

Report & Financial Statements

For the year ended 31 December 2002

**Service Corporate Capital
Limited**

Company Registration No: 3271467

SERVICE CORPORATE CAPITAL LIMITED

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DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The company is a corporate member of Lloyd's and undertakes both insurance and reinsurance business through participation in Lloyd's Syndicate No. 1222. The company commenced underwriting for the 1997 year of account. The results of the 2000 year of account have been determined as at the end of 2002. The company ceased to underwrite after the 2000 year of account. The directors are at present considering the future of the company. In view of its negative shareholders' funds the company is not currently a going concern. The directors have therefore prepared the accounts on a realisation basis.

RESULTS AND DIVIDENDS

The company's results for the period are set out on pages 4 and 5 and its financial position is set out on pages 6 and 7.

SYNDICATE PARTICIPATION

The company has provided £16,363,878 capacity to Syndicate 1222, for the 2000 year of account.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who have held office during the period are as follows:

G P Nash
R G G Thynne

None of the directors had any interest in the shares of the company. Messrs Nash and Thynne are also directors of the company's parent undertaking, at 31 December 2002, Greenwich Insurance Holdings PLC, and their interests in the shares of that company are described in its financial statements.

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 of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

DIRECTORS' REPORT (continued)

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

AUDITORS

On 6 May 1999, the company passed an elective resolution in accordance with section 379(A)(1)(b)(c) and (e) of the Companies Act 1985 dispensing with the need to lay financial statements and reports before a general meeting and to appoint auditors annually.

By Order of the Board



G Nash
Director

7 July 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBER OF

SERVICE CORPORATE CAPITAL LIMITED

We have audited the financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared on a realisation basis, and under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

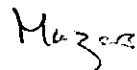
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company as at 31 December 2002 and of the result of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


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

7 July 2003

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|--|-------|---------------|---------------|
| Gross premiums written | 2 | (26) | 17 |
| Outward reinsurance premiums | 2 | 26 | (16) |
| | | <hr/> | <hr/> |
| Net premium written | | - | 1 |
| Investment income | 3 | - | 11 |
| | | <hr/> | <hr/> |
| Total technical income | | - | 12 |
| | | <hr/> | <hr/> |
| Claims paid | | | |
| - gross amount | 2 | (5,954) | (12,656) |
| - reinsurers' share | 2 | 5,954 | 12,358 |
| | | <hr/> | <hr/> |
| | | - | (298) |
| Change in the provision for claims | | | |
| - gross amount | 2 | 4,460 | 5,769 |
| - reinsurers' share | 2 | (4,460) | (5,375) |
| | | <hr/> | <hr/> |
| | | - | 394 |
| | | <hr/> | <hr/> |
| Claims incurred net of reinsurance | | - | 96 |
| Net operating expenses | 5 | - | (155) |
| | | <hr/> | <hr/> |
| Total technical charges | | - | (59) |
| | | <hr/> | <hr/> |
| Balance on the technical account for general business | | - | £(47) |
| | | <hr/> | <hr/> |

All of the operations of the company are discontinued.

The notes on pages 8 to 17 form part of these financial statements.

PROFIT AND LOSS ACCOUNT**For the year ended 31 December 2002 (continued)**

| | Notes | 2002 £'000 | 2001 £'000 |
|---|-------|---------------|---------------|
| Non technical account | | | |
| Balance on the general business technical account | | - | (47) |
| Other expenses | | - | (1) |
| | | <u>-</u> | <u>(1)</u> |
| Operating loss | | - | (48) |
| Investment income | | | |
| Income from other investments | 3 | - | 13 |
| Investment expenses and charges | 4 | - | (13) |
| | | <u>-</u> | <u>(13)</u> |
| Loss on ordinary activities before tax | 6 | - | (48) |
| Tax on loss on ordinary activities | 9 | - | - |
| | | <u>-</u> | <u>-</u> |
| Loss for the financial year after tax, retained and transferred from reserves | 13 | - | £(48) |
| | | <u>-</u> | <u>£(48)</u> |

A statement of total recognised gains and losses is not given as there have been no gains and losses other than shown above.

The notes on pages 8 to 17 form part of these financial statements.

BALANCE SHEET as at 31 December 2002

| | Notes | 2002 £'000 | 2001 £'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| INVESTMENTS | | | |
| Other financial investments | 10 | 5,781 | 8,536 |
| REINSURERS' SHARE OF TECHNICAL PROVISIONS | | | |
| Claims outstanding | | 8,100 | 21,260 |
| DEBTORS | | | |
| Debtors arising out of direct insurance operations – intermediaries | | 92 | (12) |
| Debtors arising out of reinsurance operations – other | | 878 | 973 |
| RITC | | - | 8,324 |
| Other debtors | | 192 | 19 |
| | | <hr/> | <hr/> |
| | | 1,162 | 9,303 |
| OTHER ASSETS | | | |
| Cash at bank | 11 | 243 | 141 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS | | <u>£15,286</u> | <u>£39,240</u> |

These financial statements were approved by the board of directors on
and were signed on its behalf by:

7 July 2003



Director

The notes on pages 8 to 17 form part of these accounts.

