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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or the action you should take, you should consult your Lloyd's Members' Agent or Lloyd's Adviser, who will advise you in accordance with the Lloyd's Code for Members' Agents: Responsibilities to Members. You should also consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

A copy of this document, which has been drawn up in accordance with The Public Offers of Securities Regulations 1995, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of The Public Offers of Securities Regulations 1995.

The directors of Greenwich Insurance Holdings PLC ("Greenwich"), whose names appear on page 2 of this document, accept responsibility for the information contained herein. To the best of the knowledge and belief of the directors of Greenwich (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Greenwich Lloyd's Underwriting Limited is interested in this conversion scheme and any advice provided by Greenwich Lloyd's Underwriting Limited in relation to such conversion scheme should not therefore be regarded as independent advice.

Neither the new Ordinary Shares nor the Convertible Unsecured Loan Stock which are the subject of this document are listed or otherwise dealt in on the London Stock Exchange or any other recognised investment exchange and no immediate application is being made for these securities to be listed or otherwise dealt in on the London Stock Exchange or any other recognised investment exchange. Such shares and loan stock may be illiquid and there may not be a market for them.

Under its powers set out in the Conversion and Related Arrangements Byelaw (No. 22 of 1996) Lloyd's has prescribed certain conditions and requirements in relation to conversion schemes ("the Conversion Rules"). Both Strand Partners and Greenwich Lloyd's Underwriting Limited have confirmed to Lloyd's in writing that this document complies with the Conversion Rules. Lloyd's has approved the making of the conversion invitation set out in this document in accordance with the Conversion Rules. However, it must be understood that in giving its consent for the making of such conversion invitation, Lloyd's takes no responsibility for the soundness (whether financial or otherwise) of the conversion scheme or for the correctness of any statements made or opinions expressed in relation thereto.

Conversion Invitation
to
Eligible Names
by
Greenwich Insurance Holdings PLC

Lloyd's Sponsor
Strand Partners Limited

Strand Partners Limited ("Strand") is registered in England (Registered Number 2780169) and is regulated by the Securities and Futures Authority Limited. Strand is acting as Lloyd's Sponsor to Greenwich in connection with the matters described in this document and will not be responsible to any other person for providing the protection afforded to customers of Strand or for advising any other person in connection with any other matter referred to in this document.

The Proposals which are the subject of this document are addressed exclusively to Eligible Names, as defined herein. This document must not be distributed to any person resident or domiciled in any country or territory outside the United Kingdom without the prior written consent of the Conversion Official. This document will not be sent to Names domiciled or resident outside the United Kingdom unless such Names have satisfied the Eligibility Criteria set out on page 8 of this document. **In particular, this document must not be copied or distributed to persons with addresses in Australia, Canada or the United States of America and their respective territories and possessions, or to any corporation, partnership or any other entity created or organised under the laws thereof. Any such distribution is likely to result in a violation of the laws of those jurisdictions.**

The action you should take if you wish to submit an application under the conversion scheme is set out on page 79 of this document and in the accompanying Application Form.

Completed Application Forms should be sent to Greenwich Insurance Holdings PLC, Walbrook House, 23 Walbrook, London EC4N 8BT, marked for the attention of Mr Philip Noel.

The latest time for acceptance is 5 pm on 18 September 1998.

22 June 1998

CONTENTS

EXPECTED TIMETABLE

Event		1998
(1)	Conversion Scheme open for applications	25 June
(2)	Date of the first Lloyd's capacity auction	14/15 July
(3)	Date by which completed Application Forms must be received and the Offer closes	18 September
(4)	Date of the last Lloyds' capacity auction	22/23 September

DIRECTORS AND ADVISERS

Directors of Greenwich	R.G.G. Thynne *(Chairman)* C.J. Hodgson *(Chief Executive)* G.P. Nash, ACA *(Finance Director)* R.S.T. Gunter *(Executive)* J.R. Maudslay *(Executive)* N.S. Cobbold *(Non-executive)* A.H. Gilroy, FCA *(Non-executive)* J.G. Hynan, FCA *(Non-executive)* all of Walbrook House, 23 Walbrook, London EC4N 8BT
Directors of Grenville III	R.G.G. Thynne *(Chairman)* C.J. Hodgson *(Executive)* G.P. Nash, ACA *(Executive)* all of Walbrook House, 23 Walbrook, London EC4N 8BT
Secretary and Registered Office of Greenwich and Grenville III	G.P. Nash, ACA Walbrook House 23 Walbrook London EC4N 8BT
Promoter	Greenwich Lloyd's Underwriting Limited Walbrook House 23 Walbrook London EC4N 8BT
Lloyd's Sponsor	Strand Partners Limited 110 Park Street London W1Y 3RB
Solicitors to Greenwich and Grenville III	Wilde Sapte 1 Fleet Place London EC4M 7WS
Auditors of Greenwich and Grenville III	Binder Hamlyn 20 Old Bailey London EC4M 7BH

DEFINITIONS

In this document, except where the context indicates otherwise, the following definitions shall apply:

""A" Loan Stock"	the existing nil paid convertible unsecured "A" loan stock, denominated in units of £1 each, constituted and issued by the Company
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Application Form"	the application form in respect of the Conversion Scheme which accompanies this document
"Allocated Capacity"	the maximum amount of business which may be accepted by a Member or by a syndicate
""B" Loan Stock"	the existing nil paid convertible unsecured "B" loan stock, denominated in units of £1 each, constituted and issued by the Company
"Board"	the board of directors of Greenwich
"Chain of Security Measures"	the measures adopted by the Council of Lloyd's in June 1997, providing for the strengthening of the chain of security underlying policies underwritten at Lloyd's
"Code"	the City Code on Takeovers and Mergers
"Coming into line"	compliance with the requirements of Lloyd's enabling a Member to be eligible to underwrite insurance business at Lloyd's for the following year of account with a particular Overall Premium Limit
"Company"	Greenwich Insurance Holdings PLC
"Conditions"	the conditions set out in Part XI of this document
"Conversion Official"	the officer or employee of Lloyd's authorised by Lloyd's Regulatory Board to discharge the duties and functions attributed to that official under the Conversion Rules
"Conversion Rules"	the conditions and requirements applicable to conversion and related arrangements made by the Council of Lloyd's on 1 April 1998
"Conversion Scheme"	the conversion scheme described in this document, to be made available to Eligible Names
"Convertible Unsecured Loan Stock" or "Loan Stock" or ""C" Loan Stock"	the nil paid convertible unsecured "C" loan stock, denominated in units of £1 each, to be constituted and to be issued by the Company to Participating Names pursuant to the terms of the Conversion Scheme
"Corporate Name" or "Corporate Member"	a corporate member of Lloyd's
"Directors" or "the Board"	the Directors of Greenwich
"Eligible Names"	Names meeting the criteria for eligibility to participate in the Conversion Scheme, as set out on page 8 of this document
"Equitas"	the corporate entity established in 1996 to reinsure the general business insurance liabilities of Lloyd's syndicates allocated to the 1992 and prior years of account
"European Re"	European International Reinsurance Company Limited, a wholly-owned subsidiary of Swiss Reinsurance Company
"Funds at Lloyd's" or "FAL"	funds held in trust at Lloyd's to support a Member's underwriting activities whether in the form of Personal Reserve Fund, New Special Reserve Fund or Lloyd's Deposit

"GLA"	Greenwich Lloyd's Advisers Limited
"GLU"	Greenwich Lloyd's Underwriting Limited
"Greenwich"	Greenwich Insurance Holdings PLC
"Greenwich Group"	Greenwich, Greenwich Holdings, Grenville Holdings Limited, Grenville I, Grenville II, Grenville III, GLU, GLA and GSL
"Greenwich Holdings"	Greenwich Holdings Limited, the holding company of GLU, GLA and GSL
"Greenwich MAPA"	a MAPA operated by GLU for the 1998 and succeeding years of account
"Greenwich Names"	members of Lloyd's, underwriting through GLU
"GSL"	Greenwich Services Limited
"Grenville I"	Grenville Underwriting PLC
"Grenville II"	Grenville Underwriting II Limited
"Grenville III"	Grenville Underwriting III Limited, a newly formed company, which has applied to be a corporate member of Lloyd's so as to write on behalf of Participating Names for the 1999 and succeeding years of account
"Holdings Acquisition"	the acquisition by Greenwich of Greenwich Holdings (and its wholly owned subsidiaries GLU, GLA and GSL) from the Holdings Vendors as described in Part II of this document
"Holdings Vendors"	R.F. Kershaw Holdings Limited, Essexkent Limited, David Holman Holdings Limited and Blenheim (a partnership)
"Invitation Document"	this document, which comprises a prospectus for the purposes of The Public Offers of Securities Regulations 1995
"Lloyd's"	the Society incorporated by the Lloyd's Act 1871
"Lloyd's Adviser"	an adviser registered under the Lloyd's Advisers Byelaw (No.19 of 1993) retained by a member principally for syndicate analysis and negotiation of syndicate participations
"Lloyd's Deposit"	in relation to a Member, any part of that Name's FAL which is held under the terms of a standard Lloyd's deposit trust deed or a standard Lloyd's security and trust deed each in a form prescribed by the Council of Lloyd's from time to time
"Lloyd's Members' Agent" or "Members' Agent"	an agent authorised by Lloyd's to be responsible for advising underwriting members of Lloyd's on placing their underwriting capacity on syndicates
"Lloyd's Managing Agent"	the underwriting agent responsible for managing a syndicate and, amongst other things, employing the active underwriter
"Lloyd's Reconstruction Plan" or "R&R Plan"	the document entitled "Lloyd's: Reconstruction and Renewal" produced by the Council in May 1995, as amended and described in the Settlement Information Document dated 20 June 1996
"Lloyd's Sponsor"	a person approved by the Conversion Official to act as sponsor of a conversion scheme
"Lloyd's Sponsorship Agreement"	the agreement dated 5 March 1998, entered into between Greenwich and Strand Partners, referred to in paragraph 7 of Part X of this document
"Loan Stock Instrument"	the loan stock instrument of Greenwich constituting the "C" Loan Stock
"LOC"	letter of credit, bank guarantee or insurance company guarantee
"London Stock Exchange"	London Stock Exchange Limited

"MAPA"	a Members' Agent's Pooling Arrangement within paragraph 10(2) of the Agency Agreements Byelaw (No.8 of 1988) whereby a Lloyd's Members' Agent (the MAPA operator) pools underwriting capacity commitments obtained from Lloyd's Managing Agents so that Names participating in the arrangement share rateably in participations across a spread of syndicates
"MAPA Operator"	a Members' Agent which operates a MAPA within the meaning of paragraph 1(2) of the Agency Agreements Byelaw (No.8 of 1988)
"Member"	a Name or a Corporate Name
"Name"	an individual member of Lloyd's who underwrites through the medium of one or a number of syndicates
"New Central Fund"	the fund established, held, managed and applied by Lloyd's under the New Central Fund Byelaw (No. 23 of 1996)
"Offer"	the invitation to certain Names contained in this document to participate in the Conversion Scheme
"Offer for Subscription"	the offer, pursuant to the Conversion Scheme, to subscribe for units of 3,500 Ordinary Shares at £3,500 per unit
"Ordinary Shares"	Ordinary Shares of 50p each in the Company
"Overall Premium Limit" or "OPL"	the overall premium income limit for a year of account of a Member, which determines the maximum amount of business for that year of account a Member may underwrite based on his or its FAL
"Participating Names"	Eligible Names whose applications to participate in the Conversion Scheme are accepted by the Company
"Personal Reserve Fund"	all moneys and other assets paid to or retained by the trustees of a Premiums Trust Fund who are not managing agents' trustees (as defined in the Premiums Trust Deed constituting that Premiums Trust Fund) and held by them subject to the trusts contained in that Premiums Trust Deed
"Premium Income"	in relation to a Member, the aggregate of the premiums credited to him less, or net of, qualifying reinsurance premiums, brokerage, discount, commission, any tax charged upon or any moneys withheld from a premium by or on behalf of any statutory or governmental authority, body or official and any premium returned to an assured
"Premiums Trust Deed"	a trust deed in the form for the time being required by the Council and approved by the Secretary of State under section 83 of the Insurance Companies Act 1982 constituting a Premiums Trust Fund
"Premiums Trust Fund" or "PTF"	a fund of premiums and other moneys held from time to time by or under the control of trustees upon the trusts contained within a Premiums Trust Deed
"Prescribed Documents"	the documents for delivery to Lloyd's prescribed by Lloyd's in section 13(2) of the Conversion Rules and referred to in Part XII of this document
"Prospective Conversion Participants"	Names who are being invited to participate in the Conversion Scheme
"RITC" or "reinsurance to close"	a reinsurance agreement under which underwriting members who are members of a syndicate for a year of account to be closed are reinsured by underwriting members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business underwritten by the reinsured syndicate pursuant to paragraph 1 of Schedule 1 to the Syndicate Accounting Byelaw (No.18 of 1994)
"Run Off Year"	a year of account of a syndicate which has not closed at its usual date for closure by reinsurance to close and which has yet to be closed

"Settlement Agreement"	the agreement set out in Appendix I of the document entitled "Reconstruction & Renewal – Settlement Offer" issued by the Council in July 1996
"Special Reserve Fund"	a fund set up by an individual member in accordance with arrangements referred to in either section 452 to 456 of the Income and Corporation Taxes Act 1988 or section 175 of and Schedule 20 to the Finance Act 1993
"Strand Partners"	Strand Partners Limited, regulated by the Securities and Futures Authority Limited
"syndicate"	a group of Members or a single Corporate Member underwriting business at Lloyd's through the agency of a managing agent to which a particular syndicate number is assigned by or under the authority of Lloyd's
"year of account"	the basic accounting period at Lloyd's which runs from 1 January to 31 December in each year
"UK Names"	Names other than those Names who are domiciled or resident outside the United Kingdom of Great Britain and Northern Ireland
"Underwriting Subsidiaries"	Grenville I, Grenville II and, from 1 January 1999, Grenville III
"Unit"	a unit of 3,500 Ordinary Shares to be subscribed for pursuant to the Offer

Any expression not otherwise defined in this document shall have the meaning given to it in the Conversion Rules.

INTRODUCTION

This document contains the details of an interavailable conversion scheme, promoted by Greenwich Lloyd's Underwriting Limited and to which Strand Partners is acting as Lloyd's Sponsor, whereby Eligible Names, currently writing with unlimited liability, can convert their Lloyd's underwriting participation to a limited liability participation which is intended to be closely aligned to the Greenwich MAPA for the 1999 and succeeding years of account. Details of the Conversion Scheme are set out in Part 1 of this document.

Participating Names will, upon subscription, acquire nil paid Convertible Unsecured Loan Stock in Greenwich and a Unit of Ordinary Shares. Upon eventual paying up and conversion of the Loan Stock, the investment of a Participating Name will be represented by ordinary shares in Greenwich, which is an integrated Lloyd's spread underwriting vehicle. The key features of this arrangement and the intentions of the Directors with respect to seeking eventual liquidity for the shares of Greenwich are addressed in detail in the main body of this document.

The Corporate Member to which Participating Names will assign their underwriting capacity and will make their Lloyd's Deposit interavailable will be Grenville Underwriting III Limited, a wholly owned subsidiary of Grenville Holdings Limited, which itself is a wholly owned subsidiary of Greenwich.

Further background information on Greenwich and its activities is to be found in Part II of this document.

The intentions of the Directors with respect to underwriting at Lloyd's in the 1999 year of account are set out in paragraph 11 of Part I of this document.

Prospective Conversion Participants are under no obligation to accept the Offer set out in this document. This Prospectus and Application Form should be ignored in the event that a Name decides not to accept the Offer.

ELIGIBILITY CRITERIA

The following categories of Names are Eligible Names for the purposes of the Conversion Scheme:

(a) UK Names writing for the 1998 year of account on the Greenwich MAPA

OR

(b) UK Names with bespoke portfolios or a mixture of bespoke portfolios and MAPA participations, for whom GLU acts as Members' Agent, to whom the Directors have confirmed that the underwriting risk profile of their portfolio is within an acceptable band of variance in relation to the risk profile to be adopted for the Greenwich MAPA

OR

(c) UK Names whose Lloyd's affairs are currently managed by Members' Agents other than GLU, to whom the Directors have confirmed that the underwriting risk profile of their portfolio is within an acceptable band of variance in relation to the risk profile to be adopted for the Greenwich MAPA

OR

(d) Names domiciled or resident outside the UK, subject to the Company in making the Offer to those persons being in compliance with all applicable laws and regulations and satisfying the requirements of Lloyd's in this respect, and to whom the Directors have confirmed that the underwriting risk profile of their portfolio is within an acceptable band of variance in relation to the risk profile to be adopted for the Greenwich MAPA. **For the avoidance of doubt, any person with an address in Australia, Canada or the United States of America, including all their respective territories and possessions, shall not be an Eligible Name.**

All Names must also satisfy the Lloyd's conditions as to eligibility set out in paragraph 2 of Part XI of this document.

Names who wish to qualify as Eligible Names under paragraphs (b), (c) or (d) above, must first contact Greenwich Lloyd's Underwriting Limited to establish whether their underwriting portfolios meet the risk portfolio criteria adopted by GLU and (in the case of (d) only) Names will also need to establish whether the Company is able to comply with the applicable laws and regulations referred to in paragraph (d) above. GLU will endeavour to respond to such Names promptly and in any event within 14 days of receipt of such an enquiry.

A Prospective Conversion Participant's Lloyd's Deposit should be of at least £25,000. There is no maximum level.

This document is being sent to all UK Names for whom GLU acts as Lloyd's Members' Agent. It is also available, on request to GLU, to all other UK Names and, where they satisfy the criteria set out in paragraph (d) above, to non-UK Names.

KEY FEATURES

Prospective Conversion Participants are advised to read this document in its entirety before deciding whether or not to complete the Application Form provided. The following is intended to constitute only a brief synopsis of the principal features of the Conversion Scheme.

Underwriting on the basis of limited liability

With effect from the 1999 year of account, Eligible Names will become shareholders in Greenwich and make their Lloyd's Deposit interavailable to Grenville III, one of Greenwich's wholly owned Underwriting Subsidiaries. By this process, a Participating Name will convert his participation at Lloyd's to limited liability participation in Greenwich's Underwriting Subsidiaries for the 1999 and succeeding underwriting years of account. A Participating Name will receive pre-conversion profits or be responsible for pre-conversion losses in respect of his own unlimited liability underwriting prior to the 1999 year of account.

Participating Names may use their existing Lloyd's Deposit to support future limited liability underwriting of Greenwich

Until 31 December 2000, Grenville III will be allowed exemption from the more restrictive rules which normally apply to the nature and range of assets which qualify as Lloyd's Deposit for a Corporate Name (as opposed to an individual Name). Until that time, any asset (other than closed year tax recoverables and Premiums Trust Funds cash releases) which may be included as Lloyd's Deposit for a Name writing with unlimited liability, will remain eligible to support the underwriting of Grenville III. Participating Names will not need to provide additional funds to support the underwriting of Grenville III, provided that any part of the funds proposed to be made interavailable are not required to meet Lloyd's requirements in respect of unclosed syndicates, solvency shortfalls and outstanding cash calls. This means that, using the gearing arrangements referred to in paragraph 3 of Part I of this document, a Participating Name will not need to lodge any additional Lloyd's Deposit in order to invest in Greenwich and thereby participate with limited liability in Greenwich's underwriting from the 1999 year of account. If any part of a Name's interavailable Lloyd's Deposit is provided by way of assets the value of which may go up or down (e.g. securities), he should have regard to the risk warning set out in paragraph 9 of Part IX.

However, Participating Names whose Lloyd's Deposit is lodged in the form of a letter of credit/guarantee will require the consent of the bank or financial institution issuing such letter of credit/guarantee to their participation in the Conversion Scheme. It may be the case that certain life insurance companies will not wish to make their guarantees interavailable. Names with guarantees or letters of credit should start discussions with his/her bank or appropriate third party immediately and consult GLU as soon as possible.

It is a requirement of Lloyd's that each Participating Name must dispose of any prospective participations which are not accepted by Grenville III and also tender his resignation as a member of Lloyd's.

An opportunity for Participating Names to benefit from an integrated Lloyd's spread underwriting vehicle

Greenwich is an integrated Lloyd's spread underwriting vehicle. It conducts its Lloyd's underwriting activities through its Underwriting Subsidiaries and possesses an experienced insurance management team through its ownership of GLU and GLA. Subject to the prior allocation of 1997 and 1998 profits to Names who converted via Grenville I and Grenville II respectively (as described in paragraph 2 of Part VI of this document) all shareholders, including Participating Names from 1 January 1999, share in the entirety of the Company's underwriting profitability, by keeping Members' Agents' fees and profit commissions within Greenwich. Participating Names who have paid up and converted their Loan Stock and retain their resulting Ordinary Shares will be entitled as shareholders in Greenwich to any dividends referable to the 1999 and succeeding years of account based on the results of the Underwriting Subsidiaries and the Greenwich Members' Agency, GLU.

By closely aligning its underwriting profile with the Greenwich MAPA, the Company ensures that it maintains a diversified exposure across a broad spectrum of Lloyd's underwriting activity, thereby seeking to avoid concentrations of risk.

The Directors consider that Greenwich constitutes a soundly constructed platform from which to address the opportunities presented by a rapidly evolving environment, both within Lloyd's and in the wider context of the global insurance industry.

GLU will manage Grenville III's underwriting capacity and will closely align Grenville III's capacity with the Greenwich MAPA

GLU will be responsible for managing Grenville III's underwriting capacity. It is GLU's intention to align closely Grenville III's underwriting capacity with the Greenwich MAPA, in common with that of Grenville I and Grenville II. A list of current syndicate participations is set out in Part II of this document. The Offer is not an offer to acquire a specified proportion of the capacity on any particular syndicate.

A Participating Name underwriting through Greenwich will enjoy the same 4 to 1 gearing ratio that a MAPA Name underwriting with unlimited liability has historically enjoyed

By virtue of their limited liability, Corporate Names are normally required to maintain FAL of at least 50 per cent. of their Overall Premium Limit. The required ratio for a Name writing on a MAPA with unlimited liability has historically been 25 per cent. The required minimum ratio for a bespoke Name has varied depending upon the Name's means but has, in certain cases, been as high as 50 per cent. For the 1999 year of account, pursuant to the Chain of Security Measures, the required FAL ratio for all unlimited liability Names will be a minimum of 35 per cent., rising to 40 per cent. in 2000 and thereafter.

Greenwich has introduced an additional level of gearing into Grenville I and Grenville II by means of reinsurance contracts. A proposal to introduce reinsurance for Grenville III has been received from European Re in order for Grenville III to have a similar level of gearing. These reinsurance arrangements are described in more detail in Part V of this document. The practical effect of this arrangement will be to put all Participating Names in the position that they will benefit from the 4 to 1 gearing ratio which MAPA Names historically enjoyed. As a result, under present Lloyd's rules (and assuming there are no claims against, or deterioration in the value of, their Lloyd's Deposit) all Participating Names will be able, in spite of the Chain of Security Measures, effectively to maintain their current OPL for the 1999 and succeeding years of account, without the need to put up additional Lloyd's Deposit.

There is a cost associated with the provision of the reinsurance, which will reduce to an extent the benefit of the 4 to 1 gearing ratio. This cost has been taken into account in the financial illustrations included in Part IV of this document. It is for Prospective Conversion Participants to determine the reasonableness of this cost in the context of the opportunity presented by the Conversion Scheme to convert to a basis of limited liability.

In order to secure the 4 to 1 gearing ratio, the Conversion Scheme is conditional upon the reinsurance contract with European Re being formally concluded, or the Company concluding a reinsurance contract which is in substance comparable in its terms and conditions.

