	Total £	Corporate Undertaking £	Syndicate Participations £	Total £
- Assets						
Intangible Assets	11	157,531	-	157,531	-	-
Investments						
Financial investments	12	-	2,375,584	2,375,584	-	875,424
Reinsurers' share of technical provisions						
Claims outstanding		-	4,579,333	4,579,333	-	1,049,136
Debtors						
Debtors arising out of direct insurance operations:						
- due from policyholders		-	12,266	12,266	-	22,834
- due from intermediaries		-	2,352,439	2,352,439	-	2,225,640
Debtors arising out of reinsurance operations						
- RITC		-	3,946,683	3,946,683	-	-
- Other		-	1,302,427	1,302,427	-	788,271
Other debtors		5,329	199,815	205,144	5,329	108,081
		5,329	7,813,630	7,818,989	5,329	3,144,826
Other assets						
Cash at bank and in hand		441	179,505	179,946	287	92,221
Other		-	314,007	314,007	-	246,231
		441	493,512	493,953	287	338,452
Prepayments and accrued income						
Other prepayments and accrued income		148,948	17,015	165,963	11,830	23,656
Total assets		312,249	15,279,074	15,591,323	17,446	5,414,048
						5,431,494

The notes on pages 10 to 15 form part of these financial statements.

Balance Sheet

As at 31st December 1998

Notes	1998			1997		
	Corporate Undertaking £	Syndicate Participations £	Total £	Corporate Undertaking £	Syndicate Participations £	Total £
Liabilities						
Capital and reserves						
Called up share capital	65,001	-	65,001	65,001	-	65,001
Profit and loss account	(91,459)	(410,873)	(502,332)	(158,305)	-	(158,305)
Shareholders' funds attributable to equity shares	15	(410,873)	(437,331)	(93,304)	-	(93,304)
Technical provisions						
Claims outstanding	-	14,548,736	14,548,736	-	4,787,177	4,787,177
Deposits received from reinsurers						
Creditors						
Creditors arising out of direct insurance operations	-	385,625	385,625	-	186,745	186,743
Creditors arising out of reinsurance operations	-	488,154	488,154	-	303,225	303,225
Credit institutions	-	23,362	23,362	-	-	-
Other creditors including taxation	331,207	218,738	549,944	83,750	110,695	194,445
	331,207	1,115,879	1,447,085	83,750	600,663	684,413
Accruals and deferred income	7,500	24,329	31,829	27,000	25,439	52,439
Total liabilities	312,249	15,279,074	15,591,323	17,446	5,414,048	5,431,494

The financial statements were approved by the Board of directors on 30th June 1999 and signed on its behalf by:

G P Nash

Director

9 Grenville Underwriting PLC

Notes to the financial statements (continued)

For the year ended 31st December 1998

1 Accounting policies

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 approved in accordance with provisions of section 25A 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 1998.

a) Investments

Listed investments are valued at middle market prices.

b) Income and expenses

Dividends from investments declared payable up to the balance sheet date and interest from securities, with the addition of the relevant tax credit where appropriate, are included in the non-technical account on an accruals basis.

c) Deferred tax

Deferred taxation, calculated on the liability method, is provided on items which are recognised for tax purposes in different periods, to the extent that the liability will crystallise.

d) Foreign currency transactions

Transactions in foreign currency, whether of a revenue or capital nature, are translated into sterling at the rates of exchange ruling on the dates of such transactions. Revenue items accrued and other foreign currency assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange ruling on that date.

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 1998 for the year ended on that date.

Assets and liabilities

The assets and liabilities entitled "syndicate participations" 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.

Fund accounting and open year losses

The fund basis of accounting has been adopted for all classes of business because the nature of the business accepted and the accounts of the underlying syndicates mean that an underwriting result cannot be established with sufficient accuracy using the annual basis.

Under the fund basis of accounting, premiums, claims and expenses (including personal expenses) are carried forward as a fund and profit recognition is deferred until the end of the third year from the start of any underwriting year. Any anticipated losses on open years are recognised on a syndicate by syndicate basis as soon as they are foreseen.

Notes to the financial statements (continued)

For the year ended 31st December 1998

Premiums

Written premiums comprise the total premiums receivable in the period together with adjustments to premiums receivable and reinstatement premiums arising in the financial period in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries.