BALANCE SHEET as at 31 December 2002

| | Notes | 2002 £'000 | £'000 | 2001 £'000 | £'000 |
|--|-------|-------------------|-------------------|-------------------|-------------------|
| LIABILITIES | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 12 | 500 | | 500 | |
| Profit and loss account | 13 | (1,086) | | (1,086) | |
| | | <u> </u> | | <u> </u> | |
| Shareholders' funds attributable to equity interests | 12 | | (586) | | (586) |
| TECHNICAL PROVISIONS | | | | | |
| Claims outstanding | | | 15,313 | | 39,629 |
| CREDITORS | | | | | |
| Creditors arising out of direct insurance operations | | 21 | | 19 | |
| Creditors arising out of reinsurance operations | | - | | (26) | |
| Amount owed to credit institutions | | - | | - | |
| Accruals and deferred income | | 75 | | (242) | |
| Other creditors | 14 | 463 | | 446 | |
| | | <u> </u> | | <u> </u> | |
| | | | 559 | | 197 |
| | | | <u> </u> | | <u> </u> |
| TOTAL LIABILITIES | | | <u>£15,286</u> | | <u>£39,240</u> |

The notes on pages 8 to 17 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2002****1. ACCOUNTING POLICIES****(a) Basis of preparation**

The financial statements are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985.

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules as modified by the revaluation of investments. 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.

The company underwrites insurance business as principal through its participations in a Lloyd's syndicate under the terms of an agency agreement entered into each year with the syndicate's managing agent. These agreements give control to the managing agent of the conduct of the underwriting and the company has no access to those funds which are controlled by the syndicate. The technical account represents the company's participations on syndicate 1222 for the 2000 year of account as reported for the calendar year ended 31 December 2002, and is based on a syndicate return which has been audited by the syndicate's auditors. Whole account quota share reinsurances entered into directly by the company are recorded within the technical account.

(b) Going concern

At 31 December 2002, the company had negative shareholders' funds of £586,000. The directors do not consider the company to be a going concern and have prepared the accounts on a realisation basis.

(c) Basis of accounting for underwriting activities

The company has adopted the fund basis of accounting. Profits for an underwriting year are recognised on its closure, which is not earlier than 36 months after its commencement, and is normally at that time. This basis has been adopted to allow a period for the reporting of premiums and claims which is sufficient to enable the underwriting result to be determined. This method of profit recognition follows that adopted by the syndicate on which the company participates. The excess of premiums written and investment income over claims paid and related reinsurance and net operating expenses is carried forward as a technical provision as part of outstanding claims and reinsurers' share of outstanding claims. The adequacy of the technical provision for open years is assessed by estimating the net written premium and deducting the estimated ultimate cost of claims, settlement expenses and net operating expenses. Any anticipated underwriting losses are recognised as soon as they are foreseen.

(d) Premiums

Written premiums comprise premiums estimated to be receivable in respect of contracts incepting in the financial year and are stated gross of commissions payable to intermediaries, and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the same period as the premiums for the related direct or inwards reinsurance business.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

1. ACCOUNTING POLICIES (continued)

(e) Company reinsurance policies

The company has entered into a number of whole account quota-share reinsurance contracts to protect the 2000 underwriting year. The combined effect of these contracts is such that the account is 100% reinsured. The reinsurers have provided letters of credit (or bank guarantees) totalling £3.1 million (2001: £13.9m) as Funds at Lloyd's to support the company's underwriting.

(f) Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same period as the claims for the related direct or inwards reinsurance business.

(g) Claims outstanding

For all underwriting years, provision is made for outstanding claims and settlement expenses incurred at the balance sheet date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims.

For an open underwriting year, the provision includes the excess of net premiums written and investment income over claims paid and related reinsurance and operating expenses so that no profit is recognised in the technical account for that underwriting year. Provision is made for losses on each open underwriting year to the extent that the technical provision is assessed to be inadequate to meet the estimate ultimate cost of claims, settlement expenses and net operating expenses.

The level of provisions is set on the basis of the available information, including potential outstanding claims advices and case law. Any difference between provisions and subsequent settlements are dealt with in the technical accounts of later years.

(h) Equalisation provision

An equalisation provision is not included in the accounts as members of Lloyd's are exempt from the provisions of the Insurance Companies (Reserves) Act 1995.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002 (continued)

1. ACCOUNTING POLICIES (continued)

(i) 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 indemnify, discharge or procure the discharge, of 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 and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group of members.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

1. ACCOUNTING POLICIES (continued)

(i) Reinsurance to close (continued)

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.