Payment for Loan Stock

Under the Conversion Scheme, each Participating Name will subscribe for and receive Convertible Unsecured Loan Stock which will be issued, nil paid, in a principal amount which is equal to that Participating Name's Lloyd's Deposit which will support the underwriting of Grenville III. Unless underwriting losses or open year cash calls lead to earlier calls on the Loan Stock, the principal amount of the Loan Stock will have to be paid up in full in cash by the Participating Name once his open year liabilities in respect of underwriting years 1993 through 1998 have been closed in full. This is expected to be in the year 2001. The Loan Stock may be paid up by using the Lloyd's Deposit which is released. If there is insufficient Lloyd's Deposit to pay up the Loan Stock in full, the Participating Name will either have to provide additional funds to meet the shortfall, or he will forfeit the portion of his Loan Stock which is equal to the shortfall. Further details of the Loan Stock, and the consequences of the non-closure of syndicates, are contained in Part VI of this document.

Participating Names should realise that they will be required to provide cash to pay up the Loan Stock. This is expected to be in 2001. There may also be a requirement for cash to pay any earlier calls on the Loan Stock if, for instance, Grenville III incurs underwriting losses. This is a matter of particular relevance to Participating Names using LOCs to provide their Lloyd's Deposit as such Names may not be able to raise cash or liquid assets to enable them to meet the call. Failure to pay up all or part of the Loan Stock when called upon to do so pursuant to the Loan Stock Instrument (particulars of which are set out in Part VI of this document), will result in forfeiture of that part of such Participating Names' Loan Stock.

Greenwich provides a Participating Name with the prospect of an ultimate exit

It is a priority for the Board to seek to provide liquidity for investors in Greenwich. The Board is also seeking to attract additional third party capital into Greenwich, to enable the Company to increase its underwriting capacity and to take advantage of opportunities to develop its business. How soon these objectives can be achieved is not yet clear and will be dependent upon numerous factors, many of which are outside the control of Greenwich or its Directors.

In furtherance of these objectives, the Directors intend to give consideration, *inter alia*, to seeking an AIM quotation at the earliest appropriate opportunity. **It must be emphasised that no assurance can be given that an AIM quotation will be achieved or that, even if such a quotation is in due course achieved, it will necessarily result in significant liquidity for Participating Names' investments. In particular, during the interavailable period, an AIM quotation is only likely to provide Participating Names with liquidity if it can be combined with an ability to provide substitute Lloyd's Deposit in respect of open years.**

Lloyd's has consistently made clear that there can be no question of Participating Names realising their Lloyd's Deposit before their open year liabilities in respect of underwriting years 1993 through 1998 have been closed in full, other than on the basis that equivalent substitute Lloyd's Deposit is made available in respect of those open years. It may be possible to procure third parties to provide the means for Participating Names to pay up their Loan Stock early, either by way of loan or an offer by third parties to acquire Participating Names' resultant holdings of Ordinary Shares. The Directors are committed to explore suitable opportunities of this kind **but it is emphasised that there can be no certainty of success.**

Risk Factors

The attention of Prospective Conversion Participants is drawn to certain risks associated with conversion and an investment in Greenwich which are set out in Part IX of this document.

Taxation

A summary of likely taxation implications for a Participating Name is set out in Part X of this document.

In particular, one key difference between participating as a Name and participating as a shareholder in Greenwich is that a Name is taxed as a sole trader and is able to set off losses against other taxable income and capital gains whereas a shareholder would be taxed on distributions by Greenwich and would only obtain tax relief for capital losses on his investment in Greenwich. Furthermore, a Participating Name will not be able to carry forward any tax losses from his previous underwriting activities and set them against any dividends received in respect of his shareholding in Greenwich.

Entry costs for Participating Names

The fees and expenses associated with the conversion proposals set out in this document, including the initial instalment of premium on the reinsurance contract with European Re and irrecoverable VAT, are estimated to amount to approximately £285,000. It is the intention that these be met from the proceeds of the subscription for new Ordinary Shares and, only to the extent that these proceeds are inadequate, from the Company's working capital resources. The estimated impact of these costs on overall returns to a Participating Name is included in the financial illustrations set out in Part IV of this document. Each Participating Name is required to subscribe for a unit of 3,500 new Ordinary Shares of 50p each at the subscription price of £3,500 per Unit. On this basis, a minimum level of 82 acceptances will be required in order for the fees and expenses of the Offer to be met without recourse to the Company's other resources.

Greenwich Names who accept the Offer will not be charged a winding up fee by Greenwich or GLU in respect of their individual membership of Lloyd's.

Conditions

The Conversion Scheme is conditional, *inter alia*, upon:

(a) Grenville III being admitted as a corporate member of Lloyd's and being granted permission to underwrite;

(b) the reinsurance contract referred to in Part V of this document being formally concluded, or a reinsurance contract, which in the opinion of the Directors is on terms and conditions which are in substance comparable, being concluded; and

(c) the passing, at the first Annual General Meeting of the Company, of a special resolution to authorise the directors to issue equity securities (Ordinary Shares and Loan Stock) for cash other than on a pro rata basis to existing shareholders.

The full Terms and Conditions of the Offer are set out in Part XI of this document.

Individual Names wishing to convert from unlimited to limited liability for the 1999 year of account should be aware that they will not be able to convert capacity acquired in 1998. Individual Names who have acquired or propose to acquire any capacity during 1998 should refer to the risk warning contained in paragraph 12 of Part IX. Names interested in accepting the Offer are recommended to discuss the position with GLU before acquiring capacity in 1998 via the auctions or otherwise.

Straightforward application procedure

The actual mechanics of conversion, as described more fully elsewhere in this document, are complex. To simplify these mechanics as far as possible for a Prospective Conversion Participant, the enclosed Application Form includes a power of attorney in favour of the Directors of Greenwich, empowering the Directors to enter into the various requisite documents on each Prospective Conversion Participant's behalf. In many cases, a Prospective Conversion Participant should need to do no more than complete and return the Application Form, together with a cheque for the subscription amount of £3,500. The Application Form requires Prospective Conversion Participants to confirm that, *inter alia*, they have taken appropriate professional advice in order to form a proper understanding of the Conversion Scheme and that they are aware of the associated risks.

Completed Application Forms must be returned to Greenwich by 5 p.m. on 18 September 1998.

PART I

THE CONVERSION SCHEME

1. Introduction

Greenwich is offering Eligible Names, currently underwriting with unlimited liability, the opportunity to convert their participation at Lloyd's to a basis of limited liability participation as shareholders in Greenwich, with effect from the 1999 year of account. In addition, Participating Names will participate in the results of the Greenwich Members' Agency, through Greenwich's ownership of GLU (further details of which are set out in Part II of this document).

The Directors intend that Grenville III (together with Grenville I and Grenville II) will closely align its capacity with the Greenwich MAPA for the 1999 and succeeding years of account. From the standpoint of a Participating Name, therefore, Greenwich represents an opportunity to participate at Lloyd's with a similar profile of underwriting risk that he would have were he to write on the Greenwich MAPA with unlimited liability, with the added benefit of an effective 4 to 1 gearing ratio against his existing Lloyd's Deposit, achieved by means of reinsurance. Under the Chain of Security Measures, the maximum gearing ratio available to an unlimited liability Name for the 1999 year of account will be less than 3 to 1, falling to 2.5 to 1 in the year 2000. The benefit of this enhanced gearing will be reduced, to an extent, in terms of a Participating Name's total underwriting return for 1999 and succeeding years, as a consequence of the costs of establishing and administering the Conversion Scheme and the cost of reinsurance gearing. (Details of the reinsurance contracts for the Underwriting Subsidiaries are contained in Part V of this document.)

It is for each Prospective Conversion Participant to decide whether the costs associated with conversion are acceptable in the context of the opportunity being offered to convert to limited liability and to maintain his present OPL without the need to provide additional Lloyd's Deposit as may otherwise be the case. The financial illustrations in Part IV of this document do not purport to provide a comparison between the expected returns to a Participating Name and those returns which might be earned were he/she to continue to underwrite on the basis of unlimited liability. In the opinion of the Directors, such comparisons are of limited value and may in some cases be misleading. A true direct comparison is not feasible because of the fundamental difference in status between a sole trader and a shareholder in a limited liability company.

This Conversion Scheme offers Names the opportunity to convert to limited liability participation at Lloyd's via a mechanism known as **"interavailability"** (further details of which are contained in Part VIII of this document). One of the principal features of interavailability is that a Participating Name can use his existing Lloyd's Deposit (which currently supports his open year underwriting liabilities in respect of the years 1993 through 1998) to support Grenville III's underwriting for the 1999 and succeeding years of account. Participating Names will continue to be entitled to their results of the 1993-98 years of account and Greenwich will not assume any of those Names' liabilities referable to those years of account.

Underwriting will be carried out through the Underwriting Subsidiaries, which are wholly-owned subsidiaries of Greenwich. Grenville I and Grenville II are registered Corporate Members and Grenville III will apply to be so registered. Greenwich is not itself a Corporate Member. At such time as a Participating Names' Lloyd's Deposit is released by Lloyd's and the Loan Stock is paid up, it is intended that Greenwich will make the proceeds of the Loan Stock available to Grenville III as FAL.

Until 31 December 2000, Grenville III will be exempt from the more stringent requirements applied to Corporate Members (as opposed to individual Names) in respect of the nature and range of assets which are acceptable as Lloyd's Deposit. Until that date, any asset (other than closed year tax recoverables and Premiums Trust Funds cash releases) which may be included as FAL for a Name writing with unlimited liability, may also be included in his/her Lloyd's Deposit for purposes of participation in Greenwich. This means that an Eligible Name, who elects to participate in Greenwich, will not be required to lodge any additional Lloyd's Deposit as a result of participating in the Conversion Scheme. (Prospective Conversion Participants should note that any FAL held in Personal Reserve Fund cannot be made interavailable. It is, however, possible to transfer FAL held in Personal Reserve Fund to Lloyd's Deposit and thereby make such funds interavailable.)

2. Structure of the Offer

Ordinary Shares

In order to help defray the expenses of establishing the Conversion Scheme, including the initial costs associated with the reinsurance contract, estimated at £285,000 (inclusive of irrecoverable VAT), the Conversion Scheme requires that Participating Names each subscribe for one Unit consisting of 3,500 Ordinary Shares, at a subscription price of £3,500 per Unit. The issue price of £1 per Ordinary Share represents a premium of 50p over the nominal value of each Ordinary Share. The minimum number of Units which would be required to be subscribed to cover in full the estimated costs of establishing the Conversion Scheme would be 82, or 287,000 Ordinary Shares.

In the event that subscriptions fall short of the amount required to cover the costs in full, the balance will be met from the Company's other working capital resources.

In the event that subscriptions are received in excess of the amount required to cover the costs in full, the surplus cash will be retained in the Company for general corporate purposes.

Convertible Unsecured Loan Stock

As consideration for the Lloyd's Deposit being made interavailable to Grenville III and in addition to the subscription for one Unit of Ordinary Shares, each Participating Name will subscribe for and receive Convertible Unsecured Loan Stock which will be issued, nil paid, in a principal amount exactly equivalent to that Participating Name's Lloyd's Deposit which that Participating Name has made interavailable to Grenville III. The terms of the Loan Stock are set out in Part VI of this document.

If a Participating Name does not pay up his Loan Stock at the time he is required to do so, he will forfeit such Loan Stock and thereby forfeit his right to Ordinary Shares arising on conversion.

The Loan Stock provides a mechanism whereby a Participating Name who has paid up his Loan Stock in full will eventually receive a distribution based on Greenwich's results for the 1999 and succeeding years of account. At such time as the Participating Name's open year liabilities in respect of underwriting years 1993 through 1998 have been closed in full (which, if Lloyd's does not change its current system of three year accounts, is currently expected to be in 2001) the Loan Stock will be liable to be paid up in full. As it is expected that a Participating Name's Lloyd's Deposit will be released in that year, such released Lloyd's Deposit can be used to pay up the Loan Stock in full. The fully paid up Loan Stock will be converted into additional Ordinary Shares at the rate of one Ordinary Share for each £1 nominal amount of fully paid Loan Stock. At that stage, a Participating Name's remaining investment in Lloyd's, as a result of this Conversion Scheme, will be represented by his holding of Ordinary Shares in Greenwich. As described below, it is the Directors' intention to seek to provide liquidity for such Ordinary Shares in due course.

It is conceivable that certain syndicates will not be able to procure reinsurance to close in respect of the 1998 and previous open years of account. This would, in the ordinary course, preclude the release of Lloyd's Deposit. Should this occur, and depending upon the relative materiality of the syndicate participations involved and the particular Names' wishes, the directors will consider seeking to arrange reinsurance for those Names affected by open years in order that the release of his/her Lloyd's Deposit is not delayed. It is expected that such reinsurance will require a premium to be levied on the relevant Participating Names.

Under Rule 9 of the Code, a person or group of persons acting in concert acquiring shares which, when taken together with shares already held, would result in such a person or persons holding shares carrying 30 per cent. or more of the voting rights of a company which is subject to the Code (which includes Greenwich) is normally obliged by the Panel on Takeovers and Mergers (the "Panel") to make a general offer to all shareholders in that company. In certain circumstances the Panel may agree to waive such obligation to make a general offer to shareholders where the acquisition has been approved in general meeting by way of a poll of independent shareholders.

Before paying up their Loan Stock and converting such Loan Stock into Ordinary Shares, Participating Names should be aware of the implications of Rule 9 of the Code. If there is any possibility that conversion would lead to a Participating Name (together with persons acting in concert with him) holding shares carrying 30 per cent. or more of the voting rights in Greenwich (which may be of particular relevance in the event of early conversion by some Names but not others), such Participating Name should seek advice from his financial adviser and consult with the Panel before effecting a conversion.

In circumstances where the Lloyd's Deposit of a Participating Name falls short, at any time, of the amount which would be required to pay up his Loan Stock (due to underwriting losses for the period 1993 through 1998) the Participating Name will have the option of either providing additional funds to make good the shortfall or forfeiting that portion of his Loan Stock entitlement. Similarly, in circumstances where Grenville III experiences underwriting losses for the 1999 or subsequent years of account, a Participating Name may find himself called upon to pay up a portion or all of his Loan Stock prior to the release of his Lloyd's Deposit, or to forego part or all of his entitlement to Loan Stock. It is for each Prospective Conversion Participant to form an assessment of these risks, based upon what is generally known about the expected underwriting results for Lloyd's for the 1993 to 1998 years of account. For further details please refer to Part IX of this document entitled "Risk Factors".

Upon the paying up of the Loan Stock, the proceeds will be made available by Greenwich to Grenville III for its Lloyd's Deposit.

3. Gearing through Reinsurance

Corporate Members (as Grenville III will become upon acceptance by Lloyd's of its application for corporate membership) are normally required by Lloyd's to maintain Lloyd's Deposit equivalent to not less than 50 per cent. of their Overall Premium Limit. This reflects the fact that they are underwriting with limited liability.

The Directors intend to introduce an element of *de facto* gearing into Grenville III, by way of a Letter of Credit supported by a reinsurance contract. The LOC, which will constitute additional Lloyd's Deposit for Grenville III, will be in an amount substantially equivalent to the aggregate amount of Lloyd's Deposit made interavailable by Participating Names. As a consequence of this arrangement, Grenville III will be able to underwrite with the same 4 to 1 gearing ratio as an individual MAPA Name with unlimited liability had historically enjoyed (subject to Lloyd's requirements). In consequence, Participating Names will be able to continue to participate to the equivalent extent of their existing OPL, without the need to provide any additional Lloyd's Deposit (assuming that there are no claims or deterioration in the value of their Lloyd's Deposit). If a Name is currently writing with FAL greater than 25 per cent of his OPL, he will only be required to make Lloyd's Deposit interavailable to Grenville III to a level of 25 per cent of his OPL.

The reinsurance is being provided on the basis that the Lloyd's Deposit of Participating Names made interavailable must be exhausted before the LOC can be called upon, subject to the discretion of Lloyd's regarding the order of draw down of Lloyd's Deposit.

A proposal of reinsurance has been received from European Re. The terms upon which the reinsurance is proposed to be made available are set out in greater detail in Part V of this document.

The impact of these costs on overall returns to a Participating Name is shown in the financial illustrations in Part IV of this document. It is for each Prospective Conversion Participant to determine whether or not the cost is acceptable in the context of the opportunity to convert his membership of Lloyd's to a basis of limited liability and a *de facto* gearing ratio of 4 to 1 against existing Lloyd's Deposit. **There can be no assurance that reinsurance to enhance the Company's gearing will continue to be available in the future. Please see further the risk warning contained in paragraph 14 of Part IX of this document.**

4. Future Liquidity

It is a priority for the Board of Greenwich to find a means to provide shareholders with liquidity for their investment as quickly as practicable. It is also a priority to seek to attract additional capital from third party investors, who may not traditionally have been associated with Lloyd's and whose appetite to invest is likely to be enhanced significantly by the prospect of some degree of liquidity. It is presently considered that this objective is most likely to be achieved, in the first instance, by obtaining a quotation on AIM for the Company's Ordinary Shares. The Directors intend to give active consideration to seeking an AIM quotation at the earliest practicable opportunity.

It must be emphasised that no assurance can be given that an AIM quotation will be achieved or that, even if such a quotation is in due course achieved, it will necessarily result in significant liquidity in the Ordinary Shares.

To enable Participating Names to realise all or a substantial part of their Lloyd's investment it will be necessary not only to obtain a quotation for the Ordinary Shares but also the development of an active market in them. To succeed in developing an active market, it may be necessary to find a mechanism to accelerate the paying up and conversion of the Loan Stock. In turn, it is likely to be a pre-requisite of achieving such acceleration that Participating Names be able to release their Lloyd's Deposit.

Lloyd's has consistently made clear that there can be no question of Participating Names realising their FAL before their open year liabilities in respect of underwriting years 1993 through 1998 have been closed in full, other than on the basis that equivalent substitute FAL is made available in respect of these open years. The Directors are committed to explore suitable opportunities to enable Participating Names to provide substitute FAL **but it is emphasised that there can be no certainty of success in this endeavour.**

It must be emphasised that there can be no assurance that the 1998 and prior years will all close by the year 2001 for all syndicates on which Participating Names underwrote as individuals.

Strand Partners is of the opinion that the Directors' intention as regards seeking an AIM quotation for Greenwich is viable, although it may only make commercial sense if a way can be found to facilitate early payment and conversion by Participating Names of the Loan Stock.

In the event that an AIM quotation is not achieved before the end of the interavailable period, Strand Partners has confirmed to the Directors that it does not foresee any significant obstacle to obtaining a quotation for the Company's shares on the Official List of the London Stock Exchange, once 3 years' audited financial statements are available and the Loan Stock has been paid up and converted. In the absence of unforeseen difficulties in respect of open years the earliest date at which a quotation on the Official List could be achieved is thus likely to be 2001.

5. Costs

Reference has already been made to the costs associated with the establishment of the conversion proposals set out in this document and the reinsurance arrangements which are to be put in place. An additional element of cost for Greenwich is its contribution to the Central Fund, which for the 1998 year of account is set at 1.5 per cent. of OPL for a Corporate Name as opposed to 1.0 per cent. of OPL for an individual Name with unlimited liability. The rates of contribution for the 1999 year of account have not yet been set.

In addition, there will be a charge of 1.1 per cent. on premiums signed to the 1997 and subsequent years of account. The Council of Lloyd's intends (as indicated in a Market Bulletin dated 20 August 1997) that the rate shall remain unchanged for 1998 at 1.1 per cent., although the Council retains the right to increase the rate by up to 0.2 per cent. if it decides that circumstances make such an increase necessary. This charge is payable by all participants at Lloyd's equally and not just by conversion vehicles. The charge is used to repay the £300 million loan facility that was raised on part of the future market's contribution to the reconstruction programme. Assuming premium income remains at forecast levels and no prepayment is made, the annual premium charge will remain at 1.1 per cent. for the duration of the loan, which is currently projected to be approximately five years from 1 January 1997.

It is for each Prospective Conversion Participant to evaluate whether or not these costs are reasonable and acceptable in the context of the opportunity provided to convert to limited liability membership of Lloyd's and to maintain his present OPL without being required to make available any additional FAL. The Directors believe that, in this context, the costs are reasonable and have sought to keep those costs as low as possible.

6. Management of Grenville III

The beneficial ownership of a Participating Name's Lloyd's Deposit will be retained by the Participating Name throughout the period during which the Lloyd's Deposit is made interavailable to Grenville III. In consequence, a Participating Name will retain control over, and responsibility for, all investment decisions pertaining to the assets which comprise his Lloyd's Deposit which are compliant with Lloyd's requirements in the normal way. Greenwich will not, therefore, be called upon to perform any investment management services in respect of Lloyd's Deposit during such period. A Participating Name will retain the right to capital gains and income on his interavailable Lloyd's Deposit.

The management and administration of Grenville III will be performed by GLU. Other administrative services will be provided to Grenville III by GSL.

With respect to its services as Lloyd's Members' Agent to Grenville III, GLU's customary schedule of fees and commissions will apply, as amended from time to time. This schedule will initially be the same as that applied to Names writing with unlimited liability on the Greenwich MAPA, save that the cap on fees in respect of capacity exceeding £1 million, which applies to individual Names, will not apply to Grenville III. The current fees and commissions of GLU are set out in paragraph 7 of Part VII of this document. These fees will apply for the 1999 year of account.

Summary information with regard to Greenwich and the Greenwich MAPA is contained in Part II of this document.

7. Underwriting Policy

It is the Directors' intention that Grenville III's underwriting capacity (together with that of Grenville I and Grenville II) will be closely aligned to the Greenwich MAPA for the 1999 and succeeding years of account. For more information on the Greenwich MAPA, please refer to Part II of this document.

8. Risk Factors

Notwithstanding that a Participating Name will convert to limited liability participation in the Lloyd's market with effect from the 1999 year of account, an investment in Greenwich nonetheless carries certain risks. Certain of these risks are described in Part IX of this document. **Prospective Conversion Participants are urged to read Part IX of this document thoroughly.**

9. Taxation

The tax implications of a participation in Greenwich, for a UK Name only, are summarised in paragraph 6 of Part X of this document. This information is intended only as a guide and does not purport to contain definitive tax advice. **Prospective Conversion Participants are urged to seek their own professional tax advice.**

10. Conditions

The Conversion Scheme is conditional *inter alia* upon:

(a) Grenville III being admitted as a corporate member of Lloyd's and being granted permission to underwrite with effect from 1 January 1999;

(b) the reinsurance contract referred to in Part V of this document being formally concluded or a reinsurance contract, which in the opinion of the Directors is on terms and conditions which are in substance comparable, being concluded; and

(c) the passing at the Company's first Annual General Meeting to be held on 26 June 1998 of a Special Resolution proposed by the Board to authorise the directors to issue relevant securities and to disapply statutory pre-emption rights.

The other terms and conditions governing the Offer for Subscription and Conversion Scheme and participation therein by Eligible Names are set out in Part XI of this document. Certain of the terms and conditions are consequent upon the Conversion Rules; the others have been set by Greenwich.

11. The Directors and their Intentions for 1999 Underwriting

The current directors of Greenwich are R.G.G. Thynne, C.J. Hodgson, G.P. Nash, R.S.T. Gunter, J.R. Maudslay, N.S. Cobbold, A.H. Gilroy and J.G. Hynan.

The Directors' intentions as regards underwriting for the 1999 year of account are as follows:

R.G.G. Thynne	Already writing with 100% limited liability through Greenwich
C.J. Hodgson	Already writing with 100% limited liability through Greenwich
G.P. Nash	Already writing with 100% limited liability through Greenwich
R.S.T. Gunter	Continue to write with unlimited liability
J.R. Maudslay	Continue to write with partial limited liability through Greenwich and continue to write the balance on an unlimited liability basis
N.S. Cobbold	Already writing with 100% limited liability through Greenwich
A.H. Gilroy	Is not a Name
J.G. Hynan	Is not a Name.

