

TRENWICK UK HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005



Registered in England No. 03261531

Contents

Contents	Page
Officers and Professional Advisers	1
Directors' Report	2
Consolidated Profit and Loss	4
Consolidated Balance Sheet	5
Company Balance Sheet	6
Consolidated Cash Flow Statement	7
Notes to the Financial Statements	9

Trenwick UK Holdings Limited
Officers and Professional Advisers

Directors

R D Law
M C Watson

Secretary

A Fetto

Registered Office

36 Gracechurch Street
London
EC3V 0BT

Company Number

03261531

Trenwick UK Holdings Limited
Directors' Report
Year Ended 31 December 2005

The directors present their report and the unaudited financial statements of the Company and of the Group for the year ended 31 December 2005.

The Company's shareholder has confirmed that it does not require audited financial statements to be filed at Companies House and, accordingly, the Company and group has taken advantage of the exemption available to small companies and their members under sections 249AA(1) and 249B(2) of the Companies Act 1985, and these financial statements have not been subject to audit.

Principal activities, review of the business and future developments

The Company continues to be a holding company to undertakings that are all in run-off.

The financial statements have been prepared on the going concern basis despite its shareholders' funds being in deficit, mainly represented by loans made by the Company's ultimate holding company or by other subsidiary undertakings of the Trenwick Group Ltd. (in provisional liquidation) to the Company. As explained in further detail in note 1 to these financial statements, the directors consider it appropriate to regard the Company as a going concern but there is uncertainty as to whether this is the case. The directors are seeking an orderly cessation of the Company's affairs and those of its subsidiaries as soon as is practicable. As part of this process, the Company shall request the Trenwick Group companies to waive repayment of substantially all amounts due to them.

Results and dividends

The results of the Company and the Group for the year ended 31 December 2005 are set out in the financial statements on pages 5 to 15.

The directors do not recommend the payment of a dividend (2004 - £nil) on the ordinary shares of £1 each for the year ended 31 December 2005.

Directors and their interests

The present directors of the Company are listed on page 1.

The directors set out in the table below held office during the whole of the period from 1 January 2005 to the date of this report, unless otherwise indicated:

R D Law
M C Watson

None of the directors held an interest in the shares of the Company.

In accordance with The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations SI 85/802 the Directors have not disclosed their interests in the shares of Trenwick Group Ltd. (in provisional liquidation), the ultimate holding company.

Employees

The number of employees in the group (including executive directors of the group) at 31 December 2005 was nil (2004: nil).

Charitable donations

The group donated £nil to charitable organisations during the year (2004: £nil).

Creditors' payment policy

The group negotiates credit terms with individual suppliers, which vary according to the trading relationships with the suppliers concerned, as well as prevailing market conditions. Payment is then made in accordance with the agreed terms.

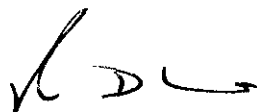
Statement of directors' responsibilities

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 the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those accounts, 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 keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and of the group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are responsible for safeguarding the assets of the Company and of the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The report of the directors was approved by the board on 26 October 2006 and signed on its behalf on by:



R D Law
Director

Trenwick UK Holdings Limited
Consolidated Profit and Loss Account
Year Ended 31 December 2005

		Year ended 31 December 2005	Year ended 31 December 2004
	Notes	£'000	£'000
Operating income		148	464
Operating expenses	2	(21)	(592)
Operating profit / (loss)		127	(128)
Interest and other income		64	75
Group operating profit / (loss) on ordinary activities before tax	2	191	(53)
Tax on profit / (loss) on ordinary activities	4	-	-
Profit / (loss) on ordinary activities after tax		191	(53)
Retained profit / (loss) for the period	11	191	(53)

All income and expenses above are in respect of discontinued operations.

There are no differences between the amounts reported in the profit and loss account and their historical cost equivalents. Accordingly, a note of historical cost profits and losses is not required.

There are no recognised gains and losses other than as reported in the profit and loss account and accordingly a statement of recognised gains and losses is not presented.

The notes on pages 9 to 15 form part of these financial statements.