(j) Investments, investment income, expenses and charges

Financial investments are stated at market value.

Where investments represent the company's share of syndicate investments, they are treated as sold and repurchased at each year end in recognition of the annual venture nature of participations on a syndicate.

Investment income comprises interest and dividends. Interest is recognised on an accruals basis and dividends are recognised on an ex-dividend basis. Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

Realised gains or losses are calculated as the difference between the net sales proceeds and purchase price of investments or, if they have been previously revalued, their valuation at the last balance sheet date.

(k) Allocation of investment return

The investment return on funds managed by the syndicate is included in the technical account. The investment return on other funds is included in the non-technical account.

(l) Taxation and deferred taxation

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 company has changed its accounting policy as a result of the introduction of FRS19. No prior year adjustment has been made as, in the opinion of the directors, its effect would be immaterial to the financial statements.

SERVICE CORPORATE CAPITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002 (continued)

2. SEGMENTAL ANALYSIS

| | Gross premiums written | | Gross claims incurred | | Gross operating expenses | | Reinsurance balance | |
|-----------------------------|------------------------|-------------------|-----------------------|-------------------|--------------------------|-------------------|---------------------|-------------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Direct business | | | | | | | | |
| Motor | | | | | | | | |
| - third party liability | (30) | (85) | (885) | (3,598) | (213) | (775) | 1,033 | (6,130) |
| - other classes | 4 | 102 | (631) | (887) | (129) | 510 | 602 | (1,476) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total direct | (26) | 17 | (1,516) | (4,485) | (342) | (115) | 1,635 | (7,606) |
| Reinsurance business | | | | | | | | |
| | - | - | 22 | (2,402) | - | - | 227 | (10,111) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | £(26) | £17 | £(1,494) | £(6,887) | £(342) | £(155) | £1,862 | £(17,717) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

All business is written in the United Kingdom. Total commission received in respect of direct business is £3,000(2001: paid £108,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

3. INVESTMENT RETURN

| | 2002 | | | | 2001 | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Income | Realised | Expenses | Total | Income | Realised | Expenses | Total |
| | £'000 | loss | and | £'000 | £'000 | gains | and | £'000 |
| | | £'000 | charges | | | £'000 | charges | |
| | | | £'000 | | | | £'000 | |
| Income from other investments | | | | | | | | |
| Technical | 386 | (74) | (12) | 300 | 658 | (110) | (18) | 530 |
| account | | | | | | | | |
| Reinsurers' share | (386) | 74 | 12 | (300) | (646) | 109 | 18 | (519) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Technical account | - | - | - | - | 12 | (1) | - | 11 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-technical account | - | - | - | - | 13 | - | - | 13 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | - | - | - | - | £25 | £(1) | - | £24 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

4. INVESTMENT EXPENSES AND CHARGES

| | 2002 | 2001 |
|--------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Interest payable on loan | - | £13 |
| | <u> </u> | <u> </u> |

5. NET OPERATING EXPENSES

| | 2002 | 2001 |
|-------------------------------|-------------------|-------------------|
| | £'000 | £'000 |
| Corporate reinsurance premium | - | 150 |
| Commission/brokerage | (3) | 108 |
| Syndicate operating expenses | 345 | 267 |
| | <u> </u> | <u> </u> |
| Gross operating expenses | 342 | 525 |
| | <u> </u> | <u> </u> |
| Reinsurers' share | (342) | (370) |
| | <u> </u> | <u> </u> |
| Net operating expenses | - | £155 |
| | <u> </u> | <u> </u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

6. OPERATING LOSS ON ORDINARY ACTIVITIES

The operating loss is stated after charging the following amounts. A percentage of these costs are recharged onto the quota share reinsurers:

| | 2002 £'000 | 2001 £'000 |
|--------------------------|-----------------------------|-----------------------------|
| Audit fees | 16 | 9 |
| Other non-audit services | 3 | 3 |
| | <u>19</u> | <u>12</u> |

7. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments during the period (2001: Nil).

8. EMPLOYEE REMUNERATION

There are no staff employed directly by the company (2001: Nil).