12. Application Form

An Application Form accompanies this document. An explanation of the underlying documentation necessary to effect conversion is to be found in Part XII of this document. The Application Form contains a power of attorney in favour of Greenwich and its Directors, empowering them to enter into documentation on behalf of Prospective Conversion Participants. It is vital that the Application Form be properly completed. **If Prospective Conversion Participants are in any doubt as to how to proceed, they are urged to contact a GLU Names' Executive or other professional adviser without delay.**

PART II

BACKGROUND INFORMATION ON GREENWICH AND THE GREENWICH MAPA

1. Introduction

Greenwich was established in 1997 as an integrated Lloyd's spread underwriting vehicle and began trading with effect from 1 January 1998.

Greenwich currently manages, through its two existing Underwriting Subsidiaries, £87.9 million of Lloyd's capacity, all of which is aligned closely with the Greenwich MAPA. This capacity is supported by £22.0 million Lloyd's Deposit made interavailable by Names who converted for the 1997 and 1998 years of account, and by letters of credit for £22.7 million, backed by reinsurance contracts provided by European Re. Through GLU and GLA, its Members' Agency and Lloyd's Adviser subsidiaries, Greenwich advises a further £234.9 million of Names' capacity, substantially all of which continues on the basis of unlimited liability.

The current issued ordinary share capital of Greenwich is 1,212,504 Ordinary Shares of 50 pence each. Assuming that (a) all of the outstanding "A" and "B" Loan Stock is in due course paid up in full and converted, and (b) the "earnout" consideration for the Holdings Acquisition, described below, is in due course satisfied in full, the issued ordinary share capital of Greenwich will be 29,144,204 Ordinary Shares of 50 pence each.

Since the Company began trading on 1 January 1998, the Greenwich Members' Agency (GLU) has performed in line with the Board's expectations, and it is anticipated that the Members' Agency will make a positive contribution to the Greenwich Group's results for the current financial year. It is too early to comment at this stage on the trading position and prospects of the Company's underwriting activities.

2. The Greenwich Philosophy

The philosophy behind the establishment and development of Greenwich has been to provide a vehicle for Names to participate at Lloyd's with limited liability and to pool the interests of the management and converting Names as a result of the management and converting Names each holding the same class of shares (i.e. Ordinary Shares) in the Company.

In the opinion of the Directors, this pooling of interests within Greenwich gives rise to five principal benefits for Participating Names, namely:

(a) greater critical mass in a market environment which is the subject of rapid change and consolidation;

(b) a credible vehicle with which to participate proactively in the process of change and consolidation;

(c) the possibility of attracting third party capital to fund growth;

(d) the prospect of eventual liquidity through flotation, sale or consolidation; and

(e) the consequential opportunity for Participating Names in due course to realise a fair value for the totality of their Lloyd's investment, including the value of syndicate capacity which the Directors consider may not have been reflected adequately in the results of the Lloyd's capacity auctions to date.

3. The Grenville Acquisition and the Greenwich Holdings "Earnout"

Greenwich was established in 1997 and subsequently became the 100 per cent shareholder of every other company in the Greenwich Group, including GLU which acted as the promoter of the Greenwich conversion scheme for the 1998 year of account.

In order to give effect to the philosophy of becoming an integrated Lloyd's spread underwriting vehicle, Greenwich acquired, as of 1 January 1998, Grenville I (the vehicle for the 1997 Greenwich conversion scheme) and Greenwich Holdings (the holding company for GLU, GLA and GLS). Greenwich Holdings was previously substantially owned by the senior management of GLU.

The acquisition of Grenville I was effected by exchanging new Ordinary Shares and loan stock in Greenwich for the existing ordinary shares and loan stock of Grenville I, on a one for one basis.

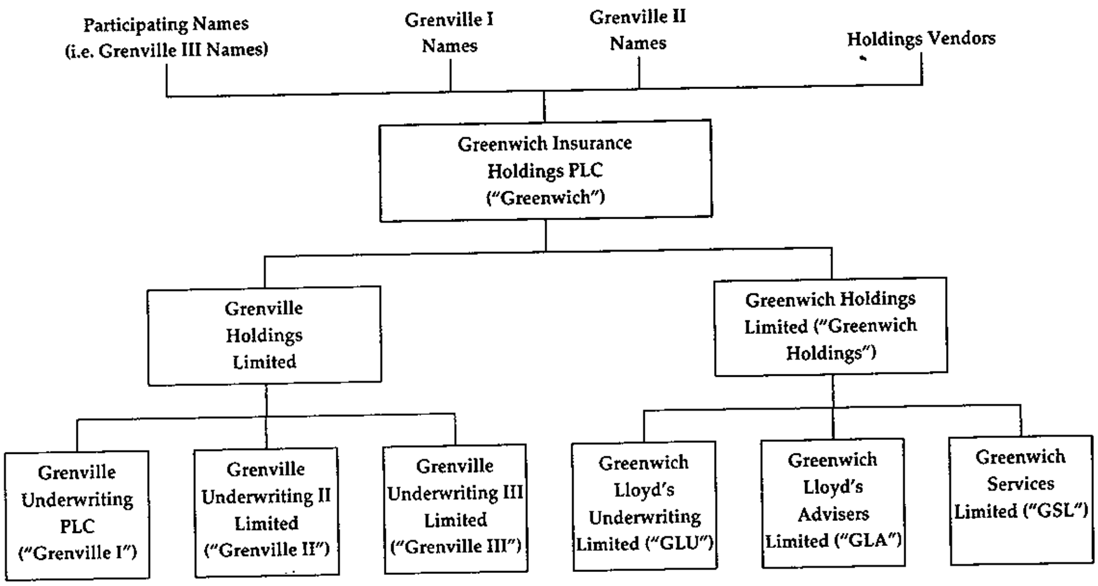
The Holdings Acquisition was effected on the basis of consideration which is payable according to an "earnout" structure. At completion, the Holdings Vendors received 400,000 Ordinary Shares being an amount (at an issue price of £1 per Ordinary Share) substantially equivalent to the net asset value of Greenwich Holdings. The Holdings Vendors will receive further Ordinary Shares under the earnout in the amount of 8½ times the average of the 1999 and 2000 consolidated after tax earnings of Greenwich Holdings. The additional amount payable under the earnout is capped at £5.6 million, which would result in the issue of a further 5.6 million Ordinary Shares. It is expected that the earnout will be satisfied in 2001 when the results of the 1998 year of account become available.

4. Corporate Structure

Greenwich is the ultimate holding company of GLU, GLA and GSL, in addition to its existing underwriting subsidiaries Grenville I and Grenville II. Each subsidiary is wholly owned by Greenwich.

Grenville I and Grenville II are the Corporate Names through which the underwriting activities, supported by the Lloyd's Deposits of those Names who participated in the Greenwich conversion schemes for the 1997 and 1998 years of account are conducted. Grenville III will be established in a similar format to Grenville II and will be the Corporate Name through which the underwriting activities, supported by the Lloyd's Deposits of Participating Names, will be conducted for the 1999 and succeeding years of account.

Assuming that the Conversion Scheme is completed, the corporate structure of the Greenwich Group of companies at 1 January 1999 will be as follows:



5. GLU

GLU was registered as a Lloyd's Members' Agent in 1996, bringing together the businesses of the following four Members' Agents:

Castle Members' Agents Limited
Holman Macleod Limited
R.F. Kershaw Limited
Marlborough Underwriting Agency Limited

For the 1998 year of account, GLU acts for 437 Names with an Allocated Capacity of £222.1 million. Of this amount, £117.9 million, or just over 53 per cent. of the overall capacity, is allocated to the Greenwich MAPA.

6. GLA

GLA was registered as a Lloyd's Adviser in 1994. GLA traded as R.F. Kershaw Lloyd's Advisers Limited until 1996 when, on the formation of Greenwich, it was renamed Greenwich Lloyd's Advisers Limited. GLA currently has no clients.

7. GSL

GSL was formed in 1996 as the operating service company for the Greenwich group of companies.

8. **The Greenwich MAPA**

MAPAs were first introduced for the 1994 year of account. Their principal attraction is that they provide a diversified portfolio of risk. In recognition of this, Lloyd's has historically allowed Names to participate on MAPAs on a gearing ratio of four times FAL.

The results for the MAPAs managed by the Members' Agents which formed Greenwich, in respect of the 1995 year of account (as at 31 December 1997) were as follows:

MAPA No.	**MAPA Name**	**Return (expressed as a Percentage of OPL)**
7032	Marlborough 1	14.95
7057	RFK	12.94
7037	Castle 2	12.13
7055	Holman 2	11.44
7033	Marlborough 2	11.37
7054	Holman 1	11.27
7036	Castle 1	11.07
	Weighted Average	12.17

Based on Underwriters' Forecast Syndicate Results for the 1996 year of account, the current mid-point forecast for the above MAPAs is as follows:

MAPA No.	**MAPA Name**	**Return (expressed as a Percentage of OPL)**
7032	Marlborough 1	6.37
7057	RFK	5.57
7055	Holman 2	4.88
7085	Castle	4.86
7033	Marlborough 2	4.74
	Weighted Average	5.16

The Lloyd's MAPA Market Average for 1995 was 12.03 per cent. and the Lloyd's mid-point forecast for 1996 was 6.12 per cent.

Note 1: Returns are stated prior to Members' Agents fees and profit commissions.
Note 2: Castle MAPAs 1 and 2 and Holman MAPAs 1 and 2 were merged for 1996.

Greenwich – 1998 Syndicate Participations

	Syndicate No.	Underwriter	Greenwich MAPA	Grenville I	Grenville II
Marine	2	Upton	1,769,333	90,432	1,176,821
	62	Hart	582,182		387,003
	102	Gammell	129,541		860,540
	375	Colton	274,922		182,753
	483	Todd	1,256,837		836,140
	535	Davies	857,126	72,827	569,770
	566	Hamblin	3,383,533	311,436	2,249,852
	588	Metcalf	3,671,112	273,581	2,441,019
	609	Dandridge	353,858		235,225
	672	Agnew	4,222,336	314,468	2,807,443
	724	Holmes	446,839		297,034
	735	Shone	2,001,577	144,839	1,330,539
	741	Wright	520,219	100,020	345,814
	744	Baugh	239,545		159,237
	861	Brockbank	633,335	539,000	4,212,047
	1028	Dumas	612,613		407,231
	1036	Copping	484,030		321,757
	1084	Hayward	819,849	127,785	544,991
	1093	Howell	645,353	55,091	428,995
	1221	Thomas	1,338,675	109,815	889,878
	1308	Spinney	3,011,608	183,945	2,002,616
Non-Marine	51	Taylor	3,845,430	355,188	2,556,231
	183	Ashley	706,567		469,687
	205	Jago	2,684,832	239,832	1,785,394
	219	Finn	1,437,698	119,422	955,703
	227	Gravett	1,239,551	129,932	823,985
	250	Stone	555,002		368,935
	376	Montgomerie	3,592,439	295,727	2,388,721
	386	Wallace	1,712,846	182,563	1,138,606
	435	Mann	4,381,621	384,789	2,912,661
	490	Brotherton	2,611,458	302,000	1,736,619
	529	Etheridge	808,111	60,000	537,188
	544	Pitt	762,072	149,621	506,583
	702	Brown	1,274,685	114,964	847,341
	727	Meacock	1,159,855	100,000	771,008
	839	Marshall	1,166,466	109,123	775,403
	947	Simmonds	1,618,924	257,066	1,076,172
	962	Vine	782,854		520,399
	991	Grant	2,306,600	174,950	1,533,302
	994	Deem	671,263	96,626	446,218
	1007	Villers	2,399,207	175,000	1,595,526
	1047	Wasey	936,282	81,496	622,389
	1101	Theakston	2,601,234	192,302	1,729,158
	1141	Mumford	533,143		354,404
	1156	Murphy	428,314	126,687	284,720
	1173	Cottrell	3,338,095	261,938	2,219,648
	1212	Burnhope	1,582,233	120,000	1,051,781

	Syndicate No.	Underwriter	Greenwich MAPA	Grenville I	Grenville II
Motor	37	Lovis	2,455,338	175,794	1,632,621
	218	Heath	3,668,163	386,349	2,439,058
	253	Acott	1,041,134	75,000	692,089
	587	Brick	1,854,814	131,303	1,232,978
	866	Wiley	1,147,924	119,462	763,077
	877	Cunningham	1,124,416	111,310	747,450
	892	Watkins	876,515		582,660
	963	Wallace	1,587,865	125,000	1,055,525
Aviation	48	Williams	836,795	96,925	556,255
	173	Dampier	1,276,336	150,247	935,786
	270	Knowles	1,253,269	211,135	833,105
	271	Pearson	1,115,493		741,519
	340	Tilling	372,404	38,935	247,553
	800	Clapham	789,701	60,000	524,951
	925	Hudson	403,577		268,276
	957	Feasey	449,148		298,569
	960	Williams	1,270,943	127,775	844,853
	1999	Spinney	752,708	46,000	500,358
Composite	33	Childs	2,478,531	205,708	1,647,592
	79	Youell	5,508,874	459,641	3,661,997
	510	Rendall	3,206,914	206,466	2,131,781
	1003	Catlin	886,639		589,388
	1485	Wootton	1,219,167	100,558	810,436
	2001	Keeling	3,046,655	2,881,183	2,025,246
		TOTAL	117,881,528	9,468,256	78,457,610

PART III

FINANCIAL INFORMATION ON GREENWICH

22 June 1998

Dear Sirs

Greenwich Insurance Holdings PLC

Introduction

We report in connection with the invitation document dated 22 June 1998 ("the Prospectus") issued in relation to the offer to Prospective Conversion Participants to apply to subscribe for 50p ordinary shares and nil paid Convertible Unsecured Loan Stock in Greenwich Insurance Holdings PLC (the "Company").

The Company was incorporated on 2 July 1997 and on 4 July 1997 established a subsidiary Grenville Underwriting II Limited which commenced underwriting as a corporate member of Lloyd's on 1 January 1998. On 1 January 1998 the Company acquired Greenwich Holdings Limited (the holding Company for a Lloyd's Members' Agency group which includes Greenwich Lloyd's Advisers Limited which was the only Group company in existence in 1995) and Grenville Underwriting PLC (a Lloyd's corporate member which commenced underwriting with the 1997 account) by way of a group reorganisation. In this report we refer to the Company and its subsidiaries as "the Greenwich Group".

Basis for the financial information

The financial information set out below, which has been prepared using merger accounting as described under "Basis of consolidation" below, is based on the audited accounts of the Greenwich Group for the 3 years ended 31 December 1997 ("the financial statements"), to which no adjustments were considered necessary.

Responsibility

The financial statements are the responsibility of the Directors who approved their issue. The Directors of the Company are responsible for the contents of the Prospectus dated 22 June 1998 in which this report is included. It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Audited financial statements have not been prepared in respect of the Greenwich Group for any period subsequent to 31 December 1997. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Greenwich Group as at the dates stated and of its losses, profits and cash flows for the periods then ended.

We consent to the inclusion of this report in the Prospectus and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Accounting policies

The principal accounting policies consistently adopted in preparing the financial information set out in this report are as follows:

(a) ***Basis of consolidation***

The financial information consolidates the accounts of the Greenwich Group made up to 31 December. The Greenwich Group was formed following the acquisitions of Greenwich Holdings Limited and Grenville Underwriting PLC on 1 January 1998.

The corporate reconstruction set out above qualifies as a group reorganisation under Financial Reporting Standard No. 6 (FRS 6) and has been accounted for using merger accounting as permitted under FRS 6. Accordingly the financial information in this report consolidates the accounts of the companies comprising the Greenwich Group, all of which are made up to 31 December in each period, as if they had been in a group relationship throughout the reported period. The excess of the nominal value of the shares issued over the nominal value of the share capital acquired is included as "Merger reserve".

(b) ***Basis of preparation***

The financial information is prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with applicable accounting standards. The basis of preparation complies with section 255 and Schedule 9A of the Companies Act 1985. As a consequence the transactions, assets and liabilities of the syndicates in which subsidiary undertakings participate as a corporate member of Lloyd's are included in the financial information. The syndicates' revenue and balance sheet information is made up on a calendar year basis and is incorporated in the financial information on that basis.

The syndicates in which subsidiary undertakings participate are managed and controlled by their respective managing agents. The accounting information in respect of these 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.

(c) ***Investments***

Listed investments are valued at middle market prices at the balance sheet date.

(d) ***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. Interest is accounted for on a receivable and payable basis.

(e) ***Taxation***

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. However, no provision is made for taxation deferred by reliefs, principally accelerated taxation allowances on capital expenditure, if there is reasonable certainty that such deferred taxation will not be payable in the foreseeable future.

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

(f) ***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.

(g) ***Tangible fixed assets***

Depreciation is provided in equal annual instalments over the estimated working lives of the assets concerned. The estimated lives are as follows:

Computer equipment	4 years
Office furniture	5 years
Office machinery	4 years

(h) ***Leases***

All leases are operating leases and the rental charges are taken to the non-technical account over the period of the lease.

(i) ***Lloyd's underwriting activities***

Assets and liabilities

Assets and liabilities entitled syndicate participations represent an aggregation of the proportion of assets and liabilities of each syndicate in which the Greenwich Group participates. These assets are held subject to the individual syndicate trust funds and the Greenwich Group 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 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. Personal expenses are charged to the technical account to match the recognition of profit from each underwriting year of account. Any anticipated losses on open years are recognised on a syndicate by syndicate basis as soon as they are foreseen.

Premiums

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

All premiums are shown gross of commission payable to intermediaries.

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.

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 less amounts written off to the revenue account for permanent diminution in value. The carrying value of the intangible asset is reviewed for permanent diminution at each period end. The directors consider the useful life of the intangible asset to be infinite.

Foreign currency

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

Reinsurance gearing

The underwriting subsidiaries have reinsurance policies with European Re (a subsidiary of Swiss Re) which provide a Letter of Credit substantially equal to the Funds at Lloyd's made interavailable by the Lloyd's Names participating as shareholders or Loan Stock holders. This increases the premium income limit which can be written by the underwriting subsidiaries to four times the interavailable Funds at Lloyd's.

Group revenue accounts: Technical accounts – general business

	Notes	Year ended 31 December 1997 £	Year ended 31 December 1996 £	Year ended 31 December 1995 £
Technical account				
Gross premiums written	1	8,164,689	–	–
Outward reinsurance premiums		(2,115,448)	–	–
Earned premiums, net or reinsurance		6,049,241	–	–
Allocated investment return transferred from the non technical account		35,630	–	–
Claims paid				
– gross amount	1	(658,890)	–	–
– reinsurers' share		165,588	–	–
		(493,302)	–	–
Change in the provision for claims				
– gross amount	1	(4,841,815)	–	–
– reinsurers' share		1,396,433	–	–
		(3,445,382)	–	–
Claims incurred net of reinsurance		(3,938,684)	–	–
Syndicate operating expenses	2	(1,815,122)	–	–
Personal expenses		(331,065)	–	–
Balance on the technical account for general business		–	–	–

Group balance sheets

	Notes	At 31 December 1997 Corporate undertaking £	Syndicate participations £	Total £	1996 Total £	1995 Total £
Assets						
Investments						
Financial investments	10	–	875,424	875,424	–	–
Reinsurers' share of technical provisions						
Claims outstanding		–	1,049,136	1,049,136	–	–
Debtors						
Debtors arising out of direct insurance operations:		–	154,093	154,093	–	–
– due from policyholders		–	22,834	22,834	–	–
– due from intermediaries		–	2,071,547	2,071,547	–	–
Debtors arising out of reinsurance operations		–	788,271	788,271	–	–
Other debtors		569,671	102,752	672,423	615,673	223,196
		569,671	3,139,497	3,709,168	615,673	223,196
Other assets						
Tangible assets	11	102,954	–	102,954	–	–
Cash at bank and in hand	12	1,409,153	91,934	1,501,087	488	665
Other		5,329	246,231	251,560	–	–
		1,517,436	338,165	1,855,601	488	665
Prepayments and accrued income						
Other prepayments and accrued income		41,765	11,826	53,591	–	6,322
Total assets		2,128,872	5,414,048	7,542,920	616,161	230,183

Group revenue accounts: non technical accounts

	Notes	Year ended 31 December 1997 £	Year ended 31 December 1996 £	Year ended 31 December 1995 £
Non technical account				
Balance on the technical account for general business		–	–	–
Investment income	3			
– syndicate participations		35,619	–	–
– corporate undertaking		50,030	4,017	6,405
Realised gains		1,360	–	–
Investment expenses and charges	4	(92,336)	–	–
Allocated investment return transferred to the general business technical account		(35,630)	–	–
Other income	5	2,863,246	400,000	405,000
Other charges		(2,941,751)	(298,139)	(281,444)
(Loss)/profit on ordinary activities before tax	6	(119,462)	105,878	129,961
Tax on loss on ordinary activities	9	(42,739)	(35,139)	(42,616)
(Loss)/profit on ordinary activities after taxation		(162,201)	70,739	87,345
Dividends payable		–	(73,233)	(85,000)
Retained (loss)/profit for the year		(162,201)	(2,494)	2,345

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

All activities are continuing.

	Notes	At 31 December 1997 Corporate undertaking £	Syndicate participations £	Total £	1996 Total £	1995 Total £
Liabilities						
Capital and reserves						
Called up share capital	15	606,352	–	606,352	265,102	100,000
Shares to be allotted		2,800,000	–	2,800,000	2,800,000	–
Profit and loss account		(162,201)	–	(162,201)	–	2,494
Merger reserve		(2,600,000)	–	(2,600,000)	(2,600,000)	–
	16	644,151	–	644,151	465,102	102,494
Technical provisions		–	4,787,177	4,787,177	–	–
Deposits received from reinsurers		–	769	769	–	–
Creditors						
Creditors arising out of direct insurance operations		–	186,743	186,743	–	–
Creditors arising out of reinsurance operations		–	303,225	303,225	–	–
Other creditors including taxation	13	1,280,561	110,695	1,391,256	151,059	127,689
		1,280,561	600,663	1,881,224	151,059	127,689
Accruals and deferred income		204,160	25,439	229,599	–	–
Total liabilities		2,128,872	5,414,048	7,542,920	616,161	230,183

The 1995 and 1996 assets and liabilities relate exclusively to the corporate undertaking.

Group cash flow statements

	Notes	1997 £	1996 £	1995 £
Operating (loss)/profit		(69,084)	101,861	123,556
Write-off of start up costs		(406,250)	–	–
Investment income		(1,803)	–	–
Depreciation		32,476	–	–
(Increase) in debtors		(296,956)	(23,542)	(123,113)
Increase in creditors		359,977	–	–
Net cash (outflow)/inflow from operating activities		(381,640)	78,319	443

	Notes	1997 £	1996 £	1995 £
Net cash (outflow)/inflow from operating activities		(381,640)	78,319	443
Returns on investments and servicing of finance	17	(54,271)	6,404	222
Investing activities	17	(135,430)	–	–
Equity dividends paid		(73,233)	(85,000)	–
Financing	17	2,053,239	100	–
Increase/(decrease) in cash	18	1,408,665	(177)	665

The consolidated cash flow statements exclude cash flows relating to underwriting within Lloyd's.