Trenwick UK Holdings Limited
Consolidated Balance Sheet
As at 31 December 2005

	Note	2005 £' 000	2004 £' 000
Fixed assets			
Investment in associated undertakings	5	-	34
Debtors			
Other debtors	6	997	574
Other assets			
Cash at bank		1,087	2,381
Total Assets		2,084	2,989
Capital and reserves			
Called up share capital	9	15,495	15,495
Capital contributions		29,896	29,896
Profit and loss reserve	11	(63,297)	(63,488)
Shareholders' funds – equity interests	10	(17,906)	(18,097)
Creditors			
Amounts owing to group undertakings		19,019	19,019
Other creditors including tax & social security		950	2,033
	7	19,969	21,052
Accruals and deferred income		21	34
Total Liabilities		19,990	21,086
Total Liabilities and Shareholders' Equity		2,084	2,989

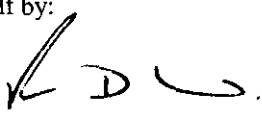
(a) For the year ended 31 December 2005 the group was entitled to exemption under section 249AA(1) of the Companies Act 1985.

(b) Members have not required the group to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

(c) The directors acknowledge their responsibility for:

- ensuring the group keeps accounting records which comply with section 221; and
- preparing accounts which give a true and fair view of the state of affairs of the group as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the group.

These financial statements were approved by the Board of Directors on 26 October 2006 and signed on their behalf by:


R D Law
Director

The notes on pages 9 to 15 form part of these financial statements.

Trenwick UK Holdings Limited
Company Balance Sheet
Year Ended 31 December 2005

		31 December 2005	31 December 2004
	Notes	£'000	£'000
Fixed Assets			
Investments in group undertakings	5	-	-
Current Assets			
Cash at bank		594	612
Creditors – Amounts Falling Due Within One Year	7	(19,034)	(19,053)
Net Current liabilities		(18,440)	(18,441)
Net liabilities		<u>(18,440)</u>	<u>(18,441)</u>
Capital and Reserves			
Called up share capital	9	15,495	15,495
Capital contribution		29,896	29,896
Profit and loss account	11	(63,831)	(63,832)
Equity Shareholders' Deficit	10	<u>(18,440)</u>	<u>(18,441)</u>

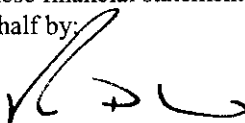
(a) For the year ended 31 December 2005 the Company was entitled to exemption under section 249AA(1) of the Companies Act 1985.

(b) Members have not required the Company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

(c) The directors acknowledge their responsibility for:

- ensuring the Company keeps accounting records which comply with section 221; and
- preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the Company.

These financial statements were approved by the Board of Directors on 26 October 2006 and signed on their behalf by:


R D Law
Director

The notes on pages 9 to 15 form part of these financial statements.

Trenwick UK Holdings Limited
Consolidated Cash Flow Statement
Year Ended 31 December 2005

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Net cash (outflow) / inflow from operating activities	(i)		(1,392)		1,176
Returns on investments and servicing of finance:					
Interest received		64		78	
Proceeds from sale of associated undertaking		34		-	
Net cash inflow from returns on investments and servicing of finance			98		78
Taxation			-		-
Net cash (outflow) / inflow			<u>(1,294)</u>		<u>1,254</u>
Cash flows were invested as follows:					
(Decrease) / increase in cash holdings	(ii)		(1,294)		1,254
Net (dis-investment) / investment of cash flows			<u>(1,294)</u>		<u>1,254</u>

Trenwick UK Holdings Limited
Consolidated Cash Flow Statement
As at 31 December 2005

Notes to the Consolidated Cash Flow Statement

for the year ended 31 December 2005

	2005 £'000	2004 £'000
(i) Reconciliation of operating profit / (loss) to net cash flow from operating activities		
Operating profit / (loss) before exceptional items	191	(53)
Interest received	(64)	(78)
(Increase) / decrease in debtors, prepayments and accrued income	(423)	460
(Decrease) / increase in creditors	(1,083)	875
(Decrease) / increase in accruals	(13)	6
Write back of provision for diminution in value of investment in group undertakings	-	(34)
Net cash inflow / (outflow) from operating activities	<u>(1,392)</u>	<u>1,176</u>

(ii) Movement in cash and financing	1 January 2004 £'000	Cash flow 2004 £'000	1 January 2005 £'000	Cash flow 2005 £'000	31 December 2005 £'000
Cash at bank and in hand	1,127	1,254	2,381	(1,294)	1,087

Trenwick UK Holdings Limited
Notes To The Financial Statements
Year Ended 31 December 2005

1. Accounting Policies

(a) Basis of preparation – group financial statements

Accounting convention

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Going concern

The directors believe the Company remains a going concern following a review of the Company's available assets, which they believe are adequate to meet its expected obligations as and when they fall due over the next twelve months, but are not sufficient to meet all of the Company's liabilities. Uncertainty remains over the repayment of certain liabilities to the Company's ultimate holding company or to other subsidiary undertakings of Trenwick Group Ltd. (in provisional liquidation) ("Trenwick Group companies"), various of which are currently in insolvency proceedings in their home jurisdictions. The directors are not aware of any present intention by any of the Trenwick Group companies to request repayment of these liabilities but the Trenwick Group companies concerned are unable to give any undertaking not to demand repayment within the next 12 months. There is therefore a risk that the Company will be unable to meet all of its obligations and accordingly there is fundamental uncertainty as to whether the Company is a going concern.