Reinsurance

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

Reinsurance gearing

Premiums and costs payable under the reinsurance gearing policy are included in the profit and loss account when the result of the Lloyd's underwriting year to which they relate is recognised.

Claims

Full provision is made for the estimated cost of claims, including settlement costs, notified but not yet settled at the balance sheet date. A provision for claims incurred but not reported is established based on information provided by the underlying syndicates. Any difference between provisions and subsequent settlements are dealt with in the technical accounts of later years.

Underwriting income and expenses

All income and expenditure incurred from participation in the underlying syndicates is dealt with through the technical account except investment income earned by the syndicates which is initially recorded in the non-technical account and then transferred to the technical account.

Lloyd's levies

Lloyd's levies are accounted for having regard to whether they relate to underwriting, in which case they are charged against the year of account to which they relate, or to general levies in which case they are charged to the calendar year in which they are raised.

Auction costs

Underwriting capacity at Lloyd's acquired at auction is carried at cost and amortised over three years. Amortisation commences when the first year of participation closes.

Foreign currency

Syndicate assets, liabilities, income and expenditure in foreign currency are converted into sterling at the rate of exchange ruling at 31st December.

Provision for loss making syndicates – open years

Provision is made for all Syndicates on which losses are predicted. No credit is taken for Syndicates on which profits are predicted.

Notes to the financial statements (continued)

For the year ended 31st December 1998

Segmental analysis	Gross premiums written £	Gross premiums written £	Gross claims incurred £	Gross claims incurred £	Gross operating expenses £	Gross operating expenses £	Reinsurance balance £	Reinsurance balance £
	1998	1997	1998	1997	1998	1997	1998	1997
Direct business								
Accident & health	326,266	266,700	(215,211)	(219,020)	(109,892)	(86,465)	18,125	(14,623)
Motor - third party liability	298,512	226,040	(193,265)	(186,743)	(60,324)	(51,941)	(36,678)	(10,737)
Motor - other classes	1,065,598	1,064,411	(756,441)	((801,084)	(265,825)	(263,523)	(114,480)	(61,258)
Marine, aviation and transport	815,195	1,331,279	(1,355,186)	(1,315,989)	(219,817)	(333,942)	688,047	128,985
Fire and other damage to property	1,202,285	1,453,964	(1,160,687)	(907,523)	(309,759)	(446,432)	182,404	(96,293)
Third party liability	1,976,311	2,073,248	(1,350,702)	(1,113,639)	(556,238)	(520,301)	(37,126)	(201,775)
Credit and suretyship	100,207	47,321	(70,215)	(23,751)	(22,388)	(15,223)	(7,636)	(2,294)
Legal expenses	69,461	23,056	(17,879)	(4,856)	(18,045)	(6,567)	(15,429)	(461)
Assistance	354	252	(25)	(312)	(85)	(56)	(115)	(17)
Other	171,653	211,817	(152,636)	(83,313)	(59,779)	(82,523)	13,964	(10,953)
Total direct	6,025,842	6,698,088	(5,272,247)	(4,656,230)	(1,602,132)	(1,806,976)	691,076	(269,426)
Reinsurance business								
	6,125,932	1,466,601	(7,737,197)	(844,475)	(552,813)	(339,213)	1,673,529	(284,541)
Total	12,151,774	8,164,689	(13,009,444)	(5,500,705)	(2,154,945)	(2,146,187)	2,423,663	(553,427)

	1998	1997
	£	£
Gross premiums in respect of direct business		
United Kingdom	5,905,509	6,578,637
Other EU member states	34,493	43,990
Rest of the world	85,840	76,061
	<u>6,025,842</u>	<u>6,698,088</u>

3 Syndicate operating expenses

	1998	1997
	£	£
Syndicate expenses	(381,685)	(294,223)
Exchange adjustment	(18,134)	336
Commission/brokerage	(1,466,667)	(1,521,235)
	<u>(1,866,486)</u>	<u>(1,815,122)</u>

4 Balance on technical account

	1998	1997
	£	£
Provision against 1997 underwriting results	240,376	-
Provision against 1998 underwriting results	170,497	-
	<u>410,873</u>	<u>-</u>