Notes to the report

Note 1 Underwriting segmental analysis

	Gross premiums written £	Gross claims incurred £	Gross operating expenses £	Reinsurance balance £
1997				
Direct business				
Accident & health	266,700	(219,020)	(73,127)	(14,623)
Motor – third party liability	226,040	(186,743)	(43,929)	(10,737)
Motor – other classes	1,064,411	(801,084)	(222,873)	(61,258)
Marine, aviation and transport	1,331,279	(1,315,989)	(282,429)	128,985
Fire and other damage to property	1,453,964	(907,523)	(377,567)	(96,293)
Third party liability	2,073,248	(1,113,639)	(440,041)	(201,775)
Credit and suretyship	47,321	(23,751)	(12,875)	(2,294)
Legal expenses	23,056	(4,856)	(5,554)	(461)
Assistance	252	(312)	(47)	(17)
Other	211,817	(83,313)	(69,793)	(10,953)
Total Direct	6,698,088	(4,656,230)	(1,528,235)	(269,426)
Reinsurance business	1,466,601	(844,475)	(286,887)	(284,541)
Total	8,164,689	(5,500,705)	(1,815,122)	(553,967)

	1997 £
Gross premiums in respect of direct business	
United Kingdom	6,578,127
Other EU member states	43,900
Rest of the world	76,061
	6,698,088

Comparative figures for 1995 and 1996 are £nil.

Note 2 Syndicate operating expenses

	1997 £	1996 £	1995 £
Syndicate expenses	(294,223)	–	–
Exchange adjustment	336	–	–
Commission/brokerage	(1,521,235)	–	–
	(1,815,122)	–	–

Note 3 Investment income

	1997 £	1996 £	1995 £
Income from investments	35,619	–	–
Bank and deposit interest	50,030	4,017	6,405
	85,649	4,017	6,405
Attributable to technical account	35,619	–	–
Included in non technical account	50,030	4,017	6,405
	85,649	4,017	6,405

Note 4 Investment expenses and charges

	1997 £	1996 £	1995 £
Interest payable	90,987	–	–
Investment management fee	1,349	–	–
	92,336	–	–
Attributable to technical account	1,349	–	–

Note 5 Other income

	1997 £	1996 £	1995 £
Agency salaries	2,656,237	–	–
Miscellaneous fees	207,009	–	–
Corporate Members Fees	–	400,000	405,000
	2,863,246	400,000	405,000

Corporate member fees in 1995 and 1996 represent fees earned by Greenwich Lloyd's Advisers Limited in its capacity as an adviser to a corporate member of Lloyd's. This contract was terminated in 1996.

Note 6 (Loss)/profit on ordinary activities is stated after charging

	1997 £	1996 £	1995 £
Auditors' remuneration			
– Audit fees	14,450	–	–
– Other services	18,627	–	–
Depreciation	32,476	–	–
Operating lease rentals	3,764	–	–

Note 7 Staff costs (including directors)

	1997 £	1996 £	1995 £
Wages and salaries	1,598,132	–	–
Social Security costs	139,709	–	–
Other pension costs	122,367	–	–
	1,860,208	–	–

Note 8 Directors' remuneration

	1997 £	1996 £	1995 £
R.G.G. Thynne (Chairman)	95,906	–	–
C.J. Hodgson	134,628	–	–
G.P. Nash	87,760	–	–
R.S.T. Gunter	63,813	–	–
J.R. Maudslay	86,288	–	–
N.S. Cobbold	–	–	–
A.H. Gilroy	10,135	–	–
J.G. Hynan	2,500	–	–
	481,030	–	–

Note 9 Tax on profit on ordinary activities

(a) Taxation charge for the year

	1997 £	1996 £	1995 £
Corporation tax – current year	42,739	35,139	42,616

(b) Deferred taxation

Deferred taxation is provided on the liability method except where, in the opinion of the directors, the timing differences will not reverse in the foreseeable future. The potential liability for deferred taxation not provided in each year amounted to £nil.

Note 10 Financial investments

	Syndicate participations		
	1997 £	1996 £	1995 £
Shares and other variable yield securities	28,722	–	–
Debt securities and other fixed interest securities	656,835	–	–
Participation in investment pools	22,622	–	–
Loans guaranteed by mortgage	1,182	–	–
Deposits with credit institutions	147,644	–	–
Deposits with ceding undertakings	2,969	–	–
Other	15,450	–	–
	875,424	–	–

Note 11 Tangible fixed assets

	Office machinery £	Office furniture £	Computer equipment £	Total £
Cost				
At 1 January 1997	–	–	–	–
Additions in year	23,242	27,324	84,884	135,450
At 31 December 1997	23,242	27,324	84,884	135,450
Depreciation				
At 1 January 1997	–	–	–	–
Charge for year	5,811	5,464	21,221	32,496
At 31 December 1997	5,811	5,464	21,221	32,496
Net book value				
At 31 December 1997	17,431	21,860	63,663	102,954

Note 12 Cash at bank

Cash at bank at 31 December 1997 included balances of £175,656 which were held in trust on behalf of Names (1995 and 1996 – £nil).

Note 13 Other creditors including taxation

	1997 £	1996 £	1995 £
Loan notes	850,000	–	–
Taxation			
– corporate undertaking	179,565	77,827	42,689
– syndicate participations	110,695	–	–
Other creditors	250,996	73,232	85,000
	1,391,256	151,059	127,689

The £850,000 of loan notes has a coupon of the greater of 10% or 3% above base rate and is unsecured and redeemable at the election of the loan note holders on or after 1 January 2000.

Note 14 Subsidiary undertakings

The subsidiary undertakings included in this report are as follows:

	Principal activity	Class of shares	% held
Greenwich Holdings Limited	Holding company	Ordinary	100†
Greenwich Lloyd's Underwriting Limited	Lloyd's members agent	Ordinary	100*†
Greenwich Lloyd's Advisers Limited	Lloyd's adviser	Ordinary	100*†
Greenwich Services Limited	Service company	Ordinary	100*†
Grenville Holdings Limited	Holding company	Ordinary	100
Grenville Underwriting PLC	Lloyd's corporate member	Ordinary	100*†
Grenville Underwriting II Limited	Lloyd's corporate member	Ordinary	100*

*denotes indirect holding
†acquired 1 January 1998

Note 15 Called up share capital

	1997 £	1996 £	1995 £
Authorised			
Ordinary shares of 50p each	75,000,000	75,000,000	75,000,000
Redeemable ordinary shares of 50p each	50,000	50,000	50,000
Preference shares of £1 each	100	100	100
	75,050,100	75,050,100	75,050,100
Allotted, issued and fully paid			
Ordinary shares of 50p each	606,252	265,102	100,000
Preference shares of £1 each	100	100	–
	606,352	265,202	100,000

Note 16 Reconciliation of movements in shareholders' funds

	Share capital £	Shares to be allotted £	Share premium £	Profit & loss £	Merger reserve £	Total £
At 1 January 1995	100,000	–	–	149	–	100,149
Retained profit	–	–	–	2,345	–	2,345
At 31 December 1995	100,000	–	–	2,494	–	102,494
Preferred shares issued	100	–	–	–	–	100
Retained loss	–	–	–	(2,494)	–	(2,494)
Shares issued on restructuring of Greenwich Holdings Limited	165,002	2,800,000	65,000	–	(2,600,000)	430,002
Write off of share issue costs	–	–	(65,000)	–	–	(65,000)
At 31 December 1996	265,102	2,800,000	–	–	(2,600,000)	465,102
Shares issued re Grenville II Conversion Scheme	341,250	–	341,250	–	–	682,500
Write off of share issue costs	–	–	(341,250)	–	–	(341,250)
Retained loss	–	–	–	(162,201)	–	(162,201)
At 31 December 1997	606,352	2,800,000	–	(162,201)	(2,600,000)	644,151

Note 17 Gross cash flows

Returns on investments and servicing of finance

	1997 £	1996 £	1995 £
Interest received	36,633	6,404	222
Interest paid	(90,904)	–	–
	(54,271)	6,404	222
Investing activities			
Payment to acquire tangible fixed assets	(135,430)	–	–
Financing			
Issue of share capital	1,203,239	100	–
Issue of loan notes	850,000	–	–
	2,053,239	100	100

Note 18 Reconciliation of net cash flow to movement in net funds

	1997	1996	1995
	£	£	£
Increase in cash	1,408,665	(177)	665
Net funds at 1 January	488	665	–
Net funds at 31 December	1,409,153	488	655

Note 19 Financial commitments

At 31 December 1997 the group had annual commitments under non-cancellable operating leases of £3,764 per annum which expire within one year.

Note 20 Post balance sheet event

On 4 April 1998 zero coupon Loan Notes with a nominal value of £307,618 were issued at par, which are repayable at par in more than one year.

Yours faithfully

Binder Hamlyn

Binder Hamlyn

PART IV

FINANCIAL PROJECTIONS AND ACCOUNTANTS' REPORT

(A) FINANCIAL PROJECTIONS

1. Illustrative financial performance

The financial projections which follow have been prepared to illustrate the possible consequences for the 1999 to 2002 underwriting years of account, of an investment in Greenwich on the basis that the Offer will proceed on the terms set out in this document. They have been prepared on the basis of assumptions made by the Directors, the principals of which are set out in Section 3 below. The financial projections which were adopted by the Directors on 18 June 1998 are in respect of an extended future period and are subject to significant economic and competitive uncertainties and contingencies, many of which will be beyond the Directors' control, and there can be no assurance that they will be realised nor necessarily be achieved in practice.

The financial projections are intended to show the mechanism by which income will be earned; they do not constitute forecasts and must not be construed as such. The actual results experienced by a Participating Name who becomes a shareholder in Greenwich will be materially affected by economic, financial and other circumstances which are beyond the control of the Participating Names and Greenwich. In particular, underwriting losses may be experienced which are not reflected in the financial projections. Underwriting returns used in the illustrations have been assumed to remain constant but, in reality, they may vary significantly from year to year.

The financial projections have been based on the accounting policies adopted by Greenwich in respect of underwriting results and directly related transactions, including managing and members' agency fees, profit commission, costs associated with the reinsurance contracts and new Central Fund contributions and in respect of the members' agency activities of GLU. Under these accounting policies, underwriting profits and members' agency profit commissions are recognised in the accounting period in which an underwriting year of account normally closes by RITC. Expenses which are directly related to Greenwich's underwriting activities are charged to the same period as the underwriting result.

Accounting bases

(a) Corporate members of Lloyd's are required to prepare accounts under Schedule 9A of the Companies Act 1985 as if they are an insurance group. This entails the Greenwich Group providing an analysis of its underwriting return which is the net result after claims, syndicate expenses and all Names' personal expenses have been deducted from premiums and investment income. The illustrative projected underwriting results have not been calculated in this way and, accordingly, no such analysis is provided.

(b) With the exception of paragraph (a) above, the accounting bases used in the preparation of these financial projections are intended to be consistent with those accounting policies to be adopted by the Greenwich Group in future published financial information.

Financial Projections

These projections are based on an assumed 6% average net underwriting return.

	Year ending 31 December					
	1999	2000	2001	2002	2003	2004
	£	£	£	£	£	£
Consolidated Profit and Loss Account						
Income						
Underwriting income	568,080	5,275,560	8,275,560	8,275,560	8,275,560	8,275,560
Profit commission on reinsurance	59,175	490,694	680,694	680,694	680,694	680,694
Investment income	179,095	832,749	1,820,339	2,234,463	2,269,608	2,372,366
Agency income-profit commission	1,016,986	915,288	869,523	869,523	869,523	869,523
Agency income-fee income	1,990,258	1,838,370	1,791,232	1,791,232	1,791,232	1,791,232
Total income	3,813,594	9,352,661	13,437,348	13,851,472	13,886,617	13,989,375
Expenses						
Reinsurance costs	(242,617)	(2,007,923)	(2,982,923)	(2,982,923)	(2,982,923)	(2,982,923)
Personnel	(1,603,908)	(1,427,383)	(1,337,661)	(1,357,186)	(1,376,770)	(1,396,697)
Premises	(340,637)	(347,450)	(354,399)	(361,487)	(368,717)	(376,091)
Loan note interest	(85,000)	(85,000)	(85,000)	(85,000)	(85,000)	(85,000)
Miscellaneous	(245,983)	(255,328)	(264,954)	(269,767)	(274,673)	(279,674)
Grenville III Costs	(35,000)	–	–	–	–	–
Total expenses	(2,553,145)	(4,123,084)	(5,024,937)	(5,056,363)	(5,088,083)	(5,120,385)
Net profit before tax	1,260,449	5,229,577	8,412,411	8,795,109	8,798,534	8,868,990
Taxation	(347,599)	(1,589,479)	(2,593,627)	(2,732,029)	(2,733,204)	(2,755,157)
Net profit after tax	912,850	3,640,099	5,818,784	6,063,080	6,065,330	6,113,833
Dividends	(643,303)	(2,992,572)	(4,892,063)	(5,153,618)	(5,155,530)	(5,196,758)
Retained profit	269,547	647,527	926,721	909,462	909,800	917,075
Earnings in pence per share	23.2	15.5	14.0	14.6	14.6	14.7
Consolidated Shareholders' Funds						
Paid up share capital	1,964,852	11,772,102	20,822,102	20,822,102	20,822,102	20,822,102
Shares to be allotted	2,800,000	2,800,000	–	–	–	–
Profit and Loss account	311,742	959,269	1,885,990	2,795,452	3,705,252	4,622,327
Share Premium	1,183,500	10,990,750	17,240,750	17,240,750	17,240,750	17,240,750
Merger Reserve	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)
Shareholders' Funds	3,660,094	23,922,121	37,348,842	38,258,304	39,168,104	40,085,179
Net assets in pence per share	93.1	101.6	89.7	91.9	94.1	96.3
Funds at Lloyd's						
Interavailable deposit	32,114,500	12,500,000	–	–	–	–
Company Funds	2,367,000	21,981,500	34,481,500	34,481,500	34,481,500	34,481,500
Reinsurers security deposit	34,481,500	34,481,500	34,481,500	34,481,500	34,481,500	34,481,500
Total	68,963,000	68,963,000	68,963,000	68,963,000	68,963,000	68,963,000
Capacity	137,926,000	137,926,000	137,926,000	137,926,000	137,926,000	137,926,000

2. **Sensitivity analysis**

(I) **Introduction**

A sensitivity analysis has been undertaken to assess the impact of different levels of underwriting return on the income before taxation and dividend per share for the periods ending 31 December 2004. The assumptions set out in Section 3 have been held constant except that the net underwriting return has been varied between 2.5% and 10.0% of the allocated underwriting capacity.

(II) **Sensitivity Analysis**

	Year ending 31 December					
	1999	**2000**	**2001**	**2002**	**2003**	**2004**
	£	**£**	**£**	**£**	**£**	**£**
Profit before tax						
Underwriting return						
2.5%	448,825	1,715,927	3,157,304	3,514,580	3,484,961	3,521,967
5.0%	1,028,557	4,226,175	6,911,457	7,286,380	7,280,335	7,341,221
6.0%	1,260,449	5,229,577	8,412,411	8,795,109	8,798,534	8,868,996
7.5%	1,608,288	6,734,689	10,663,863	11,058,224	11,075,849	11,160,663
10.0%	2,188,019	9,243,207	14,416,279	14,830,078	14,871,373	14,980,116
Dividends – Pence per share						
Underwriting return						
2.5%	5.90	3.54	4.36	4.95	4.91	4.96
5.0%	12.93	10.21	9.63	10.25	10.24	10.33
6.0%	16.37	12.71	11.75	12.38	12.38	12.48
7.5%	21.56	16.46	14.92	15.56	15.59	15.71
10.0%	30.22	22.71	20.20	20.87	20.93	21.09
Dividends are based on the following number of Ordinary Shares of 50 pence issued at £1 per share						
	3,929,504	23,544,004	41,644,004	41,644,004	41,644,004	41,644,004

3. **Principal bases and assumptions of the financial projections**

(I) **Introduction**

For the purpose of the financial projections and sensitivity analyses, the following bases and assumptions have been adopted by the Directors.

(II) **General assumptions**

(a) The Company will raise £350,000 of new capital in the form of 350,000 50p Ordinary Shares issued for £1 each, which is based on 100 converting Names becoming Members with an initial subscription of £3,500 per Name.

(b) The acquisition of Greenwich Holdings was accounted for using the provisions of merger accounting. The initial consideration allotted as of implementation of the conversion scheme was 400,000 50p Ordinary Shares issued at £1 each. In August 2001 the balance of the full consideration of 5,600,000 50p Ordinary Shares will be issued at £1 each.

(c) Issued share capital and share premium will be increased by £2,367,000 in August 1999, £19,614,500 in August 2000 and by £12,500,000 in August 2001 in accordance with the terms of conversion under the Grenville I, II, and III loan stock instruments.

(d) Professional fees in relation to the offer and the application fee for Grenville III to become a Corporate Member will amount to £210,000.

(e) Grenville III will be successful in its application to become a Corporate Member.

(f) The accounting reference date will be 31 December.

(g) Grenville I, II and III respectively will have an annual allocated capacity of £9,468,000, £78,458,000 and £50,000,000 being equivalent to twice the funds held in the Funds at Lloyd's.

(h) The rules governing the participation of corporate members of Lloyd's and the operation of the interavailable asset scheme will remain unchanged.

(i) The tax regime in the United Kingdom and rates proposed in the Finance Bill will not change. For the purposes of the illustrations, a corporation tax rate of 31 per cent, has been applied throughout the period. (The current tax regime in the United Kingdom is summarised in paragraph 6 of Part X of this document). From 5 April 1999 the tax credit on dividends paid will be reduced to 10 per cent. This reduction has not been built into these assumptions.

(j) Advance corporation tax ("ACT") will be fully relieved against the Greenwich group's corporation tax liability: the funding cost of any timing difference between payment of ACT and effective relief against corporation tax has been ignored.

(k) An inflationary increase of 2 per cent per annum has been applied to general expenditure.

(l) Dividends will be 85% of available profits. The dividend arising from 1997 underwriting profits payable in 2000 will not be paid to the holders of shares converted from A and C loan stock. The dividend arising from 1998 underwriting profits payable in 2001 will not be paid to the holders of shares converted from C loan stock. The dividend arising from the 1999 underwriting profits will be payable in 2002 to all shareholders in the company including those who have converted their C loan stock into ordinary shares.

(m) Grenville III will commence underwriting on 1 January 1999.

(n) Greenwich Holdings will distribute 15% of its profits to staff by way of a bonus.

(o) No account has been taken of any potential acquisitions or capital raising other than as outlined in the Prospectus.

(III) Investment activities

(a) The gross investment return on the investment portfolio will be 6%.

(b) The Capital value of the assets representing FAL will not depreciate.

(IV) Underwriting activities

(a) The underwriting results in any year will not be determined until a further two years have elapsed. The underwriting results and related dividend will be accrued at the end of the third year. The dividend will be paid when the underwriting profits are received during the following year.

(b) Costs of the reinsurance policies as set out in Part V of this document will be charged against the underwriting profits of the year to which they relate.

(c) The average syndicate return after agents' fees, Lloyd's annual subscriptions, the Central Fund levy and the profit commission payable to GLU will be 6.0%. All of these charges will be payable from the Premiums Trust Funds.

(d) No cash call or losses will arise for which payment will need to be made in the period prior to the closure of a syndicate.

(e) Syndicate capacity purchased through the auctions will equal the proceeds of syndicate capacity sold through the auctions.

(f) Lloyd's bylaws relating to underwriting at Lloyd's will not change.

(g) No special levies will become due to Lloyd's.

(V) Agency Activities

(a) GLU's terms for agency fees, profit commission and winding up fees will remain constant throughout the period. These terms are:

  (i) Annual agency fees to unlimited Names are charged at:

  - 0.7% of underwriting capacity up to £1 million;
  - 0% of underwriting capacity from £1 million to £3 million; and
  - a negotiable rate for underwriting above £3 million.

  (ii) Profit commission of 5% of underwriting profits subject to making a minimum profit of 2.5%.

  (iii) Winding up fees for leaving members are equivalent to the final annual fee paid.

(b) GLU's aggregate members' agency capacity will reduce by 10% in 1999 and by 5% in 2000 following which it will remain constant.

(c) Profit commission arising on a year of account will not be received until after the relevant year of account is closed. Profit commission will be accrued at the end of the third year.

(d) In view of the reduction in members' agency capacity, administrative cost savings will be made of £180,000 in 1999 and £125,000 in 2000.

(e) VAT on agency activities will be recoverable at a rate of 50% of the cost incurred.

(f) Loan note interest of 10% per annum will be payable on the subordinated loan notes. The loan notes will not be redeemed before 31 December 2004.

BINDER HAMLYN

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22 June 1998

The Directors
Greenwich Insurance Holdings PLC
Walbrook House
23 Walbrook
London EC4N 8BT

The Directors
Strand Partners Limited
110 Park Street
Mayfair
London W1Y 3RB

Dear Sirs

GREENWICH INSURANCE HOLDINGS PLC ("THE COMPANY")

We have reviewed the accounting policies applied and the calculations made in preparing the consolidated illustrative financial projections of the Company and its subsidiaries ("the Greenwich Group") for the six years ending 31 December 2004 ("the financial projections"), set out in this Part IV of the Prospectus. The Directors are solely responsible for the financial projections and the principal assumptions made by them on which the financial projections are based are set out in this Part IV of the Prospectus.

As further discussed in "Risk Factors" in Part IX of the Prospectus, since the financial projections are in respect of an extended future period and are subject to significant economic and competitive uncertainties and contingencies, many of which will be beyond the Directors' control, there can be no assurance that they will be realised. As a result the assumptions are necessarily more subjective than would be appropriate for a forecast and therefore the financial projections do not constitute a forecast by the Directors of the Greenwich Group's most likely results for the period.

Since the financial projections relate to the future, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected and the differences may be material. The financial projections are not susceptible to audit and we can express no opinion on whether the actual results achieved will correspond to those projected. We are not qualified to and do not comment on the reasonableness and achieveability or otherwise of the assumptions on which the financial projections are based.

In the context of the foregoing, in our opinion the financial projections, in so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of assumptions made by the Directors and are presented on a basis consistent with the accounting policies normally adopted by the Greenwich Group.

This letter has been prepared for the information and use solely of the parties to whom it is addressed. No responsibility is accepted to any investor or other third party in respect of, or arising out of, or in connection with, our work on the financial projections.

Yours faithfully

Binder Hamlyn

Binder Hamlyn

PART V

PARTICULARS OF REINSURANCE ARRANGEMENTS

A proposal of reinsurance for Grenville III has been received from European Re. If the proposal is implemented, European Re will procure the establishment of a letter of credit amounting to the maximum amount of the reinsurance liability, which letter of credit will constitute part of Grenville III's Lloyd's Deposit for an initial period of 4 years of account commencing 1 January 1999. The effect of this will be that Participating Names will benefit from the same *de facto* gearing as has been enjoyed historically by individual Names writing on a MAPA with unlimited liability.

The reinsurance is proposed to be provided on the basis that the Lloyd's Deposit of Participating Names made interavailable to Grenville III must be exhausted in full before the LOC can be drawn down. (This is subject to the discretion of Lloyd's regarding the order of draw down of Lloyd's Deposit. In the event that Lloyd's draw down on the LOC prior to drawing on the interavailable Lloyd's Deposit, the reinsurer will require reimbursement by Grenville III.) If any drawing is made against the security made available by the reinsurer before the Lloyd's Deposit of Participating Names is exhausted, this may be treated as a debt owed by Grenville III to the reinsurer which is payable on demand and carries interest at a rate of 3 per cent. per annum above LIBOR.

In the event of losses or cash calls, Grenville III will be required to continue to provide Lloyd's Deposit to support the value of the highest OPL written for the previous three years if it wishes to continue to underwrite. Participating Names should be aware that in all probability the only source of such additional Lloyd's Deposit will be the early payment up and conversion of Loan Stock. In addition, it is a term of the reinsurance contract that any losses or cash calls will be satisfied by payment up of the Loan Stock.

All business originally signed to the 1992 and prior underwriting years of account (other than life business) is excluded from the reinsurance proposal.

The costs of the reinsurance are proposed to be as follows:

(i) Grenville III will reimburse European Re annually for the costs of procuring a bank to issue the LOC, estimated at 0.20 per cent. of the face amount of such LOC.