(b) Basis of preparation – Company financial statements

The Company's financial statements have been prepared in accordance with Section 227 of, and Schedule 4A to, the Companies Act 1985 adopting the exemption from presenting the profit and loss account of the Company as conferred by Section 230 of the Act.

(c) Operating Expenses

Operating expenses are charged to the profit and loss account as incurred.

(d) Investments

Fixed asset investments (including investments in subsidiary and associated undertakings) are stated at the lower of cost and net realisable value.

(e) Taxation and deferred taxation

The charge for taxation is based on realised profits for the year and takes into account deferred taxation.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Trenwick UK Holdings Limited
Notes To The Financial Statements
Year Ended 31 December 2005

2. Group operating profit / (loss) on Ordinary Activities Before Tax

	2005 £'000	2004 £'000
Group operating loss on ordinary activities before tax is stated after charging the following items:		
<i>Auditors' remuneration</i>		
- Audit fees	-	26

The auditors' remuneration noted above relates to the aggregate remuneration of the auditors of the combined operations constituted as the group. Of the auditors' remuneration £nil (2004: £15,000) arose in relation to the Company. Amounts paid to the auditors in respect of non-audit work amounted to £nil (2004: £nil).

Canopus Services Limited has charged the group £21,000 for administration and accounting services provided to this Company and to its subsidiary undertakings to cover a twelve month period.

3. Directors and Employees

No persons were employed by the Company or Group during the year ended 31 December 2005 (2004: nil).

The Company's directors are employed by Canopus Services Limited ("CSL"). Staff and director costs were borne by CSL and no recharges were made to the company or to its subsidiary undertakings for the year ended 31 December 2005 (2004: £nil).

None of the directors received any emoluments from the Group for their qualifying services during the year ended 31 December 2005 (2004: £nil).

4. Tax Charge on Loss / (Profit) On Ordinary Activities

	2005 £'000	2004 £'000
United Kingdom corporation tax at 30% (2004: 30%)	-	-
Overseas tax charge	-	-
Over provision in prior years' tax charge	-	-
	<u>-</u>	<u>-</u>
Factors affecting tax charge:		
Profit / (loss) before tax	<u>191</u>	<u>(53)</u>
Tax at 30%	57	(16)
Effect of tax losses carried forward	(19)	
Non-taxable income – other	<u>(38)</u>	<u>16</u>
	<u>-</u>	<u>-</u>

A potential deferred tax asset of £143,000 (2004: £153,000) has not been recognised in the accounts. This arises as a result of tax losses incurred in prior years which are carried forward and available to offset future taxable profits. This potential deferred tax asset may become recoverable if the Group declares taxable profits in the future.

Trenwick UK Holdings Limited
Notes To The Financial Statements
Year Ended 31 December 2005

5. Fixed Asset Investments

(i) Fixed asset investments

The group's fixed asset investments represent investments in subsidiary and associated undertakings at cost less provision for impairment.

	2005 £'000	2004 £'000
Cost		
At 1 January	36,624	36,658
Impairment provision		
At 1 January	(36,624)	(36,658)
Decrease / (increase) in provision	-	34
At 31 December	(36,624)	(36,624)
Net book value at 31 December	-	-

(ii) Subsidiary and associated undertakings

Details of the Company's direct and indirect subsidiary and associated undertakings as at 31 December 2005 are stated below, all of which operate in the United Kingdom and are registered in England and Wales, unless stated otherwise. All the subsidiary and associated undertakings have been consolidated using the acquisition accounting method.

Subsidiaries	Principal Activities	Effective ordinary shares held by the Company or by its nominees (%)
Trenwick UK Limited	Intermediate Holding Company	100%
Archer Dedicated Limited	Intermediate Holding Company	100%
Trenwick Underwriting Limited	Insurance claims handling	100%
Bowman Loss Adjusters Limited	Non trading company	100%

Bowman Loss Adjusters Limited ("BLA") and Trenwick Underwriting Limited ("TUL") have nil net assets and their current operations of administering insurance claims, mainly on behalf of syndicate 839 are structured to generate neither future profits nor losses in those companies. In 2006 BLA and TUL were sold for £1 consideration to Canopus Holdings UK Limited ("CHUKL"). The affect of these sales on the consolidated net assets of the group was £nil, as shown in note 16. CHUKL is the UK holding company of Canopus Services Limited, which is the employer company of this Company's directors. CHUKL is also the UK holding company of Canopus Managing Agents Limited, which is the manager of syndicate 839.