5 Investment income

	1998	1997
	£	£
Income from investments	157,783	35,619
Bank and deposit interest	-	1,803
	<u>157,783</u>	<u>37,422</u>
Attributable to technical account	157,783	35,619
Included in non technical account	-	1,803
	<u>157,783</u>	<u>37,422</u>

6 Investment expenses and charges

	1998	1997
	£	£
Investment management fee	4,048	1,349
Attributable to technical account	<u>4,048</u>	<u>1,349</u>

7 The loss on ordinary activities before tax is stated after charging:

	1998	1997
	£	£
Auditors remuneration		
- Audit fees	5,500	5,000
-Other services	2,000	17,077

8 Staff costs

There were no staff employed by the Company other than the directors during the period (1997: nil). The average number of directors for the period was 5 (1997: 5)

9 Directors remuneration

There was no directors remuneration during the period (1997 £nil)

10 Tax on loss on ordinary activities

	1998	1997
	£	£
Corporation tax at 31% (1997 nil).	81,411	-

The underwriting results of Lloyd's corporate members are only subject to UK taxation when they have been declared by the Syndicate on which they participate. No results will be declared for the Company until 2000. As a consequence of the foregoing, no tax relief is currently available to the Company in the current period in respect of the provision for underwriting losses of £410,873.

11 Intangible assets - costs

	Purchased Syndicate participations £
Additions in year and at 31 st December 1998	157,331

12 Financial investments

	1998 Syndicate participations £	1997 Syndicate participations £
Shares and other variable yield securities	87,806	28,722
Debt securities and other fixed interest securities	1,878,658	656,835
Participation in investment pools	83,480	22,622
Loans guaranteed by mortgage	2,800	1,182
Deposits with credit institutions	287,062	147,644
Deposits with ceding undertakings	1,964	2,969
Other	33,814	15,450
	<u>2,375,584</u>	<u>875,424</u>

13 Other creditors including taxation

	1998 Corporate undertaking £	1997 Corporate undertaking £
Amount owed to fellow subsidiaries	249,796	-
Corporation tax	81,411	-
Other creditors	-	83,750
	<u>331,207</u>	<u>83,750</u>

14 Called up share capital

	1998
Authorised:	£
50,000,000 authorised ordinary shares of 50p each	<u>25,000,000</u>
Issued and fully paid up:	
130,002 ordinary shares of 50p each	<u>65,001</u>

15 Reconciliation of movements in shareholders' funds

	Share Capital	Profit & Loss A/C	TOTAL
	£	£	£
At 1 st January 1998	65,001	(158,305)	(93,304)
Loss for the year	-	(344,027)	(344,027)
At 31 st December 1998	<u>65,001</u>	<u>(502,332)</u>	<u>(437,331)</u>

16. Parent undertaking

On 1st January 1998 Greenwich Insurance Holdings PLC acquired 100% of the share capital of the Company and transferred it to Grenville Holdings Limited. Grenville Holdings Limited is the immediate parent company and Greenwich Insurance Holding PLC is the ultimate parent Company. The smallest and largest group of undertakings for which Group accounts are prepared is that headed by Greenwich Insurance Holdings PLC. Copies of the consolidated statutory accounts of that Company may be obtained from the Company Secretary, Grenville Underwriting PLC, 23 Walbrook, London EC4N 8BT. All the above Companies are incorporated in Great Britain and registered in England and Wales.

17. Related party transactions

Under the provisions 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.

18. Contingent liabilities and guarantees

On 31st December 1998, Greenwich Insurance Holdings PLC gave European International Reinsurance Company Limited, a floating charge over all the assets of the Company to secure the various amounts payable to European International Reinsurance Company Limited under the reinsurance agreement which enables the Company to underwrite at Lloyd's on a 4 to 1 gearing ratio. The reinsurance agreement provides excess of loss cover up to an aggregate limit of £2,367,000 for the 1997 and subsequent underwriting years and the annual premium payable is £237,650. On termination of the policy, the Company will receive profit commission of 25% of the difference between the premiums paid and any claims made under it. Under the terms of the policy, the reinsurer is required to deposit security for any claims payable in the form of a letter of credit. This letter of credit forms part of the Company's Funds at Lloyd's, in addition to those made interavailable by shareholders in Greenwich Insurance Holdings PLC.