(ii) Grenville III will pay an annual risk premium of 1.9 per cent. of each underwriting year's OPL. (For these purposes, the premium in subsequent years will not be less than the premium paid in respect of the 1998 year of account, notwithstanding the fact that the OPL of Grenville III may fall below the 1998 OPL in subsequent years.) This is payable at 0.1 per cent. of OPL on or before the inception of each underwriting year of account and 1.8 per cent. of OPL within 45 months after the inception of the underwriting year or on the closure of the underwriting year, whichever occurs first. This premium is payable irrespective of whether Grenville III continues to underwrite for the full 4 year period.

(iii) An experience account will be established by the reinsurer for the term of the contract. 20 per cent. of the premium paid by Grenville III will be paid into this account at the end of each calendar year less any loss settlement paid. The remaining balance of the account is repayable to Grenville III at the end of the contract. This means, in effect, that if no claims are made during the term of the contract, 20 per cent. of the premium paid by Grenville III will be repaid to Grenville III by the reinsurer.

In the event that Grenville III is required to pay cash calls prior to the natural closing of a year of account, to the extent that these are covered by the reinsurance policy, European Re will pay to the reinsured a sum in respect of such cash calls before Names' Lloyd's Deposit is drawn down. European Re's liability is subject to a maximum of £250,000 for each underwriting year of account and the aggregate policy limits.

The underwriting of Grenville I and Grenville II is also supported by similar reinsurance arrangements provided by European Re. These arrangements have a substantially equivalent structure to the Grenville III arrangements set out above. The actual terms are also substantially similar to the terms given to Grenville III, save for the matters indicated below:

	Grenville I	Grenville II	Grenville III
Premium	2.5% of OPL	2.2% of OPL	1.9% of OPL
Experience Account	25% of Premiums	25% of Premiums	20% of Premiums
Letter of Credit Charge	0.25% of LOC value	0.25% of LOC value	0.20% of LOC value

Copies of the reinsurance documents for each of the Underwriting Subsidiaries are available for inspection in accordance with the terms of paragraph 9 of Part X of this document.

PART VI

PARTICULARS OF THE LOAN STOCK

The Loan Stock will be created pursuant to a resolution of the Directors and will be constituted by a loan stock instrument to be executed by the Company in the event of the Offer becoming unconditional in all respects (the "Loan Stock Instrument"). The Loan Stock Instrument will contain provisions, *inter alia*, to the effect set out in sub-paragraphs (1) to (12) below.

1. **Forms and Status**

   The Loan Stock will be issued nil paid in multiples of £1. Once paid up the Loan Stock will constitute unsecured obligations of the Company. The Loan Stock Instrument will not contain any restrictions on borrowing, charging or disposal of assets by the Company and therefore the Directors will be free to incur other indebtedness on behalf of the Company. The Company shall be entitled to create further unsecured loan stock, forming a single issue with the Loan Stock or otherwise, at any time.

2. **"C" Loan Stock**

   The Loan Stock will be designated "C" Loan Stock and will have substantially similar rights and be subject to substantially the same conditions as the existing Loan Stock in Greenwich (ie. the "A" and "B" Loan Stock), save as follows:

   (a) upon the "C" Loan Stock converting into Ordinary Shares, the holders of those shares will not be entitled to dividends referable to the year ending 31 December 2000 or previous financial periods;

   (b) dividends payable from the underwriting profits, if any, for the 1997 year of account will be paid to those Names who converted their Lloyd's participations via Grenville I;

   (c) dividends payable from the underwriting profits, if any, for the 1998 year of account will be paid to those Names who converted their Lloyd's participations via Grenville I or Grenville II;

   (d) the "C" Loan Stock will be liable to be paid up in full in 2001 (or such date as Lloyd's permits the general release of Lloyd's Deposits for the 1998 year of account), whereas the "A" Loan Stock is expected to be paid up in full in 2000 and the "B" Loan Stock in 1999.

3. **Interest**

   There will be no interest paid on the Loan Stock.

4. **Conversion of Loan Stock**

   At such time as Loan Stock is fully paid it shall automatically stand converted into Ordinary Shares at the rate of one Ordinary Share for every £1 nominal amount of Loan Stock. These Ordinary Shares will in all respects rank *pari passu* with the existing Ordinary Shares except that they will not rank for dividends referable to the year ending 31 December 2000 or previous financial periods.

5. **Payment**

   (a) The Company will call upon holders of Loan Stock to pay up in full the whole of their holding of such stock on such date as Lloyd's permits general release of FAL in respect of the 1998 and earlier years of account. This is expected to be in 2001. (In the event that a Loan Stockholder's entire FAL are not released at the time of such general release of FAL, he will nevertheless be required to pay up his Loan Stock in full in cash.)

   (b) The Company will be entitled to call upon holders of Loan Stock to pay up the whole of the holding of such stock in the event of an offer being made to acquire the whole of the Ordinary Shares in issue, or a part or the whole of the holding of such stock in multiples of £1 in the event that and to the extent to which:

      (i) a call is made on Grenville III to meet a loss in respect of its underwriting activities at Lloyd's; or

(ii) the value of holders' Lloyd's Deposits made interavailable in support of underwriting through Grenville III has reduced (on any date on which the solvency of Members of Lloyd's is tested) below the value at the time when the Loan Stock is first allotted.

(c) The holders of Loan Stock may pay up either part or the whole of their holding of such stock at any time after issue. However, the resulting Ordinary Shares will not rank for dividends referable to the year ending 31 December 2000 or previous financial periods.

(d) Payment shall be made by holders of Loan Stock by way of cheque made payable to the Company.

6. Adjustment and Forfeiture

The Lloyd's Deposit made interavailable to Grenville III by each Participating Name will be revalued on the valuation date for coming into line purposes (which currently is 31 August, but this date is being reviewed by Lloyd's). In the event of a reduction in value, an amount of Loan Stock equal to the amount of such decrease will be forfeited unless the Loan Stock is paid up to the extent of the reduction in value.

If any Participating Name fails to pay up all or such part of his nil paid Loan Stock as the Company may at any time call upon him by notice in writing to pay up by the latest time stated in the said notice for such payment, the relevant amount of Loan Stock will be forfeited.

7. Lloyd's Deposits

The holder of any Loan Stock will be required to provide Lloyd's Deposit to support Grenville III's underwriting of an amount equal to the amount of Loan Stock held by him. Upon payment to the Company by the holder of Loan Stock in accordance with the provisions outlined in paragraph 5(d) above, the Lloyd's Deposit provided by that holder of Loan Stock may be reduced by an amount equal to the payment made by him, and the Company shall take all reasonable steps, insofar as it is able, to procure that such Lloyd's Deposit is released. This will, however, depend on whether or not such Lloyd's Deposit is being used to support the Name's previous underwriting and the substitution by the Company of replacement Lloyd's Deposit in respect of Grenville III's underwriting.

8. Cancellation

Any Loan Stock repaid, converted or forfeited will be cancelled and will not be available for re-issue (but the Company will have the right to issue further loan capital).

9. Modifications

The rights of holders of the Loan Stock will be subject to modification by the Company with the sanction of an extraordinary resolution of the holders of Loan Stock passed by a majority of not less than 75 per cent. of votes cast by such holders.

10. Transfer

Loan Stock will not be transferable without the consent of the Company.

11. General

The Company will be required to keep available for issue sufficient authorised but unissued ordinary share capital to satisfy the conversion rights of holders of fully paid Loan Stock.

The holders of Loan Stock will receive a copy of the Annual Accounts and every notice, circular or other document sent out by the Company to its shareholders.

12. Governing Law

The Loan Stock will be governed by and construed in accordance with the laws of England.

PART VII

LLOYD'S MARKET

1. Lloyd's Business Trading Record and Prospects

Syndicates at Lloyd's underwrite insurance risks worldwide, with the core markets being in the United Kingdom and North America and in the marine, non-marine, aviation, large commercial and reinsurance sectors.

Under Lloyd's three year accounting system, its most recently declared results are in respect of the 1995 year of account. Whilst overall results from Lloyd's syndicates were profitable from 1968 to 1987, significant losses were incurred in the five years of account between 1988 and 1992, before Lloyd's returned to profitability in the 1993 year of account, with a further improvement in 1994 and 1995. The summary results for the five most recently reported years of account were as follows:

Year	Underwriting profit/(loss) £m	Results after personal expenses* £m
1991	(1,993)	(2,048)
1992	(824)	(1,193)
1993	670	225
1994	1,662	1,095
1995	1,657	1,005

Source: Lloyd's Global Results 1997

*The results after personal expenses for the 1991 to 1992 years of account have been restated to adjust for the double counting of losses in respect of members' related insurance and includes calendar year deterioration in respect of all run-off years.

Lloyd's Global Results 1997 published in May 1998 estimated the results (after personal expenses) for 1996 to be £574 million and for 1997 to be £366 million.

2. Reconstruction and Renewal

The Reconstruction and Renewal Plan culminated in the publication by Lloyd's of a settlement offer document in July 1996.

The key elements of the settlement offer document were as follows: (i) the reinsurance of all general business liabilities allocated to 1992 and prior years of account into Equitas; (ii) a settlement offer to individual members in respect of 1992 and prior liabilities of around £3.2 billion; (iii) the establishment of a New Central Fund and "firebreak" to separate the old liabilities reinsured by Equitas; and (iv) the settling of litigation involving members, their agents and others. By reinsuring these into Equitas, Lloyd's syndicates should have no further exposure to general business liabilities for policies written prior to 1993, assuming Equitas is adequately funded and remains solvent.

The settlement offer document was sent to all individuals who could benefit from it and was accepted by approximately 95 per cent. of them. Equitas received unconditional authorisation from the Department of Trade and Industry in September 1996. The directors of Equitas stated in Equitas' audited accounts to 31 March 1997 that as at October 1997 they did not believe that Equitas' assets were insufficient to meet all liabilities in full.

3. The Auctions

The introduction of auctions in 1995 provided a means of access to syndicates for all members and the opportunity for existing members to realise value for prospective participations when resigning from a syndicate or reducing their level of participation. This development built on the right to a proportionate share in any increase in syndicate capacity from one year to the next (granted in the 1994 and 1995 syndicate pre-emption byelaws) and the rights of security of tenure (ie. the right to remain on any given syndicate) in respect of syndicate participations (conferred by the amendments made to the Agency Agreements Byelaw and the standard agency agreements).

4. **Corporate Capital at Lloyd's**

Until 1994, all members of Lloyd's underwrote insurance business with unlimited personal liability. In 1993, Lloyd's introduced new rules which, with effect from 1 January 1994, permitted bodies corporate for the first time to participate in underwriting insurance at Lloyd's. This type of capital, which has become known as corporate capital, provided £1.6 billion of premium capacity in the 1994 year of account, equivalent to 15 per cent. of Lloyd's overall capacity in that year. By the 1997 year of account, corporate capital had grown to support £4.5 billion of premium capacity, equivalent to 44 per cent. of overall capacity. For the 1998 year of account, corporate capital supports £6.1 billion of premium capacity (60% of overall capacity).

Since the initial Lloyd's rule changes in 1993, Lloyd's has permitted increased flexibility in the manner in which corporate capital can support underwriting at Lloyd's. This has contributed to the development of dedicated vehicles and the emergence of corporate syndicates. Dedicated vehicles are corporate members which exclusively support one or more of the syndicates managed by a particular managing agency, while a corporate syndicate is a syndicate with a single corporate member.

5. **Control of Corporate Members**

A person may not be a "controller" of a corporate member without the prior written consent of the Council of Lloyd's. In summary, a controller is any person who holds 10 per cent. or more of the economic or voting rights of a corporate member, whether directly or indirectly, or in accordance with whose directions the directors of a corporate member are accustomed to act. Controllers are obliged to give an undertaking to provide such information as Lloyd's requires. Lloyd's will examine the reputation and financial standing of controllers to ensure they meet its "fit and proper" requirements.

In addition to the undertakings described above, Lloyd's also retains the right to ask for financial guarantees, letters of support or subordination undertakings from controllers of corporate members.

6. **Funds at Lloyd's**

Corporate members are generally subject to more restrictive rules than individual members concerning the overall premium limit that can be written for any given amount of FAL, though this difference is in the process of being narrowed. However, due to the factors discussed in paragraph 3 of Part I of this document in relation to providing gearing through reinsurance, additional FAL should not be required (subject to the issues referred to in that paragraph).

However, Prospective Conversion Participants should note that, in relation to FAL, Lloyd's will no longer give credit for closed year tax recoverables nor for the premiums trust fund cash releases and so it is possible for these reasons that additional or substitute FAL may be required.

7. **Subscriptions, Fees and Contributions**

Corporate members are required to pay subscriptions, fees and contributions. The following figures show the rates for 1998. Lloyd's has not yet published the rates for 1999.

(a) Annual subscriptions which finance Lloyd's central costs at a rate, for 1998, of a maximum of 0.5 per cent. of overall premium limit.

(b) Central Fund contributions at a rate, for 1998, of 1.5 per cent. of overall premium limit.

(c) Managing agents charge annual fees and profit commissions to members underwriting on their syndicates. Profit commissions are subject to an arrangement (known as a vertical deficit clause), whereby a syndicate's losses in the preceding 2 years are deducted from current profits for the purpose of computing profit commissions.

(d) Members' agents are subject to an arrangement (known as a horizontal deficit clause) whereby profit commissions are paid on the net result of the member's participation on all syndicates in respect of which they act as members' agent.

(e) A premium charge of 1.1 per cent. on premiums signed to the 1998 and subsequent years of account, which is used by Lloyd's to repay the loan facility that was raised as part of the future market's contribution to the R&R programme.

All of the above payments are normally made out of Premiums Trust Funds on behalf of the corporate member.

The level of contributions to the New Central Fund payable by a corporate member is currently higher than those payable by an individual member.

8. Conversion

In 1994, two mechanisms were identified that would enable Names to convert from underwriting on the basis of unlimited liability to the basis of limited liability. These are "transition" and "interavailability". Transition first became available for the 1995 year of account and interavailability for the 1996 year of account. Transition involves the successor vehicle reinsuring a converting individual member's open years in return for a premium calculated by reference to the most recent annual solvency statement of the individual member. Interavailability allows an individual member's existing Lloyd's Deposit to be used to support both his pre-conversion open years and the future underwriting of the successor vehicle. To date, most conversion schemes have taken advantage of the interavailability mechanism and most have utilised as their successor vehicle either a company incorporated under the United Kingdom Companies Acts or a limited partnership established in Scotland.

Both of the Grenville I and Grenville II conversion schemes were structured using the interavailability mechanism, as is this Conversion Scheme. Part VIII of this document provides a further explanation of "interavailability".

PART VIII

INTERAVAILABILITY

1. Introduction

Lloyd's has introduced interavailability in order to provide a convenient mechanism for individual members who wish to convert to underwriting on the basis of limited liability.

Interavailability allows an individual member to use his Lloyd's Deposit to support the underwriting of a successor vehicle in future years whilst at the same time supporting his open years. The member retains a broadly similar beneficial interest in his Lloyd's Deposit as before and continues to receive profits and be liable for losses from underwriting years on which he participated as an individual member. Under these arrangements, the successor vehicle does not assume any responsibility for the past underwriting of the converting individual member.

An individual member who converts his general Lloyd's business through interavailability will need formally to request Lloyd's, as trustee of his existing Lloyd's Deposit, to make all or part of that deposit interavailable to the successor vehicle and to confirm that he regards such a step as being for his benefit. This is done by signing the Application Form which accompanies this document. Furthermore, in order to ease the administrative burden on Participating Names, by signing the Application Form which accompanies this document, Participating Names will grant a power of attorney to enable the Directors, *inter alia*, to execute Lloyd's prescribed documents on behalf of each of the Participating Names. Further information on this power of attorney is contained in paragraph 2 of Part XII. Special Reserve Funds and personal reserve funds are not eligible and any life deposits can only support life business. However, some or all of the individual member's personal reserve funds may be transferred into the relevant individual member's Lloyd's Deposit if the necessary steps for this are taken first. This will require an exercise of discretion on the part of his Members' Agent and the individual member's written consent. A Name's Lloyd's Deposit, such as cash and equities, may be made interavailable, as may guarantees and letters of credit, subject to the consent of the providing bank or financial institution. Grenville III is exempt from some of the more restrictive rules that normally apply to the assets that qualify as FAL for a corporate member. Grenville III is also exempt from the normal minimum FAL requirement of £500,000, requiring only FAL which is the lesser of £100,000 per participant and £500,000. These exemptions apply for a limited period. From the 2004 year of account, it is expected that Grenville III will meet the FAL requirements applicable to corporate members generally.

The Lloyd's Deposit to be made interavailable by an individual member will provide security for the underwriting liabilities incurred by the successor vehicle as well as those already incurred by that individual member. Accordingly, an individual member will not normally be able to have his interavailable deposit repaid to him, even after every year of every syndicate of which he was a member has been closed by reinsurance, unless and until substitute security acceptable to Lloyd's has been provided in respect of open years of the successor vehicle or all the successor vehicle's own open and run off years have themselves been closed by reinsurance.

2. The Interavailability Deed

The individual member's Lloyd's Deposit Trust Deed (General Interavailability) (in this and the following paragraphs, the "Interavailability Deed") provides a means for an individual member to use all or part of his Lloyd's Deposit to support underwriting by a successor vehicle. The new deposit trust is first established by the individual member. The individual member's existing deposit is then transferred to the new trust by a separate Deed of Release, Advance & Resettlement. The Interavailability Deed provides for the individual member to carry on underwriting entirely through a single corporate member, or through a number of different corporate members. It is a condition of the Conversion Scheme that there is no continuation of underwriting on an individual basis.

3. Principal Terms of the Interavailability Deed

The terms of the Interavailability Deed broadly follow the terms of the existing standard Deposit Trust Deed. However, the deposit is split into separate funds:

(a) the unappropriated fund which will support only the individual member's past business; and

(b) separate specified funds for each or any successor vehicle, which funds will support both the individual member's past business and the future underwriting business of the identified successor vehicle.

When an individual member participates in an interavailable conversion scheme, the successor vehicle will be required to enter into a deed under which it becomes a party to the Interavailability Deed. This Deed will specify which assets in the individual member's deposit are to support the future underwriting of the successor vehicle and they will become comprised in a special allocated fund, subject to Lloyd's solvency requirements. If any payment is made out of the deposit to meet the liabilities of an individual member, Lloyd's can require the individual member to put an equivalent amount back into the deposit.

As with the existing standard deposit trust dead, capital appreciation on assets held in trust pursuant to the terms of the Interavailability Deed will form trust property. If such assets have been made interavailable, such capital appreciation will also support the underwriting of Grenville III as well as the Names's past business.

If at any time the unappropriated part of the deposit is not sufficient to meet Lloyd's solvency requirements for the individual member, the funds in the interavailable deposit supporting the business of the successor vehicle may be reduced. This will reduce the successor vehicle's ability to underwrite (because there will be less capital supporting it).

Once all of an individual member's liabilities have been provided for and any open years closed, the unappropriated part of the deposit can be returned to the individual member. If the liabilities of a particular successor vehicle have also been provided for and any open years closed, the part of the deposit which was supporting the business of that successor vehicle can also be returned to the individual member.

On the other hand, if the successor vehicle's liabilities are provided for and any open years closed but the individual member has continuing liabilities, the funds will remain in the deposit.

4. Creation of Separate Funds for Successor Vehicle

Lloyd's, as trustee, must agree to all or part of the deposit being used to support the business of a successor vehicle. As trustee and regulator, Lloyd's has certain duties, both to the individual member and to any Lloyd's creditors of the individual member.

Lloyd's will need to be satisfied that the allocation of a specified fund which is interavailable for the individual member and a particular successor vehicle is for the benefit of the individual member. The deed executed by (or on behalf of) the individual member will confirm to Lloyd's that the individual member himself does regard it as being for his benefit. Lloyd's must also be satisfied that the position of the individual member's existing Lloyd's creditors will not be adversely affected in a material way.

5. Lloyd's Deposit Provided by way of Letter of Credit or Guarantee

An alternative version of the Interavailability Deed described above is available for use where the individual member has provided his Lloyd's Deposit by way of a letter of credit or guarantee. This alternative version operates for letters of credit or guarantees in a similar way to that described above in relation to cash and equities and contains similar principal terms.

The individual member will be required to enter into a new security and trust deed (interavailable) or a deed which will vary the terms of his existing Security and Trust Deed so that the funds held under it can be made interavailable. The consent of the institution providing the letter of credit or guarantee will also be required (and may be required each time funds are allocated to a separate fund for a specific successor vehicle). It is not normally necessary to reissue the letter of credit or guarantee.

PART IX

RISK FACTORS

The nature of the insurance underwriting business, the regulatory regime applicable to the Underwriting Subsidiaries, the consequences of past years' underwriting losses at Lloyd's and the nature of conversion through interavailability generally, and through Grenville III in particular, will give rise to a number of specific risk factors. The following list is not exhaustive, but is intended to draw individual members' attention to certain aspects of the risks involved in accepting the Offer.

1. **General Warning**

The last few years have seen considerable changes at Lloyd's, particularly in the composition and character of its capital base. It is likely that continuing change will remain a feature of the Lloyd's capital base for the foreseeable future. Such change may include alterations to the present annual venture basis of participating in syndicates, which could have fundamental implications both for Lloyd's and this conversion scheme. Individual members should bear in mind that any decision to convert to limited liability now will necessarily be made without the benefit of knowing what the effect of these changes may be and without definitive knowledge of the future structure of the Lloyd's capital base. In this context, there has been a trend in recent years towards continuous capital structures at Lloyd's. Although the Council has no plans to mandate the end of the annual venture and sees diversity of capital provision as a strength, the Council welcomes continuous capital. Any decision to convert to limited liability should be made after taking into account all relevant factors, including the trend towards continuous capital. Individual members should seek advice from their Members' Agent if they have concerns about this.

2. **Underwriting Risks**

The underwriting of insurance is a high risk business and losses can be made as well as profits. In underwriting insurance risks at Lloyd's, Grenville III and all the Lloyd's Deposits made interavailable to it will be exposed to the risk of underwriting losses. In the worst case, all Grenville III's assets and all the Lloyd's Deposits made interavailable to it would be used to meet underwriting losses. In this event, although participants would have lost the value of their investment in Greenwich and their Lloyd's Deposit (to the extent it was made interavailable), their liability for the underwriting losses of Grenville III would be limited to their investment in Greenwich and the amount of any Lloyd's Deposit that they have made interavailable to Grenville III or they have been required to make interavailable to Grenville III. In addition, should any participants choose to pay any requests for funds made by Lloyd's in respect of underwriting losses suffered by Grenville III otherwise than out of their Lloyd's Deposit already made interavailable to Grenville III, such payment would potentially increase this exposure. Participants however remain liable on an unlimited basis for losses relating to their personal underwriting business.

Participants should be aware that risks and rewards vary from syndicate to syndicate and the categories of business written by those syndicates. The Underwriting Subsidiaries' syndicate participations will be closely aligned to the Greenwich MAPA, details of which are given in Part II of this document. In future years of account, the mix of prospective participations will depend on the Underwriting Subsidiaries' policy of tendering existing participations and/or subscribing for further capacity in the auctions or otherwise.

Notwithstanding the "firebreak" introduced when corporate capital was first introduced for the 1994 year of account, it must be recognised that the ongoing market, including Grenville III, will indirectly remain exposed in a number of ways to 1992 and prior business reinsured by Equitas, including through the application of overseas deposits and the New Central Fund. Ongoing members, including Grenville III, may also be exposed to liabilities arising from 1992 and prior years if a reinsurance policy allocated to the 1993 or any subsequent year of account of a syndicate which a member joins had provided reinsurance cover in respect of risks incurred in 1992 or prior years and originally underwritten at Lloyd's.

Whilst an individual Name can make a decision not to underwrite in any particular year of account, that decision cannot be made by a shareholder of a successor Corporate Name.