9. TAX ON ORDINARY ACTIVITIES

| | 2002 £'000 | 2001 £'000 |
|--|-----------------------------|-----------------------------|
| (a) Analysis of credit in period | | |
| Current tax: | | |
| UK corporation tax for the period | - | - |
| Current tax charge / (credit) for period (see (b) below) | - | - |
| | <u>-</u> | <u>-</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | - | - |
| | <u>-</u> | <u>-</u> |
| Total deferred tax | - | - |
| | <u>-</u> | <u>-</u> |
| Tax on loss on ordinary activities | - | - |
| | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax credit for period

| | | |
|---|------|-------|
| Loss on ordinary activities | - | (48) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%) | - | (14) |
| <i>Effects of:</i> | | |
| Tax losses not recognised | 46 | 128 |
| Timing differences re underwriting losses not recognised | (46) | (114) |
| Current tax charge / (credit) for period (see (a) above) | - | - |

(c) Deferred tax asset not provided for

| | | |
|---|------|------|
| Tax losses | (97) | (51) |
| Timing differences re recognition of underwriting results | - | (46) |
| Total potential deferred tax not provided for | (97) | (97) |

10. OTHER FINANCIAL INVESTMENTS

| | 2002 | 2001 |
|---|--------------|---------------|
| | £'000 | £'000 |
| Syndicate investments | | |
| Debt securities and other fixed income securities | 5,778 | 8,536 |
| Company's investments | | |
| Cash funds deposited at Lloyd's | 3 | - |
| | <u>5,781</u> | <u>£8,536</u> |

All the listed investments are quoted on a recognised investment exchange.

The cash funds deposited at Lloyd's have been lodged to support the company's syndicate participations. All syndicate investments are controlled by the syndicate, and are held in premiums trust funds for the benefit of policyholders until the underwriting year is closed.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

11. CASH AT BANK

| | 2002 £'000 | 2001 £'000 |
|----------------|-----------------------------|-----------------------------|
| Syndicate cash | 243 | 141 |
| Company cash | - | - |
| | <u>£243</u> | <u>£141</u> |

The syndicate cash is held in premiums trust funds for the benefit of policyholders until the underwriting year is closed.

12. SHARE CAPITAL

| | 2002 £'000 | 2001 £'000 |
|-------------------------------------|-----------------------------|-----------------------------|
| Authorised: | | |
| 500,000 ordinary shares of £1 each | <u>£500</u> | <u>£500</u> |
| Allotted, called up and fully paid: | | |
| 499,558 ordinary shares of £1 each | <u>£500</u> | <u>£500</u> |

Reconciliation of movements in shareholders' funds

| | | |
|---------------------------------------|---------------|---------------|
| Shareholders' funds at 1 January 2002 | (586) | (538) |
| Loss for the financial period | - | (48) |
| | <u>£(586)</u> | <u>£(586)</u> |

13. RESERVES - PROFIT AND LOSS ACCOUNT

| | 2002 £'000 | 2001 £'000 |
|------------------------------|-----------------------------|-----------------------------|
| At 1 January 2002 | (1,086) | (1,038) |
| Retained loss for the period | - | (48) |
| | <u>£(1,086)</u> | <u>£(1,086)</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2002 (continued)

14. OTHER CREDITORS

| | 2002 £'000 | 2001 £'000 |
|--|---------------|---------------|
| Sundry creditors | 8 | 7 |
| Amount due to group undertakings | - | 192 |
| Amount due to ultimate holding company | 455 | 247 |
| | <u>£463</u> | <u>£446</u> |

15. CONTINGENT LIABILITIES

The Company became a corporate member of Lloyd's on 1 January 1997 and commenced underwriting for the 1997 year of account. The company has issued a charge in favour of Lloyd's over its assets and future profits to cover underwriting obligations incurred at Lloyd's.

The Company's 1998 and 1999 year of account losses were settled by drawdowns against the Funds at Lloyd's provided by the Company and its whole account quota share reinsurers ("the Reinsurers"). The directors have received an indication from one Reinsurer that it is reviewing the quantum of the loss it has borne. The aggregate amounts at issue could total £2,191,000. On the basis of the preliminary legal advice they have received, the directors do not believe it probable that any further loss will accrue to the Company as a result of this matter and accordingly no provision has been made in these accounts.

16. ULTIMATE PARENT ENTITY

The ultimate parent entity is Greenwich Insurance Holdings PLC.

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 the company may be obtained from the Company Secretary, 33 Lombard Street, London EC3V 9HY.

17. RELATED PARTY DISCLOSURE

During the year, the company participated on syndicate 1222 at Lloyd's, managed by Greenwich Managing Agency Limited which charged 0.75% of capacity for managing the affairs of the syndicate. Greenwich Managing Agency Limited is also entitled to receive a commission of 12.5% of the profit of the syndicate as each underwriting year closes. The ultimate parent entity of Greenwich Managing Agency Limited is Greenwich Insurance Holdings PLC.

18. FLOATING CHARGE

On 31 December 1998 Greenwich Insurance Holdings PLC gave European International Reinsurance Company Limited (EIR) a floating charge over all the assets of the group companies to secure various amounts payable to European International Reinsurance Company Limited by fellow subsidiaries of the company.

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