On 12 October 2004 the following subsidiary companies were dissolved:

- ADIT Holdings Limited
- Archer Personal Lines Limited
- Castle Underwriting Holdings Limited
- Castle Members Agents Limited
- Surveyors Direct Limited

On 10 August 2005, Trenwick UK plc and Archer Dedicated plc were reregistered as private limited companies.

During 2005, the Group sold all of its shares in ISIS consulting Inc,

Trenwick UK Holdings Limited
Notes To The Financial Statements
Year Ended 31 December 2005

6. Debtors Group

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Due from group undertakings	23,147	23,175
Bad and doubtful debt provision	(22,739)	(22,739)
Other debtors	589	138
	<u>997</u>	<u>574</u>

The group has recognised debt owed by a subsidiary undertaking of Trenwick Group Ltd. (in provisional liquidation) ("Trenwick Group companies"). A full provision has been established against this debt to reflect the risk of non-payment. The amounts owed by the group undertaking are unsecured, interest free and have no fixed date of repayment.

7. Creditors – Amounts Falling Due Within One Year

(a) Group

	2005	2004
	£'000	£'000
Trade creditors	950	1,331
Amounts owed to related undertakings	19,019	19,019
Corporation tax payable	-	-
Other creditors	-	702
	<u>19,969</u>	<u>21,052</u>

Amounts owed to related undertakings are unsecured, interest free and repayable on demand.

(b) Company

	2005	2004
	£'000	£'000
Amounts owed to related undertakings	19,019	19,019
Accruals and deferred income	15	34
	<u>19,034</u>	<u>19,053</u>

8. Insurance Intermediaries' Assets And Liabilities

One company in the group acts as administrative agent in handling claims and insurance contracts on behalf of syndicate 839 and other insurance parties and as such is generally not liable as principal for premiums due to underwriters, or for claims payable to clients. Notwithstanding the legal relationship with clients and underwriters, and since in practice premium and claim monies are usually accounted for by insurance intermediaries, this company has followed generally accepted accounting practice by showing cash, debtors and creditors relating to insurance business as assets and liabilities of the company itself.

Included in the consolidated balance sheet headings listed below are the following amounts, which relate to:

	2005	2004
	£'000	£'000
Cash at bank	879	1,092
Debtors	71	436
Trade creditors – amounts falling due within one year	(950)	(1,528)

Trenwick UK Holdings Limited
Notes To The Financial Statements
Year Ended 31 December 2005

9. Called Up Share Capital

	Group and Company 2005 £'000	Group and Company 2004 £'000
Authorised:		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Allotted, issued and fully paid:		
15,494,955 ordinary shares of £1 each	<u>15,495</u>	<u>15,495</u>

10. Reconciliation of Movements in Shareholders' Funds

	Group £'000	Company £'000
Balance at the beginning of the year	(18,097)	(18,441)
Profit for the year	<u>191</u>	<u>1</u>
Balance at the end of the year	<u>(17,906)</u>	<u>(18,440)</u>

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the financial year was £900 (2004: profit of £284,935).

11. Statement of Retained Loss

	Group £'000	Company £'000
Retained loss at 31 December 2004	(63,488)	(63,832)
Retained profit for the year ended 31 December 2005	<u>191</u>	<u>1</u>
Retained loss at 31 December 2005	<u>(63,297)</u>	<u>(63,831)</u>

12. Capital commitments

There were no capital commitments contracted for but not provided in the financial statements (2004: nil).

13. Related party transactions

One of the group's former subsidiary undertakings, Trenwick Underwriting Limited ("TUL"), provided run-off claims handling services to Lloyd's syndicate 839 2001 and prior years of account. 100% of the participation on syndicate 839 2001 and prior years of account is taken up by Oak Dedicated Limited, Oak Dedicated Two Limited, Oak Dedicated Three Limited and Oak Dedicated Four Limited, all of which are indirect subsidiary undertakings to the Company's ultimate parent undertaking.

Syndicate 839 provides financial support to TUL with respect to TUL's claims handling obligations.