3. **Lloyd's Own 1992 and Prior Liabilities**

Lloyd's has a number of contingent liabilities in respect of risks under policies allocated to 1992 or prior years of account. If Equitas is unable to pay the 1992 and prior liabilities in full, Lloyd's will be liable to meet any shortfall arising in respect of those policies. The New Central Fund, which can, subject to Lloyd's regulations, issue calls on current underwriting members of Lloyd's (which will include the Underwriting Subsidiaries), may be applied for these purposes. Lloyd's also has contingent liabilities under indemnities covering 1992 and prior matters. Lloyd's has provided indemnities in respect of claims against audit firms contributing to the auditors' settlement fund and to certain individuals and advisers. There may also be residual litigation involving Lloyd's, for instance from individual members who have not accepted the settlement offer, through which Lloyd's will potentially have a continuing exposure to claims relating to the 1992 and prior years of accounts.

The New Central Fund could be exposed indirectly to 1992 and prior liabilities if Equitas' assets were insufficient to meet its liabilities. To the extent that assets of a member underwriting in 1992 or prior years, or on a syndicate which has reinsured 1992 or prior years, are used to discharge 1992 and prior liabilities which Equitas has failed to meet, they will not be available to meet liabilities in respect of 1993 and later years. In such circumstances, Lloyd's may take the view that it is appropriate to apply the New Central Fund to discharge those liabilities.

4. Overseas Deposits

Regulatory authorities in a number of jurisdictions require the maintenance of local deposits for policyholder protection as a condition of Lloyd's syndicates maintaining their regulatory approval. In the event that Equitas were to fail to meet in full liabilities in respect of 1992 and prior years, certain overseas deposits in place at that time may be subject to action by such overseas regulatory authorities. In addition, the New Central Fund might, with the consent of members in general meeting, be applied to prevent draw down of such deposits, or to make good any part of the deposits used to meet liabilities reinsured by Equitas.

5. Lloyd's Regulatory Powers

Permission for Grenville III to underwrite will be granted for an initial period of five years, subject to meeting all regulatory requirements. Permission thereafter will be conditional upon its meeting the requirements applicable to Corporate Members at that time.

The Council of Lloyd's has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the FAL ratio or the investment criteria applicable to FAL. Either might affect the amount of the Underwriting Subsidiaries' Overall Premium Limit and consequently the return on an investment in Greenwich in a given year of account.

6. Investment Risks

Individual members should recognise that the value of the assets comprising their Lloyd's Deposit made interavailable to Grenville III may fluctuate and that a fall in their value may affect the level of underwriting permissible by Grenville III.

The Ordinary Shares and Loan Stock will not be listed on issue and no application has been made to any stock exchange for such a listing. The Ordinary Shares and Loan Stock are transferable (in accordance with the articles of association of the Company and the Loan Stock Instrument, respectively), although there may be no market for them. An unlisted security is an illiquid investment. The value of such an investment may go down as well as up.

Should Grenville III cease or reduce its underwriting, the subsequent distribution by Grenville III of any capital which would no longer be required as FAL for the purposes of coming into line may be protracted and complicated. It is recommended that Prospective Conversion Participants discuss this matter with their own personal legal and taxation advisers.

Until payment up and conversion of the Loan Stock (which is expected to occur in 2001), the Company and Grenville III may have insufficient cash or other assets to meet cash calls during such period. Accordingly, the Company may require that the Loan Stock be paid up to the extent necessary to fund such losses up to the full nominal value of the Loan Stock. Should the Loan Stock not be paid up when and to the extent required the Loan Stock in question will be forfeited and an amount equal to the shortfall may be drawn down from the holder's FAL to satisfy the due proportion of the Company's and/or Grenville III's loss.

After payment up and conversion of the Loan Stock, it is possible that the investment portfolio of the Company comprising proceeds of the paid up and converted Loan Stock could fall in value as well as rise and income from this source may well fluctuate. In the event that the value of the Company's investment portfolio as at the valuation date for coming into line in any year is lower than the same date the previous year, the underwriting capacity of the Underwriting Subsidiaries for the next year of account may be reduced.

7. **Solvency**

There may be an initial solvency strain on Grenville III as a new Lloyd's member. Under the present three year accounting system, Grenville III will receive no underwriting profits until, at earliest, the year 2002. Grenville III will receive no investment income in respect of Lloyd's Deposits made interavailable, as such income, where applicable, will remain that of the Participating Names. In the meantime, however, Grenville III's solvency position will be calculated at each year end to ensure that it continues to have sufficient assets to meet its share of the liabilities of syndicates supported by it.

These factors, together with any cash calls which may be made by a managing agent, may result in Grenville III's FAL requirements and hence its overall premium limit coming under pressure during the initial years of membership, particularly if Grenville III underwrites near the limit of its overall premium limit. Assuming Grenville III commences underwriting in 1999, the first year of account that its overall premium limit may be subject to adjustment as a result of these factors would, in normal circumstances and in the absence of any requests for funds, be the 2001 year of account.

However, this risk should be mitigated by the reinsurance arrangements described in Part V of this document.

8. **Solvency margin**

In March 1997, the Department of Trade and Industry introduced a new minimum solvency margin for Members which took effect for the 31 December 1997 solvency calculation. Under the new requirements, Lloyd's has to demonstrate that each Member has sufficient assets to meet his underwriting liabilities plus a solvency margin. This margin is calculated individually for each Member, broadly as the greater of 16 per cent. of his total annual premium income or 23 per cent. of his average claims incurred over a three year period. All individual Members are required to meet this new solvency margin whether or not they become Participating Names.

Grenville III and Participating Names will not initially receive a credit for interavailable Lloyd's Deposits when calculating their respective solvency margin. Participating Names and Grenville III will therefore be solvent or in deficit on the strength of their underwriting results and any non-interavailable Lloyd's Deposits which they hold.

(a) The new member level solvency margin will increase the possibility that a converting individual or his successor vehicle will have a deficit. Where a deficit has been created by the new margin, Lloyd's will identify the interavailable Lloyd's Deposit that has been made available by the Participating Name and credit him (or Grenville III as appropriate) with an amount of the interavailable Lloyd's Deposit equal to the solvency deficit created by the new margin. Both the Participating Name and Grenville III may receive such a credit but only to the extent that it is equal to or less than the Lloyd's Deposit made interavailable.

(b) Where the credit is allowed it will not be deemed to reduce Grenville III's FAL for coming into line purposes. The FAL notionally credited to the individual member for the purpose of the new solvency test may still be used to meet liabilities of Grenville III. However, where an individual member requires additional funds to cover a shortfall (other than one generated solely by the new solvency margin), Lloyd's may set aside a part of his interavailable Lloyd's Deposit so that the relevant part is available only to the Lloyd's creditors of the individual member. In such circumstances the FAL of Grenville III will also be reduced which will impact on its future underwriting.

9. Mutualisation

The amount of Lloyd's Deposit made interavailable by each Participating Name will be held by Lloyd's in its capacity as trustee of the trusts created by the Interavailability Deed (described above). Where there is a cash call in respect of the Lloyd's obligations of Grenville III, Lloyd's may apply Grenville III's own FAL or Lloyd's Deposits which have been made interavailable under this Conversion Scheme in satisfaction of those obligations in any order and relative amounts as between the Participating Names. Although, in the event of any such cash call, Grenville III will inform Lloyd's of the amount of each Participating Name's Lloyd's Deposit which has been used to support the underwriting of Grenville III for each year of account, there can be no guarantee that Lloyd's will apply the Lloyd's Deposits in the proportions advised by Grenville III and a Participating Name may have proportionately more or less of his Lloyd's Deposits applied in satisfaction of Grenville III's Lloyd's obligations than his proportion of Loan Stock allocated to him for any year of account. However, this risk should be mitigated by the reinsurance arrangements described in Part V of this document.

If the interavailable deposit provided by another Participating Name is reduced for any reason and Grenville III then sustains a loss or receives a cash call, the Lloyd's Deposits provided by other Participating Names may bear a disproportionate share of that loss or cash call. This is because all Lloyd's Deposits made interavailable by Participating Names are available to support the underwriting of Grenville III. The interavailable deposit of another Participating Name may be reduced either due to any part of the interavailable deposit being applied in discharging that Participating Name's own liabilities (including solvency liabilities) as an individual member or due to a fall in the value of any investments comprised within that deposit – this risk is referred to as mutualisation.

Under the Interavailability Deed, a Participating Name may, if Lloyd's so exercises its discretion, be obliged to pay to Lloyd's as trustee a sum equal to any amount of interavailable Lloyd's Deposit applied in discharging the Participating Name's own preconversion underwriting liabilities. Any profit derived from the underwriting activities of the Participating Name is charged as security for this obligation and assigned to the trustee.

A Name wishing to convert under this Conversion Scheme whose Lloyd's Deposit consists, in whole or in part, of assets the value of which may go up or down (e.g. securities) should be aware that:

(a) if that Lloyd's deposit is made interavailable, any capital appreciation on the value of such assets may also be applied by Lloyd's in satisfaction of Grenville III's Lloyd's obligations;

(b) there is currently no mechanism for effecting the release of "surplus" interavailable FAL and therefore any capital appreciation on assets made interavailable cannot be released back to the individual member until all his open years have closed and Grenville III's liabilities are provided for; and

(c) as a result of any such capital appreciation being available to meet the Lloyd's obligations of Grenville III a participant may have proportionately more of his Lloyd's Deposit applied in satisfaction of such obligations than his proportion of Loan Stock allocated to him.

For these reasons such Names may wish to consider substituting such assets for assets the value of which does not fluctuate (e.g. letter of credit or bank guarantee) and should consult with their Members' Agent.

As discussed above, Participating Names who underwrite together with other Participating Names through the Company as a collective successor corporate member bear the risk that if a Participating Name sustains a loss or receives a cash call in respect of any pre-conversion or concurrent individual underwriting, the aggregate interavailable Lloyd's Deposits of the other shareholders of the Company will suffer a measure of dilution. This is because all Lloyd's Deposits made interavailable by shareholders in the Company support the underwriting of the Underwriting Subsidiaries. The Directors believe, however, that the underwriting portfolios of Names writing on the Greenwich MAPA, or otherwise meeting the Directors' eligibility criteria in respect of risk profile, are sufficiently similar over the years of account 1993 to 1998 such that this level of risk should in practice be acceptable to them. Furthermore, a fall in the value of any investments comprised within the Lloyd's Deposits made interavailable by Prospective Conversion Participations will have a similarly dilutive effect on all the Company's shareholders.

Participating Names should be aware that an appreciation in the value of assets within their Lloyd's deposit made interavailable to Grenville III cannot be released until the Loan Stock is paid up and converted.

10. Taxation of Syndicate Members

The measurement of the taxable income of each member of a syndicate is determined by the Managing Agent and the Inland Revenue. In addition to adjusting the profits for disallowable expenses, there is legislation which can restrict the allowance of reinsurance to close; as a result, the taxable result of a syndicate can and often does exceed the profit distributed. A loss could give rise to a reduced loss, or a profit, for tax purposes.

The Inland Revenue notified Lloyd's agents twelve months ago that it considers that it is appropriate that the allowance of reinsurance to close for tax purposes should reflect what it considers to be a requirement to discount in respect of "long tail" liabilities transferred as part of reinsurance to close. Lloyd's is now contesting the Inland Revenue's decision and there is still some uncertainty as to when this will be resolved. The first hearing before the Inland Revenue is likely to be heard in the Autumn of 1998.

Any disallowance of reinsurance to close for tax purposes is open to adjustment annually for the syndicate, and is subject to a compensatory adjustment for a member of a syndicate when he leaves the syndicate.

The effect for Greenwich, if there are adjustments for tax purposes in its syndicate profits for these reasons, would therefore be to accelerate taxable profits but not to increase them overall.

11. Capacity acquired during 1998

Individual Names wishing to convert should be aware that they are not, save with the consent of the relevant managing agent(s), able to transfer to Grenville III any capacity acquired during 1998. Individual Names should also be aware that a requirement of participating in Greenwich is that they must tender their resignation to Lloyd's, dispose of capacity not converted or allow it to drop back to the managing agent for nil value. Individual Names are recommended to discuss the position with their Members' Agent if they have acquired, or intend to acquire, capacity in 1998.

12. Risk based capital

Although it is anticipated by the directors of Grenville III that it will be permitted to underwrite at Lloyd's on a FAL ratio of 2:1, it is possible, depending on the balance of prospective participations transferred to it, that it will have a more restrictive ratio imposed on it by Lloyd's for the 1999 or any subsequent year of account. This would affect the Overall Premium Limit of Grenville III and consequently the return on the securities in a given year of account. (However, for the purposes of this Scheme, the ratio of OPL to FAL made interavailable by Participating Names is actually 4:1, and not 2:1, due to the reinsurance gearing described in Part V of this document.)

13. MAPA operators

MAPA operators may not issue applications under the terms of this Conversion Scheme on behalf of individual members for whom they act unless specifically instructed to do so by that individual member. An individual member wishing to issue an application who has prospective participations held through a MAPA should note that, should his application be accepted, he will be required under the terms of this Conversion Scheme to cease underwriting on an unlimited liability basis with effect from the 1999 year of account whether through a MAPA or otherwise. Therefore, an individual member whose application is accepted should give notice to his Members' Agent, at the time of submission of his application to join the Conversion Scheme.

14. Lloyd's Risks

Risks associated with underwriting at Lloyd's include the following:

(a) There are a number of ways and circumstances in which Lloyd's may centrally require or request members, including the Underwriting Subsidiaries, to contribute by way of additional fees and levies to the Central Fund or to Lloyd's generally. In addition, Lloyd's entered into a syndicated loan facility as part of the financing arrangement for the Reconstruction and Renewal settlement. Repayment of the loan is through a mandatory premium charge to members (including the Underwriting Subsidiaries) underwriting for the 1997 and subsequent years of account. The level of the charge will be up to 1.1 per cent. on all premium for risks allocated to the 1998 and subsequent years of account. Investors must note that Lloyd's power to impose additional contributions to central resources is wide-ranging and such contributions may be imposed for reasons and in circumstances other than those currently envisaged.

(b) If there are substantial future losses in the Lloyd's market and other Members are unable to meet their shares of these losses, there could (subject to a majority vote of the membership of Lloyd's) be a call on all Lloyd's Names (including Grenville III) to fund these losses through the Central Fund.

(c) If Lloyd's is unable to meet its annual solvency tests set by the DTI, it may be forced to compel Lloyd's syndicates to cease trading.

(d) If policyholders cease to have confidence in the reliability of a policy with Lloyd's, this may also cause Lloyd's syndicates to cease trading.

(e) Managing Agents have lent moneys in a Name's Premiums Trust Funds to other Names on the same or another syndicate to enable them to meet their liabilities on a current or previous year of account. Whereas this practice may occur, although these loans would be currently supported by the Central Fund, this would effectively be a credit risk for the Name involved.

(f) There is no certainty that the Underwriting Subsidiaries will always be able to obtain capacity in any year of account on preferred syndicates, although it will, under Lloyd's current regulations, have security of tenure in relation to the syndicates of which it becomes a member (subject to the minority buy-out provisions set out in Lloyd's guidance for major syndicate transactions). The Underwriting Subsidiaries will be entitled to participate in auctions in future years, which may provide access to desired syndicates in return for a premium. There is no certainty that the capacity obtained for or by the Underwriting Subsidiaries on any syndicate will be fully utilised by that syndicate in any year of account.

(g) The normal minimum Funds at Lloyd's requirement applicable to corporate members for the 1999 year of account is expected to be 50 per cent. of OPL. This minimum level may increase in future years of account thus reducing the level of underwriting for future years.

(h) Individual Names are able to make tax efficient transfers out of their syndicate profit each year into the new special reserve fund. The maximum transfer is 50% of the commercial profit and any transfer must be made before any profits are released to the Name. The amount so transferred is deducted from the profits to be assessed for tax purposes and thus gives rise to a deferment of income tax.

The cumulative amounts transferred to the fund are valued annually to ensure that the total sum in the fund does not exceed 50% of the Name's overall premium limit. Any such excess has to be withdrawn, as must any amount to fund losses and these withdrawals are brought back into charge to income tax for the relevant later year. On cessation of membership or conversion to limited liability membership, any balances in the new special reserve fund will also be brought back into charge to tax and may create a liability to the top rate of tax applicable for that year. All income and capital appreciation earned on assets held within the new special reserve fund are retained tax-free within the fund and are not available to be withdrawn by Names annually.

Although the fund is available to all individual Names with unlimited liability, many overseas Names do not use the fund because they might not get a deduction in their own tax jurisdiction, nor may the income or capital gains be kept exempt from tax overseas. The fund is not available to Names with limited liability within corporate vehicles, nor partners in Scottish limited partnerships, so that any deferral of income tax is likely to be short-lived for any Names considering cessation or conversion to limited liability.

15. Gearing Risk

After expiry of the gearing reinsurance referred to in paragraph 3 of Part I of this document it may not be possible for regulatory or commercial reasons for the Company to negotiate a further such reinsurance for its underwriting subsidiaries. In such event, the amount of premium income written by the Company's underwriting subsidiaries after termination of their existing reinsurances would reduce to such multiple of their FAL as applied at such time.

16. Errors and omissions cover

In line with general market practice, GLU has no errors and omissions insurance cover in respect of the services it will be providing to the Company's underwriting subsidiaries.

17. Run-off accounts

If a year of account of a syndicate is in run-off after the end of the third year, no release can be made to the Name participating in such syndicate of any part of its Premiums Trust Funds which relates to that syndicate's business until the relevant year of account is finally closed. Further, no release from any other part of the Name's Premiums Trust Funds will be permitted unless Lloyd's is satisfied that sufficient sums remain in the Premiums Trust Funds and the Name's Funds at Lloyd's to meet all of his Lloyd's liabilities. These factors may at times affect a Name's ability to realise profits from his Lloyd's underwriting activities and therefore the level of dividends paid by the Company.

It is expected that Lloyd's will permit general release of FAL in respect of the 1998 and earlier years of account in 2001. If such general release of FAL occurs later, the Loan Stock will not be paid up in 2001 and Participating Names may not therefore be entitled to a dividend paid by Greenwich referable to the year ending 31 December 2001. In these circumstances, the Directors may, at their discretion, make arrangements to retain a sum for the benefit of 'C' Loan Stockholders.

18. Miscellaneous

Individual members who convert under this Conversion Scheme must tender their resignation to Lloyd's, but will remain as Members of Lloyd's until each year of account of each syndicate of which they were members has been closed by reinsurance to close.

Any syndicate losses brought forward from previous years' underwriting of participants will not be available for set off against the syndicate results of Grenville III in calculating profit commission due under the relevant managing agents' vertical deficit clauses.

Unless a participant's managing agent has otherwise agreed in writing, a participant, who is a member of a syndicate for the year of account in which the conversion invitation is made who has not given notice under Clause 11.5 of the standard Managing Agent's agreement by the last date for giving such notice (30 September 1998):

(a) will be a member of the provisional syndicate for next following year of account; and

(b) is or will be liable to pay an annual fee for the next following year of account on the basis of his members' syndicate premium limit with which he is entitled to participate on the syndicate for the following year of account if the conversion invitation lapses and the participant is unable to dispose of his participation on that syndicate through the auction process or transferred in accordance with the requirements of the Council of Lloyd's.

If an individual member has already given notice to leave a syndicate for the 1999 year of account, that individual member may not be able to transfer his prospective participation on that syndicate to Grenville III without the relevant managing agent's approval.

PART X

ADDITIONAL INFORMATION

1. Responsibility for Information in this Document

The Directors of Greenwich, whose names are set out on page 2, accept responsibility for the information contained in this document. To the best of the knowledge of such Directors (who have taken all reasonable care to ensure that such is the case), this document and the information contained herein (i) has been properly prepared in accordance with the Conversion Rules, (ii) is in accordance with the facts, (iii) has been clearly presented and (iv) does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

In addition, any person to whom a statement or report included in this document has been attributed has consented to the inclusion of that statement or report and the references to him in the form and context in which they are included.

2. Incorporation

(a) The Company was incorporated in England under the Companies Act 1985 (the "Act") on 2 July 1997 (registered in England with company number 3400222) as a public company limited by shares. The liability of the members of the Company is limited. On 8 July 1997 the Registrar of Companies in England and Wales issued the Company with a certificate under section 117 of the Act entitling it to commence business.

(b) Grenville III was incorporated in England under the Act on 15 June 1998 (registered in England with company number 3584229) as a private company limited by shares. Grenville III is wholly owned by Grenville Holdings Limited which itself is wholly owned by Greenwich.

(c) The principal place of business and registered office of both the Company and Grenville III is at Walbrook House, 23 Walbrook, London EC4N 8BT.

(d) The Company is the ultimate holding company of Grenville Holdings Limited, Grenville I, Grenville II, Grenville III, Greenwich Holdings, GLU, GLA and GSL.

3. Share and Loan Capital

(a) The Company was incorporated with an authorised share capital of £75,000,000 divided into 150,000,000 Ordinary Shares of 50p each, of which two were taken by the subscribers to the Memorandum of Association, Richard Thynne and Christopher Hodgson, both Directors of the Company.

On 4 July 1997 the authorised share capital of the Company was increased by £50,000 by the creation of 100,000 Redeemable Ordinary Shares of 50 pence each. All 100,000 Redeemable Ordinary Shares were issued and subsequently have been redeemed by the Company.

If the Conversion Scheme proceeds, the Company will create additional Loan Stock by means of the Loan Stock Instrument referred to in Part VI of this Document. "A" and "B" Loan Stock has already been issued by the Company in the following amounts:

(i)	"A" Loan Stock (nil paid)	£19,614,403
(ii)	"B" Loan Stock (nil paid)	£2,367,064

The "B" Loan Stock is expected to be paid up in full and converted into Ordinary Shares in 1999 and the "A" Loan Stock is expected to be paid in full and converted into Ordinary Shares in 2000. Conversion in each case is to be on the basis of 1 Ordinary Share for each £1 nominal amount of Loan Stock.

(b) On 9 July 1997, at an Extraordinary General Meeting of the Company, it was resolved to authorise the Directors under section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £74,999,999, such authority to expire 5 years after the due date of passing of the resolution.

It is proposed that at the first Annual General Meeting of the Company to be held on 26 June 1998 the Directors be authorised, under section 80 of the Act, to allot relevant securities (as defined in section 80(2) of the Act) equal to the authorised but unissued share capital of the Company and, under section 95 of the Act, to allot equity securities (as defined in section 94 (2) of the Act) pursuant to the aforesaid section 80 authority as if section 89(1) of the Act did not apply to the allotment. Such authorities will expire 15 months after the date of passing of the resolution or at the conclusion of the second annual general meeting of the Company, whichever first occurs, save that the Company may at any time prior to the expiry of such authorities make an offer or agreement which would or might require securities to be allotted after the expiry of such authorities and the Directors may allot securities in pursuance of such an offer or agreement as if the authorities had not expired, and the section 95 authority is limited to the allotment of equity securities:

(i) in respect of the allotment of Ordinary Shares and Loan Stock pursuant to the Offer;

(ii) in connection with rights issues; and

(iii) in respect of further allotments of Ordinary Shares representing up to 5 per cent. of the issued share capital of the Company following completion of the Offer for Subscription.

(c) At the date of this Invitation Document the authorised share capital of the Company is £75,050,000 divided into 150,000,000 Ordinary Shares of 50p each and 100,000 Redeemable Ordinary Shares of 50 pence each and the issued share capital of the Company is £606,252 divided into 1,212,504 Ordinary Shares of 50 pence each fully paid.

(d) The Holdings Vendors together hold 400,000 Ordinary Shares, which may be viewed as giving them *de facto* control of the Company. The Holdings Vendors have given undertakings to Greenwich (for its benefit and for the benefit of other shareholders in Greenwich) that:

(i) until such time as less than 10 per cent. of the loan stock in Greenwich remains unconverted into Ordinary Shares, the Holdings Vendors shall not exercise the rights attaching to their Ordinary Shares in a manner, or allow the affairs of Greenwich to be conducted in a manner, which is unfairly prejudicial to the interests of other shareholders in Greenwich;

(ii) until the amount of the deferred consideration has been finally determined, the Holdings Vendors will not dispose of any of their Ordinary Shares; and

(iii) for a period of 2 years following the Ordinary Shares being admitted to dealing on AIM, or on any recognised investment exchange, they will not deal in the Ordinary Shares in a manner which, in the reasonable opinion of the Company's broker from time to time, is likely to prejudice the maintenance of an orderly market in the Ordinary Shares.

(e) £850,000 in principal amount of unsecured loan notes has been issued by the Company to the Holdings Vendors. These notes are repayable at the option of the noteholder from 1 January 2000 and interest payable will be at the rate which is the greater of (i) 10 per cent. per annum, or (ii) 3 per cent. per annum above the base rate of Coutts & Co. from time to time.

(f) Save as disclosed herein, since the date of its incorporation, no share or loan capital of the Company has been issued for cash or for a consideration other than cash and no such capital is now proposed to be issued, and, save as aforesaid, no commissions, discounts, brokerages or other special terms have been granted by it in connection with the issue or sale of any of its shares or loan capital.

(g) The Ordinary Shares are, and any Ordinary Shares to be allotted on conversion of "A", "B" and "C" Loan Stock will be, in registered form.

(h) Temporary documents of title will not be distributed in connection with any Ordinary Shares or Loan Stock.

4. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that its objects are, *inter alia,* to act as an investment and holding company and to carry on business connected with insurance business. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association of the Company (the "Memorandum of Association") which is available for inspection at the address specified in paragraph 9 below.

The Articles of Association of the Company (the "Articles of Association") contain, *inter alia,* provisions to the following effect:

(a) Issue of Shares

Subject to the provisions of the Companies Act 1985 (the "Act") relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all unissued shares in the Company are at the disposal of the Directors and they may allot, offer, grant options over or otherwise deal with or dispose of them to such persons, on such terms and in such manner as they think fit. Subject to the provisions of the Act, shares may be issued which are to be redeemed or liable to be redeemed at the option of the Company or the holder on such terms and in such manner as the Company may determine by special resolution or as may be provided by the Articles of Association.

(b) *Variation of Rights*

Special rights attached to any class of shares may, subject to the provisions of the Act, be varied or abrogated either with the consent in writing of the holders of three fourths in nominal value of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate General Meeting of the holders of the shares of that class, but not otherwise. The quorum for such a class meeting is two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class.

(c) *Alteration of Capital*

The Company may by Ordinary Resolution (i) increase its capital by new shares of such amounts as the Resolution shall prescribe, (ii) consolidate and divide all or any of its share capital into shares of larger amounts, (iii) sub-divide its shares or any of them into shares of smaller amounts than is fixed by the Memorandum of Association, (iv) cancel any shares which, at the date of passing of the Resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled. The Resolution may determine that, as between the shares resulting from such sub-division, any of the shares may have a preference or advantage (or restriction) as compared with the others. Subject to the requirements of the Act, the Company may purchase its own shares (including any redeemable shares). The Company may by Special Resolution reduce its share capital or any capital redemption reserve or share premium account in any manner authorised by law.

(d) *Transfer of Shares*

All transfers of shares are to be effected by instrument in writing in any usual form or any other form acceptable to the Directors. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The Directors may decline to register any transfer of a share which is not fully paid. Subject as mentioned in paragraph (j) below, the Articles of Association contain no restrictions on the free transferability of fully paid shares of the Company provided that transfers are in favour of not more than four transferees. The registration of transfers may be suspended for periods not exceeding 30 days in any year.

(e) *Voting Rights*

Subject to any special rights or restrictions as to voting attached to any shares and as mentioned in paragraph (j) below, on a show of hands every member who is present in person has one vote and on a poll every member who is present in person or by proxy and entitled to vote has one vote for each share of which he is the holder. No member is, unless the Directors otherwise determine, entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid. An instrument appointing a proxy must be in writing and must be left at the place specified not less than 48 hours before the time appointed for the holding of the meeting.

(f) *Directors*

(i) Unless otherwise determined by Ordinary Resolution, the minimum number of Directors of the Company is two and the number of Directors shall not be subject to any maximum.

(ii) A Director of the Company is not required to hold any shares of the Company by way of qualification for office. The Company may by Extraordinary Resolution remove any Director.

(iii) The Directors of the Company may from time to time appoint one or more of their body to be the holder of any executive office and, without prejudice to the terms of any contract between him and the Company, may at any time revoke any such appointment.

(iv) The emoluments of all Directors shall be determined by the board. The remuneration of Directors shall be determined by the board, subject to a maximum aggregate sum as determined by Ordinary Resolution. The Directors may also be paid all expenses properly incurred in or about the business of the Company. Any Director who is appointed to an executive office or who serves on any committee or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director may be paid such extra remuneration as the Directors may determine.

(v) The Company may pay pensions, gratuities or other benefits to (i) any Director, ex-Director, employee of the Company or of any company which is a subsidiary of the Company or associated with the Company or any such subsidiary or to (ii) their family, connected persons or dependants.

(vi) The Directors of the Company may purchase and maintain insurance for the benefit of (past or present) Directors, officers or employees of the Company or any subsidiary or holding company of the Company from time to time, including insurance against any liability incurred by such persons for any act or omission in the execution or discharge of their duties or exercise of their powers or otherwise in relation to their duties, powers or offices in relation to the Company or any such other company, subsidiary undertaking or pension fund.

(vii) Subject to the provisions of the Act, a Director of the Company may be a party to or interested in any transaction or arrangement with the Company or in which it is in any way interested and may hold and be remunerated for any office in any company in which the Company is interested. A Director may act by himself or for any firm of which he is a member in any professional capacity for the Company or any such other connected company and be remunerated therefor.

(viii) No person shall be or become incapable of being appointed or re-appointed as a Director of the Company by reason only of having attained the age of 70 years, but the Board shall give notice to any meeting which considers the appointment or the approval of such person.

(ix) At each Annual General Meeting one third of the Directors for the time being who do not hold executive office (or, if their number is not a multiple of three, the number nearest to one third) are to retire from office.

(x) A Director of the Company is not entitled to vote in respect of any matter in which he has a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director is not to be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. These restrictions are subject to exceptions set out in the Articles of Association (such as concerning the giving of securities in respect of obligations incurred by a Director for the benefit of the Company, or an offer for securities in which he is interested as underwriter) and the Company may by Ordinary Resolution ratify any transaction not duly authorised by reason of a contravention of such restriction.

(g) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money or grant any security over all or any party of its undertaking, property and uncalled capital and, subject to the Act, to issue debentures and other securities, subject to any limitations and restrictions imposed from time to time by Ordinary Resolution.

(h) ***Dividends***

(i) The Company may by Ordinary Resolution declare dividends but no dividends are payable in excess of the amount recommended by the Directors.

(ii) If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed dividends on shares carrying a fixed dividend at intervals settled by the board and may also from time to time pay interim dividends on shares of any class on such amounts and on such dates and in respect of such periods as they think fit.

(iii) Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall cease to be owing by the Company.

(i) *Untraced Shareholders*

The Company shall be entitled to sell, at the best price reasonably obtainable, the shares of a member or the share to which a person is entitled by transmission on death or bankruptcy if, during a period of 12 years, at least three dividends have become payable in relation to such shares and no such dividend has been claimed and during such period of 12 years and within a further period of three months from the date of advertisements giving notice of its intention to sell such shares, the Company has received indication neither of the whereabouts nor the existence of such member or person. The Company shall be obliged to account to the former member or person entitled by transmission for the net proceeds of sale. No trust shall be created in respect of the debt and interest shall not be payable to account for any money earned on the net proceeds.

(j) ***Restrictions on Transfer, Voting and the Right to Receive Dividends***

The Articles of Association provide for the disenfranchisement of shares which are the subject of a notice under section 212 of the Act (which allows the Company to request certain details concerning ownership of its shares) if the persons served with any such notice are in default in answering any such notice. In addition, the Articles of Association provide for the imposition of certain restrictions specified in the relevant article (including restrictions on transferability of the shares concerned and on the right to receive dividends in addition to the disenfranchisement) if such shares represent more than 0.25 per cent. of the class of shares concerned. Any such restrictions will remain in effect for so long as the default continues and will cease if the shares concerned are sold pursuant to a takeover offer or to an unconnected third party or through the London Stock Exchange.

(k) ***Winding-Up***

On a distribution of assets in a winding up, the surplus assets shall be distributed among the holders of the Ordinary Shares in proportion to the amounts paid up on the Ordinary Shares held by them respectively. In the event of the winding up of the Company, the liquidator may, with the authority of an Extraordinary Resolution, divide among the members *in specie* the whole or any part of the assets of the Company and may determine how such division shall be carried out as between the members of the Company.

5. **Directors' and Other Interests**

(a) The Directors of Greenwich are currently interested beneficially in the following Ordinary Shares:

	Number of Ordinary Shares		
Director	**Directly Held**	**Indirectly Held**	**Total**
R G G Thynne	8,501	103,907	112,408
C J Hodgson	3,501	3,500	7,001
G P Nash	3,500	–	3,500
R S T Gunter	1	–	1
J R Maudslay	3,500	61,919	65,419
N S Cobbold	3,500	–	3,500
A H Gilroy	–	–	–
J G Hynan	–	–	–

Save as referred to above, no Director has any interest, beneficial or non-beneficial, in the present issued share capital of the Company.

(b) The Holdings Vendors together hold 32.99 per cent. of the Ordinary Shares. Assuming that there are no acceptances under the Offer for Subscription, the following persons (who hold interests in the Holdings Vendors) will be interested directly or indirectly in the following percentage shareholdings of the Company's issued ordinary share capital (prior to conversion of Loan Stock and not including any subscription of Units by persons interested in the Holdings Vendors):

Holdings Vendors	**Total/Percentage***
R G G Thynne	4.89
G P Nash	2.84
G E Watts	1.11
D A Deacon	1.11
C J Hodgson	4.20
E A Windsor Clive	2.96
D C Ingram	3.25
R T W Noton	3.25
M J Holman	6.49
Blenheim Partnership (of which J R Maudslay is a partner)	5.11

*only holdings over 1.0 per cent. have been included

Note: R F Kershaw Holdings Limited hold 100 preference shares in Greenwich Holdings. These carry a right to a dividend which derives from profit commission in respect of GLA relating to periods prior to 31 December 1996.

Save for the persons listed above, the Directors are not aware of any other person who is interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company or who could, directly or indirectly, exercise control over the Company.

(c) There are no service contracts in existence between the Company or its subsidiaries and any of the Directors determinable by the employing company without compensation by notice of more than one year, nor is any such contract currently proposed.

(d) Save as disclosed in paragraph 3 of Part II, none of the Directors has any interest in transactions which are or were unusual in their nature or conditions or significant to the business of the Company which have been effected by the Company or its subsidiaries since its incorporation.

(e) The aggregate remuneration payable and benefits in kind to be granted to the Directors in respect of the financial year ending 31 December 1998 is expected to be £503,618. These amounts are payable by subsidiary companies of Greenwich Holdings. The aggregate remuneration paid and benefits in kind granted to the Directors in respect of the financial year ended 31 December 1997 was £481,030.

6. Taxation

The following paragraphs, which are based on current legislation, Inland Revenue practice and draft legislation proposed in the current Finance Bill, are of a general nature and address principally the position of individual shareholders who are resident or ordinarily resident in the United Kingdom for United Kingdom taxation purposes. This general guide may not apply to certain classes of shareholders, such as market makers, brokers, dealers and persons connected with depository receipt arrangements or clearance services.

This section is intended only as a guide to the general tax position as at the date of this document. Tax law and the practices of fiscal authorities are liable to change and therefore the tax treatment outlined in this document will not necessarily apply in the future. A shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult his professional adviser.

Individual Names are currently taxed as sole traders liable to United Kingdom income tax on their underwriting profits taking into account all Lloyd's connected income and expenses. Under the proposed scheme Participating Names may receive, in due course, dividends from the Ordinary Shares which will be taxable as set out below.

(a) Dividends and Distributions

(i) The Company

Under current United Kingdom legislation, no tax will be withheld from dividend payments by the Company. However, when it pays a dividend, the Company is currently required to account to the Inland Revenue for advance corporation tax ("ACT") to the extent that its liability to ACT is not "franked" by tax credits in relation to its own dividend income. This ACT will eventually be applied toward the Company's mainstream corporation tax liability. The rate of ACT for the tax year 1998/99 will equal one quarter of the amount of the dividend.

Draft legislation in the current Finance Bill will, if enacted, abolish the requirement of the Company to account for ACT in respect of dividends paid on or after 6 April 1999.

(ii) UK Resident Individual Shareholders

At current taxation rates and until 5 April 1999 United Kingdom resident shareholders who receive a dividend from the Company will normally be entitled to a tax credit of an amount equal to one quarter of the net dividend. This tax credit will discharge the liability to United Kingdom income tax of an individual shareholder with respect to that dividend who is subject to United Kingdom income tax at the lower rate (currently 20 per cent.) or basic rate (currently 23 per cent.) only. Shareholders who are liable to tax at the higher rate (currently 40 per cent.) will have further liability to income tax of 20 per cent. of the aggregate of the dividend and the tax credit received. If the tax credit exceeds his overall liability to income tax (taking into account his other income and any other tax credits and allowances) he will be able to claim payment of the excess from the Inland Revenue.

With effect from 5 April 1999, the tax credit regime will change for individual shareholders. The rate of tax credits will be halved to 10 per cent. of the aggregate of the dividend and the tax credit, and tax credit will no longer be repayable to individual shareholders with no income tax liability.

After 5 April 1999, individual shareholders whose income is within the lower or basic rate bands will be liable to tax at 10 per cent. on their dividend income. The effect of this is that the tax credit attaching to the dividend will continue to satisfy the shareholder's income tax liability on the dividend. Shareholders liable to higher rate tax after 5 April 1999 (currently 40 per cent.) will have a further liability to income tax of 32.5 per cent. of the aggregate of the dividend and the 10 per cent. tax credit received, which will leave them with the same net dividend as before.

(iii) *Other Individual Shareholders*

Shareholders in the Company who are not resident in the UK may be entitled to reclaim from the Inland Revenue in respect of any dividends received by them a proportion of the tax credit that would have been received by a UK resident shareholder but such entitlement will depend, in general, upon the provisions of any double taxation agreement or convention which exists between the UK and the jurisdiction in which that person is resident. Individuals who are not resident in the United Kingdom for tax purposes but who are resident for tax purposes in the Isle of Man or the Channel Islands or are Commonwealth citizens or nationals of a state within the European Economic Area will be entitled to a tax credit which may be set off against their total UK income tax liability, or claimed in cash, to the same extent as if they were resident in the UK.

Non-UK resident shareholders may also be subject to tax on dividends paid by the Company in their country of residence. Any person who is not resident in the UK should consult his own tax adviser on the question of the double taxation provisions (if any) applying between the UK and his country of residence.

(b) ***Stamp Duty and Stamp Duty Reserve Tax***

The issue of the Loan Stock and the conversion of Loan Stock to Ordinary Shares will not give rise to a liability to stamp duty.

Transfers of Ordinary Shares (as with most transfer of shares generally) will in general be liable to *ad valorem* stamp duty at the rate of 50 pence per £100 or part thereof of the actual consideration paid. Alternatively, if an unconditional agreement to transfer Ordinary Shares is not completed by a duly stamped transfer within two months of the date of the agreement, stamp duty reserve tax of 0.5 per cent. of the consideration will be payable by the purchaser.

(c) ***Taxation of the Underwriting Subsidiaries***

A Lloyd's corporate member is treated as carrying on a trade in the United Kingdom, the profits of which are subject to United Kingdom corporation tax. The Company will therefore be chargeable on the whole of its profit and subject to the normal rates of corporation tax applicable to companies under Schedule D, Case I.

For this purpose, the profits will consist of the following:

(i) underwriting profits and gains on assets held in the Corporate Name's Premiums Trust Funds;

(ii) profits from and gains arising from Lloyd's ancillary funds and other assets employed and at risk in the business other than assets made interavailable by the Name to the company; and

(iii) other profits and gains arising directly to the company.

Profits or gains arising directly from syndicate participations are treated as accruing equally over the underwriting year in which they are declared. For example, underwriting profits for 1999 will be declared in 2002 at the earliest, if the three-year accounting system is retained.

At the end of each year the Name's Premiums Trust Funds will be revalued and this is treated as a realisation for tax purposes. Profits, gains or losses arising from the Premiums Trust Funds are allocated to years of account under Lloyd's rules and each allocated part is taxed or relieved in the year in which the corresponding profits or losses from underwriting are declared.

Other profits or gains (including gains arising from Lloyd's ancillary funds and other assets at risk in the business) are taxable in the accounting period in which they arise. Individual Names are able to operate special reserve funds for all classes of business. The Inland Revenue has not made provision for special reserves for corporate members equivalent to those applicable to individual members or equalisation reserves available to insurance companies.

Credit against a United Kingdom corporation tax liability should be available in respect of any foreign taxation suffered to the extent that such credits can be offset against UK corporation tax on relevant profits in the relevant accounting period in the United Kingdom. If overseas taxes incurred are substantial in relation to the United Kingdom mainstream corporation tax liabilities of the company in respect of any accounting period, such liabilities may be insufficient to allow the company wholly to offset the ACT payable on dividends. In such circumstances, the ACT could become an actual cost to the company, although any surplus ACT can be carried forward to later periods, or may be carried back to earlier periods. Following the abolition of ACT in respect of dividends paid on or after 6 April 1999, relief may continue to be available for any outstanding surplus ACT.

The Underwriting Subsidiaries will incur liability for tax in the United States and Canada and will be subject to United States and Canadian taxation on any income earned from its United States and Canadian connected business (for example, underwriting profits (and losses) arising from direct insurance premiums placed through a United States and Canadian broker, as well as that portion of the Lloyd's American and Canadian Trust Funds investment income attributable to such premiums).

The Underwriting Subsidiaries may also incur liabilities for foreign taxes on its overseas premium income in other jurisdictions.

A proportion of VAT borne by the company will be recoverable. The amount recoverable in respect of underwriting expenses will be at a market rate applicable to all corporate members.

(d) *Taxation consequences of Interavailability for Names*

(i) Capital Gains Tax

The Inland Revenue have confirmed to Lloyd's that a Name's capacity (his syndicate participation) at Lloyd's is a chargeable asset for capital gains tax purposes unless the activity of the Name amounts to a trade in syndicate participations. A Name who transfers his syndicate capacity to the Company as part of the interavailability scheme may therefore realise a chargeable gain, which may give rise to a tax liability depending upon the Name's personal circumstances. Names should consult their own accountants or financial advisers as to whether their circumstances are such that they are likely to incur a tax charge as a result.

A Name will retain the ultimate beneficial ownership of the assets held in his Lloyd's Deposit during the period that the deposit is made interavailable. This means that there should be no income tax or capital gains tax charge as a result of the deposit being made interavailable. All income and chargeable gains arising on interavailable Lloyd's Deposit will be treated for tax purposes as arising to and hence as being taxable in the hands of the Name. This is the case even when assets in the deposit are sold to meet an underwriting liability of the Company.

At the time that the Name's Loan Stock is fully paid up, any disposal or transfer of assets by the Name to fund the required payment may produce a liability to capital gains tax, depending on the individual Name's circumstances. This will be the case even if the assets disposed of by the Name to fund such a payment form part of that Name's released Lloyd's Deposit. Gains or losses will be computed in the normal way. Draft legislation proposed in the current Finance Bill will, if enacted, change the rules governing the taxation of capital gains of individuals. Indexation relief will be abolished in relation to periods after 31 March 1998. The relief will be replaced by a "taper" system, the effect of which will be that the longer an asset has been held after 5 April before being disposed of, the lower the effective rate of taxation on any gain that arises. Gains or losses will be taxable or relieved in the year in which disposals are made.

The Loan Stock is unlikely to be a chargeable asset for capital gains purposes. Consequently on a conversion of the Loan Stock to Ordinary Shares (see Part VI of this document) no liability to capital gains tax should arise. The Ordinary Shares should be treated as having been acquired at the same date and for the same consideration as the Loan Stock.

(ii) Inheritance Tax

It is understood that the Inland Revenue has confirmed to Lloyd's that no Inheritance Tax liability will arise where Lloyd's Deposit is made interavailable.

If a Name dies whilst his Lloyd's Deposit is interavailable, the assets included in the deposit will be treated as part of his estate. Business Property Relief may be available in respect of the deposit if the normal conditions (e.g. that the size of the deposit is reasonable in relation to the business underwritten by the Name) are satisfied. For those converting at 1 January 1999, any FAL released in 2001 may no longer qualify for Business Property Relief under the legislation relating to assets held at Lloyd's. They may, however, qualify for relief under some other head.

The Loan Stock will not qualify for Business Property Relief under current legislation. Unquoted shares in the Company should qualify for 100 per cent. Business Property Relief. Property will not qualify for Business Property Relief unless it was owned by the deceased throughout the two years immediately preceding their death. The Inland Revenue has however confirmed to Lloyd's that where a Name transfers all of his capacity to the Company business property relief will be available immediately in respect of the unquoted shares acquired in exchange.

Shares in the Company will continue to be eligible for Business Property Relief following any flotation of the Company on AIM.

(iii) *Income tax*

A Name who underwrites in his individual capacity is taxed as a sole trader carrying on a trade of insurance and will be subject to income tax on the profits of that trade. Where such an individual Name suffers a loss from his underwriting in any tax year, the amount of that loss may be set against the Name's other taxable income for that year or the preceding year. To the extent that the loss is not so relieved, it may be carried forward and set against income from the underwriting trade in future years. During the first four years of trading, it may also be possible for the individual Name to carry back losses and set them against his general income for the three years before the loss is sustained.

In contrast, profits earned by the Company from its underwriting activities will be subject to corporation tax. Any losses suffered by the Company in respect of its underwriting activities will be available for relief only in the hands of the Company itself or other members of its corporate group. Such losses will not be available to be set against the dividend income or any other income of a Participating Name either in the year in which the losses are incurred by the Company or in any prior or subsequent years.

Further, a Participating Name will not be able to carry forward any tax losses from previous underwriting activities in his individual capacity and set them against any dividends he receives in respect of his shareholding in the Company. A Name will, however, be able to carry forward losses arising in respect of years before he becomes a Participating Name and set them against underwriting profits he realises from underwriting in his individual capacity before his last open year closes. Carried forward losses should also remain available against any investment income arising from the FAL while the FAL remains in the beneficial ownership of the individual Name.

For the year of assessment 1993/94 and following years of assessment underwriting profits earned by an individual Name are treated as earned income for tax purposes (whether the Name is working or not), and so constitute "net relevant earnings" for pensions purposes. It is therefore possible for an individual Name to mitigate his tax liabilities by setting pension contributions against such income.

In contrast, a Participating Name will receive a share of the underwriting profits earned by the Company in the form of dividends paid on the Participating Name's Ordinary Shares. Income derived from the Ordinary Shares will be classified as unearned or investment income and will not be capable of being set against pensions contributions.

(iv) *Value Added Tax*

Where a Name makes his deposit interavailable to the Company at the same time as transferring his syndicate capacity to the Company, the transaction will not give rise to a value added tax liability.

No value added tax liability will arise in respect of the Name's subscription for the Loan Stock, the paying up of the Loan Stock, the conversion of the Loan Stock into Ordinary Shares or the receipt of dividends on the Ordinary Shares.

7. **Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries which are or may be material:

(a) A Lloyd's Sponsors' Agreement between Strand Partners as sponsor, the Company and GLU setting out the terms on which Strand Partners acts as Lloyd's Sponsor to the Conversion Scheme.