As noted in note 5, "Fixed asset investments", in 2006 Bowman Loss Adjusters Limited and TUL were sold for £1 consideration to Canopus Holdings UK Limited. The affect of these sales on the consolidated net assets of the group was £nil, as shown in note 16.

Trenwick UK Holdings Limited
Notes To The Financial Statements
Year Ended 31 December 2005

13. Related party transactions (continued)

The directors of the Company are also directors of Canopus Holdings UK Limited ("CHUKL") and directors and employees of Canopus Services Limited ("CSL").

CHUKL is the UK holding company of Canopus Managing Agents Limited ("CMA") and CSL.

CSL has charged the group £21,000 for administration and accounting services provided to this Company and to its subsidiary undertakings to cover a twelve month period.

CMA is the manager of syndicate 839.

14. Contingent Liabilities and Guarantees

The Company has arranged facilities with its bankers in respect of bank guarantees in connection with the Lloyd's underwriting membership of sponsored Names. It has also given counter indemnities to its bankers and an assurance Company which have given guarantees to Lloyd's, or loans to employees in relation to their underwriting membership at Lloyd's. At 31 December 2005 the Company had a contingent liability in respect of these matters totalling £15,000 (2004: £25,913). Bank deposits totalling £14,977 secure this liability (2004: £99,911 secured £15,000 of the liability).

During 2003 the ordinary shares of Oak Dedicated Four Limited, a former subsidiary undertaking of the Group, were sold to Canopus Holdings UK Limited. As part of the sale agreement, the ultimate parent undertaking and some of its subsidiaries confirmed in writing to Canopus Holdings UK Limited that no action will be taken by them or their subsidiaries to place in administration or wind up either Oak Dedicated Four Limited, or the Trenwick Group companies which are owed amounts by Oak Dedicated Four Limited, before 1 January 2010. Amounts owed by Oak Dedicated Four Limited to the Group amounted to £22,738,668 (2004: £22,738,668) and a full provision for non-payment of this debt has been made in the financial statements.

The Plaintiff Trenwick American Litigation Trust has made a complaint in the Court of the Chancery of the State of Delaware against a number of directors of the Company's ultimate holding company, Trenwick Group Ltd. (in provisional liquidation) and a number of named professional advisors. The named directors include individuals who were formerly directors of the Company. The directors are not aware of any potential implications of this action for the Company, which would require adjustment to these financial statements. However, the Company's Articles of Association includes the following clause: "Subject to the provisions of the Act [Companies Act 1985], but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director or other officer or auditor of the Company shall be indemnified out of the assets of the Company against any liability incurred by him as such director or other officer or auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability.". The directors do not expect any loss to arise as a consequence of these indemnity arrangements.

15. Ultimate Parent Undertaking And Controlling Party

The ultimate parent undertaking is Trenwick Group Ltd. (in provisional liquidation) incorporated in Hamilton, Bermuda and whose registered office is the LOM Building, 27 Reid Street, Hamilton, HM 11, Bermuda.

Trenwick UK Holdings Limited

Notes To The Financial Statements

Year Ended 31 December 2005

16. Post balance sheet event

Note 5 states that Trenwick Underwriting Limited and Bowman Loss Adjusters Limited, were both subsidiary undertakings of the Company at 31 December 2005 and were sold to Canopus Holdings UK Limited during 2006. The pro-forma balance sheet below shows the effect of the sale on the consolidated balance sheet as if it had occurred on 31 December 2005.

	Consolidated Balance sheet At 31 December 2005 £' 000	Effect of sale of TUL and BLA £' 000	Pro-forma Consolidated Balance sheet At 31 December 2005 £' 000
Fixed assets			
Investment in associated undertakings	-		
Debtors			
Other debtors	997	(997)	-
Other assets			
Cash at bank	1,087	47	1,134
Total Assets	<u>2,084</u>	<u>(950)</u>	<u>1,134</u>
Capital and reserves			
Called up share capital	15,495		15,495
Capital contributions	29,896		29,896
Profit and loss reserve	(63,297)		(63,297)
Shareholders' funds – equity interests	<u>(17,906)</u>	<u>-</u>	<u>(17,906)</u>
Creditors			
Amounts owing to group undertakings	19,019		19,019
Other creditors including tax & social security	950	(950)	-
	<u>19,969</u>	<u>(950)</u>	<u>19,019</u>
Accruals and deferred income	21		21
Total Liabilities	<u>19,990</u>	<u>(950)</u>	<u>19,040</u>
Total Liabilities and Shareholders' Equity	<u>2,084</u>	<u>(950)</u>	<u>1,134</u>