(b) The Holdings Acquisition Agreement between the Holdings Vendors and Greenwich pursuant to which Greenwich acquired Greenwich Holdings.

(c) Members' Agent's Agreements in standard form between each of the Underwriting Subsidiaries and GLU whereby GLU is to act as the sole Lloyd's Members' Agent for the Underwriting Subsidiaries in respect of their underwriting business and affairs at Lloyd's.

(d) The reinsurance documents referred to in Part V of this document.

(e) Debentures given in favour of European Re by each company in the Greenwich Group (except Greenwich).

(f) The loan notes instrument of Greenwich constituting £850,000 unsecured loan notes.

(g) The loan stock instrument of Greenwich constituting the "A" Loan Stock and the "B" Loan Stock.

(h) The prospectus or invitation document for the Grenville I conversion scheme.

(i) The prospectus or invitation document for the Grenville II conversion scheme.

8. **General**

(a) There are no legal or arbitration proceedings, active, pending, or threatened against, or being brought by, the Company or any of its subsidiaries which are having or may have a significant effect on the Company's or any of its subsidiaries' position.

(b) Strand Partners has given and has not withdrawn its consent to the issue of this document with the inclusion herein of reference to it in the form and context in which it is included.

(c) Binder Hamlyn have given and have not withdrawn their written consent to the inclusion in Parts III and IV of this document of their accountants' report on the Company and their letter on the financial illustrations, and reference thereto and to their name in the form and context in which they are included.

(d) The issue price of £1 for each new Ordinary Share represents a premium of 50 pence over the nominal value of 50 pence of each Ordinary Share.

(e) Save as disclosed herein, there has been no significant change in the financial or trading position of the Company since 1 January 1998.

(f) (i) The amount of the gross proceeds raised by the Offer for Subscription depends upon the level of acceptances.

(ii) The expenses of and incidental to the Offer for Subscription, including printing, advertising and distribution costs and legal, accounting and other advisers' fees and irrecoverable VAT, are estimated to amount to approximately £210,000.

(iii) The Directors expect that, after deduction of the expenses referred to in sub-paragraph (ii) of this paragraph 8(f) and the initial costs of the reinsurance referred to in Part V of this document, the anticipated net proceeds raised by the Offer for Subscription, if any, will be of a nominal amount only. No minimum amount is required to be raised by the Offer for Subscription in respect of: (A) the purchase by the Company of any property; (B) the repayment of any money borrowed by the Company in respect of such a purchase or any preliminary expenses payable by the Company; or (C) working capital.

(iv) The expenses referred to in sub-paragraph (ii) of this paragraph 8(f) are payable by the Company. The Offer for Subscription is not underwritten by any person. No commission is payable by Greenwich to any person in consideration of his agreeing to subscribe for a Unit of Ordinary Shares or for Loan Stock.

(g) The subscription list in respect of the Offer will open on 25 June 1998 and may be closed at any time thereafter.

(h) Any losses brought forward from previous years' underwriting of the participant will not be available for set-off by the Underwriting Subsidiaries under their vertical deficit clauses in calculating profit commission due to the participant's agent.

(i) The application of risk based capital tests for FAL will result in different requirements applying to the Underwriting Subsidiaries than would apply to an individual member. Grenville III will not be given credit for closed year tax recoverables nor for any PTF cash releases.

(j) In the case of qualifying successor vehicles, the permission of Grenville III to underwrite will be granted for an initial period of five years and permission to underwrite thereafter will be conditional upon Grenville III meeting the requirements applicable to it at that time.

(k) The permission of the Underwriting Subsidiaries to underwrite may be withdrawn if its FAL fall below 85 per cent. of the value used to calculate their Overall Premium Limit for the current year of account and the Underwriting Subsidiaries have failed to make good the deficiency.

(l) The Underwriting Subsidiaries are not permitted to take advantage of the exemptions from accounting requirements under the Companies Acts that apply to a small or medium sized company and are required to prepare their accounts in accordance with Schedule 9A to the Companies Act 1985.

(m) The level of contributions to the New Central Fund payable by the Underwriting Subsidiaries is higher than those payable by an individual member.

(n) Notwithstanding his resignation from Lloyd's a participant must remain a member until each year of account of each syndicate of which he was a member has been closed by reinsurance to close.

(o) The range of assets acceptable as FAL is more restricted, and the proportion of the Member's FAL which may be constituted by particular investments is lower, in the case of a Corporate Member than in the case of a Name and, subject to certain exceptions, Grenville III will be permitted to maintain as FAL those assets which were comprised in the participant's Lloyd's Deposit for a transitional period expiring on the date by which FAL must be in place for the 2001 year of account (the "2001 coming-into-line date") but will be required to comply with the investment criteria applicable to Corporate Members generally in respect of any additional or replacement assets provided as FAL after the coming into line date for the first year of account in respect of which the FAL are made interavailable and in respect of all its FAL after the expiry of the transitional period, which will mean making extra FAL available at the 2001 coming-into-line date.

(p) Letters of credit and guarantees secured upon principal private residences will no longer be acceptable as FAL following the fifth anniversary of a successor vehicle commencing membership at Lloyd's. It is not possible to increase the value of any such letters of credit or guarantees and, therefore, substitute security or extra FAL may need to be made available at the 2004 coming-into-line date.

9. Display Documents

Copies of the following documents may be inspected at the offices of Wilde Sapte at 1 Fleet Place, London EC4M 7WS during normal business hours and any weekday (Saturdays and public holidays excepted) until 19 September 1998:

(i) this Invitation Document;

(ii) the Memorandum and Articles of Association of the Company and Grenville III;

(iii) the text of the Special Resolutions of the Company proposed by the Directors to be passed at the first Annual General Meeting of the Company to be held on 26 June 1998;

(iv) a draft of the Loan Stock Instrument;

(v) the Binder Hamlyn letter and reports set out in Parts III and IV of this document;

(vi) the material contracts referred to in paragraph 7 above;

(vii) the written consents of Strand Partners and Binder Hamlyn referred to in paragraphs 8(b) and 8(c) above;

(viii) the Membership and Underwriting Requirements (Corporate Member) made under the Membership Byelaw (No. 17 of 1993); and

(ix) the Conversion Rules.

PART XI

TERMS AND CONDITIONS

An application pursuant to the Offer for Subscription is made on the basis of the information contained in this document including the terms and conditions stated below by completing and signing the accompanying Application Form. The Application Form must be returned to Greenwich Lloyd's Underwriting Limited, Walbrook House, 23 Walbrook, London EC4N 8BT as soon as possible and in any event not later than 5 pm on 18 September 1998. Each Application Form must be accompanied by a cheque or banker's draft for £3,500, being the full amount payable on application, drawn in pounds sterling on a recognised bank or building society and made payable to "Greenwich Lloyd's Underwriting Limited – Grenville III" and crossed "not negotiable". If any application is not accepted, applicants' cheques will be returned by post at the risk of the applicant.

The following terms and conditions will apply in respect of the Conversion Scheme and the Offer for Subscription:

1. **Conditions of Conversion Scheme**

   The Conversion Scheme (including the Offer for Subscription) is conditional upon:

   (i) Grenville III having been admitted as a Corporate Member of Lloyd's with effect from 1 January 1999;

   (ii) Grenville III having been granted permission to underwrite and not having accepted any business with an inception date earlier than 1 January 1999;

   (iii) the reinsurance proposal with European Re (as described in Part V of this document) being formally concluded, or a reinsurance contract, which in the opinion of the Directors of the Company is on terms and conditions which are in substance comparable, being concluded by Grenville III; and

   (iv) the Special Resolution proposed by the Board being approved by the members of Greenwich at the Annual General Meeting of Greenwich to be held on 26 June 1998 to authorise the Directors to issue relevant securities and to disapply statutory pre-emption rights.

2. **Lloyd's Conditions as to Eligibility of Names**

   Lloyd's has attached certain conditions before Names may take advantage of the interavailability provisions. These are as follows:

   (i) Each Participating Name must have met each and every request for funds duly made;

   (ii) Each Participating Name must be in compliance with all applicable requirements of Lloyd's relating to solvency;

   (iii) Each Participating Name must have resigned his membership of Lloyd's;

   (iv) Each participant has Lloyd's Deposit to the value of at least £25,000, net of any set-off, at the coming-into-line date.

   (v) The Prescribed Documents specified in Part XII of this document (as applicable to each Participating Name), duly executed by each Participating Name or on his behalf, must have been delivered to Lloyd's.

3. **Timetable**

   (i) The Offer for Subscription will open at 9.00 am on the third business day after the date of this document and be open for acceptance for at least 15 business days following the date of this document. Although no revision is envisaged, if the Offer for Subscription is revised, it will remain open for acceptance for a period of at least 10 business days following the date on which any revised document is posted.

   (ii) On the business day following the day on which the Offer for Subscription is due to expire or becomes or is declared unconditional or is revised or extended (as the case may be) or such later time and/or date as the Company may decide with the consent of the Conversion Official, Strand Partners will make an announcement as to the level of acceptances and simultaneously inform the Conversion Official of the level of acceptances.

   (iii) The Conversion Scheme and the Offer for Subscription will close on 18 September 1998 or on such later date as the Conversion Official may allow.

4. **Payment**

Applicants' cheques will be presented for payment following receipt by GLU. Certificates in respect of new Ordinary Shares and Loan Stock will be sent to Names within 28 days of the Offer for Subscription becoming or being declared unconditional in all respects. In the event that the Offer for Subscription does not become unconditional in all respects, subscription moneys will be returned to applicants at their risk 28 days after the Offer for Subscription becomes incapable of being declared unconditional in all respects.

5. **Undertakings and Warranties of Applicant**

Each Participating Name shall give such undertakings and warranties as are set out in the Application Form which accompanies this document.

6. **Non-UK Names**

No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him. The Shares have not been nor will they be registered under the US Securities Act of 1933, as amended, ("the Securities Act") and, subject to certain exceptions, they may not be offered or sold within the United States. In addition, until 40 days after the commencement of the Offer for Subscription an offer or sale of Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such sale is made otherwise than in accordance with the Securities Act. The Company has not been and will not be registered under the United States Investment Company Act of 1940 (the "Investment Company Act"). Accordingly, the Offer for Subscription is designed to preclude the Company from having to register under the Investment Company Act.

7. **Right to alter terms**

The dates and times referred to in these Terms and Conditions may be altered at the discretion of the Directors. Any alterations will be in compliance with the Conversion Rules and will be subject to obtaining any necessary consents from Lloyd's and Prospective Conversion Participants being advised of such alterations.

8. **Money Laundering**

It is a term of the Offer for Subscription that, to ensure compliance with the Money Laundering Regulations 1993, each of the Company or Strand Partners is entitled to require, at its absolute discretion, verification of identity from any person lodging an Application Form (an "Applicant") including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to be acting on behalf of some other persons. Pending the provision of evidence satisfactory to the Company and Strand Partners as to the identity of the Applicant and/or any person on whose behalf the applicant appears to be acting, the Company may, in its absolute discretion, retain an Application Form lodged by an Applicant and/or cheque or other remittance relating thereto.

If verification of identity is required, this may result in a delay in dealing with an application and in rejection of the application. The Company and Strand Partners reserve the right, in their absolute discretion, for either Strand Partners or the Company to reject any application in respect of which either of them considers that, having requested verification of identity, they have not received evidence of such identity satisfactory to them by such time as was specified in the request for verification of identity or in any event within a reasonable period. In the event of an application being rejected in any such circumstances, the Company and Strand Partners reserve the right in their absolute discretion, but shall have no obligation, to terminate any contract relating to or constituted by such Application Form (in which event the money payable or paid in respect of the application will be returned (without interest) to the account of the drawee bank from which such sums were originally debited) without prejudice to any rights the Company may have to take proceedings to recover in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid. The submission of an Application Form will constitute a warranty and undertaking by the Applicant to provide promptly to the Company and Strand Partners such information as may be specified by it as being required for the purpose of the Money Laundering Regulations 1993.

Neither the Company nor Strand Partners shall be responsible or have any liability for loss or damage (whether actual or alleged) arising from the election by the Company or Strand Partners to treat an application to participate in the Scheme lodged by an applicant as invalid or to terminate the contract of allotment as a result of the Company or Strand Partners not having received evidence as to the identity of the person lodging the relevant Application Form reasonably satisfactory to it within a reasonable time of having requested such information.

9. **Right to reject application**

The right is reserved to reject any application in whole or in part. The right is also reserved to treat as valid any application not complying fully with these Terms and Conditions or not in all respects completed or delivered in accordance with the notes on How to Complete the Application Form.

10. **Additional terms**

(a) A Name whose Lloyd's Deposit is to be made interavailable must remain a member of Lloyd's until each year of account of each syndicate during which he was a member has been closed by reinsurance to close.

(b) The Lloyd's Deposit made interavailable to Grenville III will provide security for the underwriting liabilities of the Name as well as any which may be incurred by Grenville III and, accordingly, the Name will not be able to withdraw his interavailable Lloyd's Deposit, even once each year of account of each syndicate of which he was a member has been closed by reinsurance to close, unless and until substitute security acceptable to Lloyd's in respect of a Corporate Member has been provided in respect of open years of Grenville III.

(c) If Lloyd's so requires, under the Interavailable Trust Deed, Grenville III will be obliged to indemnify Lloyd's as trustee in respect of any amount of interavailable Lloyd's Deposit which are actually applied in discharging any liability of the Name in respect of previous years of account. Similarly, under the Interavailable Trust Deed, if Lloyd's so requires, any profit derived from the underwriting activities of Grenville III will be charged as security for this indemnity and assigned to the trustee.

(d) Unless the relevant agent has agreed in writing otherwise, a participant, who is a member of a syndicate for the 1998 year of account who has not given notice (under Clause 11.5 of the standard managing agent's agreement) by 30 September 1998:

(i) will be a member of the provisional syndicate for 1999 year of account;

(ii) is or will be liable to pay an annual fee for the 1999 year of account on the basis of the Participating Name's prospective syndicate premium limit in circumstances in which the proposal lapses and the Participating Name is unable to dispose of his prospective participation through the auction process (the last auction dates being on 22/23 September 1998).

In addition, there are certain restrictions to which Grenville III will be subject so long as its FAL is provided under the interavailability provisions. The principal restrictions are as follows:

(1) The permission for Grenville III to underwrite will be granted for an initial period of 5 years; permission thereafter will be conditional upon Grenville III meeting the requirements applicable to it at that time;

(2) The permission of Grenville III to underwrite may be withdrawn if its Funds at Lloyd's fall below 85 per cent. of the value used to calculate its OPL for the current year of account; and

(3) Grenville III will not be permitted to take advantage of the exemptions from accounting requirements under the Companies Act and will therefore be required to file fully audited accounts even though it may qualify as a small or medium-sized company.

Names should also note that the distribution of any capital of Grenville III which would no longer be required as Lloyd's Deposit, should it cease or reduce its underwriting, may be protracted and complicated and the participant should discuss the matter with his legal and tax advisers.

(e) From the Name's FAL, an initial amount will be set aside for back year creditors, the amount comprising:

(i) any unpaid losses and run-off deficiencies as per the Name's personal consolidated statement;

(ii) any net solvency deficiency on the two naturally open years.

The Name's New Special Reserve Fund and Personal Reserve Fund may be utilised as part of the set aside.

(f) If the interavailable deposit provided by one Participating Name is reduced and Grenville III sustains a loss or receives a cash call, other Participating Names may bear a disproportionate share of that loss or cash call. The interavailable deposit of a Participating Name may be reduced either due to any part of the interavailable deposit being applied in discharging that Participating Name's own liabilities or due to a fall in the value of any investments comprised within that deposit.

(g) In order for Grenville III to have the same Overall Premium Limit as Participating Names, Grenville III may need to provide additional Lloyd's Deposit in the event that:

  (i) the maximum amount of premium income permitted for a Member (being a Corporate Member) for a given amount of Lloyd's Deposit is lower than that permitted for a Member who is an individual; and

  (ii) credit will not be given for closed year tax recoverables nor for the Premiums Trust Fund cash releases.

(h) The section headed "How to Complete the Application Form" as set out in Part XIII of this document forms part of these Terms and Conditions.

(i) **By completing and delivering an Application Form you are agreeing to appoint any director of the Company your attorney on your behalf to execute all documents and do all such matters and things as may be necessary to give effect to your application.**

Individual Names wishing to convert from unlimited to limited liability for the 1999 year of account should be aware that they will not be able to convert capacity acquired in 1998. Names interested in accepting the Offer are recommended to discuss the position with GLU before acquiring capacity in 1998 via the auctions or otherwise.

PART XII

DOCUMENTATION RELATING TO THE CONVERSION SCHEME AND OFFER FOR SUBSCRIPTION

1. Procedure for Application

An application to participate in the Conversion Scheme and Offer for Subscription must be made on the basis of the information contained in this document, including the terms and conditions set out in Part XI, by completing and signing the accompanying Application Form which must be returned to Greenwich Lloyd's Underwriting Limited to be received by 5.00 pm on 18 September 1998 or such later date as the Company may agree with the consent of the Conversion Official. Each Application Form must be accompanied by a cheque for £3,500, being the full amount payable on application drawn in pounds sterling on a recognised bank or building society and made payable to "Greenwich Lloyd's Underwriting Limited – Greenwich III" and crossed "account payee".

2. Procedure for Execution

The implementation of the Scheme will involve the completion of a large number of documents in a form acceptable to Lloyd's, many of which will be required to be delivered to Lloyd's. In order to ease the execution and administration of these documents it is proposed that any director of the Company be appointed the attorney of each Participating Name. By signing the Application Form Participating Names will formally appoint any director of the Company as their attorney for this purpose. Participating Names must sign the Application Form in the presence of a witness. This power of attorney has been widely drawn and Participating Names should note that its effect is to confer upon the attorney considerable discretion in acting on their behalf.

3. Principal Documents

Set out in Part VIII of this document is a summary of the terms of certain of the principal documents which Lloyd's will require to be completed in connection with the implementation of interavailability relating to the Company. If Participating Names are in any doubt about the effect of any of the documentation relating to the Conversion Scheme and Offer for Subscription they should consult either their Lloyd's Members' Agent or Lloyd's Adviser (who will advise you in accordance with the Lloyd's Code for Members' Agents: Responsibilities to Members) or a person authorised under the Financial Services Act 1986 who specialises in advising upon the acquisition of shares and other securities.

PART XIII

APPLICATION FORM AND INSTRUCTIONS FOR COMPLETION

How to complete the Application Form

Applications may only be made by persons aged 18 and over.

The following instructions should be read in conjunction with the Application Form.

1. Insert your full name and address in BLOCK CAPITALS in Box 1 together with your work and home telephone numbers.

2. Insert the full name(s) of all your current Lloyd's Members' Agent(s) in BLOCK CAPITALS in Box 2.

3. The amount to be paid by you is set out in Box 3.

   A single cheque or banker's draft for the full amount payable should be affixed to the completed Application Form. Your cheque or banker's draft must be made payable to "Greenwich Lloyd's Underwriting Limited – Grenville III" in the amount of £3,500 and should be crossed "account payee". No receipt will be issued for this payment which must be solely for this application.

   Your cheque or banker's draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a member of the Cheque & Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of the Committees of Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the clearing facilities provided for the members of any of those companies or associations and must bear the appropriate sort code number in the top right hand corner.

   Applications may be accompanied by a cheque or banker's draft drawn by someone other than the applicant.

4. In executing the Application Form in Box 7, you are giving the undertakings and warranties set out in Boxes 4 and 5 and granting the power of attorney set out in Box 6.

5. Please ensure that you sign and date Box 7 and that your signature is witnessed as indicated.

   Send the completed Application Form together with the cheque or banker's draft by post, or deliver it by hand, to Greenwich Lloyd's Underwriting Limited, Walbrook House, 23 Walbrook, London EC4N 8BT, marked for the attention of Mr Philip Noel, as soon as possible and in any event so as to be received not later than 5.00 pm on 18 September 1998. If you post your Application Form, you are recommended to use first class post and to allow at least two working days for delivery.

Greenwich Insurance Holdings PLC

1999 Lloyd's Conversion Scheme

GREENWICH

APPLICATION FORM

Sponsors:

Strand Partners Limited
110 Park Street
Mayfair
London W1Y 3RB

Advisers:

Wilde Sapte 1 Fleet Place London EC4M 7WS	&	Binder Hamlyn 20 Old Bailey London EC4M 7BH

5. APPLICATION AND DECLARATION

I now apply, subject to and upon the terms and conditions set out in the Invitation Document, to participate in the Conversion Scheme and agree that my application shall be irrevocable. I confirm that by completing this Application Form I have agreed to subscribe for:

(a) 3,500 Ordinary Shares in the Company at £1 per share and I acknowledge that the said shares shall be subject to the Memorandum and Articles of Association of the Company;

(b) Convertible Unsecured Loan Stock, nil paid, in a principal amount equal to my Lloyd's Deposit which I am making interavailable to Grenville Underwriting III Limited, and I acknowledge that the Loan Stock shall be subject to the Loan Stock Instrument

which in both cases will be issued to me following the Conversion Scheme becoming unconditional in all respects.

I further confirm that I have satisfied, or by the appropriate date will have satisfied, the Conditions to participate in the Conversion Scheme as prescribed by Lloyd's and set out in Part XI of the Invitation Document.

6. POWER OF ATTORNEY

(1) I hereby appoint any director of the Company (the "Attorney") as my attorney for me and in my name and on my behalf to do and execute on my behalf all or any acts, deeds and things as I may be required by the Council to do or execute or as the Attorney shall in his absolute discretion consider desirable, expedient or necessary in order for me to participate in the Conversion Scheme.

(2) In particular and without prejudice to the generality of paragraph (1), the Attorney shall have power and authority:

(a) to execute such deeds and sign, issue, provide, attest, authorise or certify all such documents, including but not limited to those documents referred to in Part XII of the Invitation Document, as may be required by Lloyd's or as the Attorney shall in his absolute discretion deem necessary, expedient or desirable to enable me to participate in the Conversion Scheme;

(b) to notify Lloyd's that my resignation from membership of Lloyd's is effective once my application in response to the Conversion Invitation has been accepted;

(c) to issue any arrangements and give any such instructions to any third party (including any relevant trustee or any financial institution which has issued any asset held as part of my Lloyd's Deposit) to enable my Lloyd's Deposit to be released or made available to support the underwriting at Lloyd's of Grenville Underwriting III Limited or to be returned in whole or in part to me; and/or

(d) to do any other act or thing in relation to my acceptance of the Offer which would be in my power to do personally.

(3) I hereby ratify and agree to ratify and confirm from time to time and at all times everything that the Attorney shall lawfully do or cause to be done by virtue of and in accordance with this power of attorney including in such ratification and confirmation everything that shall lawfully be done between the time of the revocation of this power of attorney and the time of such revocation becoming known to the Attorney.

(4) I agree to indemnify and keep indemnified the Attorney from and against all demands, claims, losses, costs and expenses which may be brought against or incurred by him as a result of acting in pursuance of this power of attorney.

(5) This power of attorney is given by way of security of my obligations as a Participating Name and shall be irrevocable until and shall expire on 28 February 1999.

(6) This power of attorney is governed by and shall be construed in accordance with the laws of England and I hereby irrevocably and unconditionally submit for all purposes of and in connection with this Deed to the non-exclusive jurisdiction of the English courts.

7. EXECUTION OF APPLICATION FORM AND POWER OF ATTORNEY

IN WITNESS whereof I have executed this application form (incorporating a power of attorney) as a deed on the day and year written below.

Executed as a Deed ______________________________ Date ________________1998
(signature of Name)

Witness' signature ______________________ Witness' name ______________________

Witness' address ____

Produced by Stephen Duke Ltd 0171-490 2122 (5482)