

FUIT Two Limited

Financial Statements

For the year ended 30th June 1996

Registered number 2861345



FUIT Two Limited

Index to the Financial Statements

For the year ended 30th June 1996

Page No.

1	Company Information
2 - 3	Directors' Report
4	Auditor's Report to the Shareholders
5	Balance Sheet
6 - 10	Notes to the Financial Statements

FUIT Two Limited

Company Information

Directors

R.A.M. Baillie (Chairman)  
A.F. Jackson  
P. Martin  
J.A.V. Townsend  
P.R. Withers Green

Secretary

H Spivey

Auditors

Neville Russell  
24 Bevis Marks  
London EC3A 7RN

Members' Agent

Wren Underwriting Agencies Limited  
Gan House  
Arthur Street  
London EC4R 9AB

Bankers

Bank of Scotland  
38 Threadneedle Street  
London EC2P 2EH

Rea Brothers Limited  
Alderman's House  
Alderman's Walk  
London EC2M 3XR

Company No.

2861345

Registered Office

Alderman's House  
Alderman's Walk  
London  
EC2M 3XR

FUIT Two Limited

Report of the Directors  
For the year ended 30th June 1996

The directors present herewith their annual report, together with the audited financial statements of the company for the year ended 30th June 1996.

Results and Dividends

There was no profit or loss for the year. No interim dividend was paid in the year and the directors do not recommend the payment of a final dividend (1995 : fnil).

Review of the Business

The company has been authorised by the Council of Lloyd's to operate as a corporate member of Lloyd's. The company has allocated premium income capacity for the 1996 underwriting year of £11.2m (1995: £10.5m; 1994: £10m) of which £0.25m (1995: £0.125m; 1994: £0.1m) relates to long term life business. The results of the company's underwriting activities will be included in the financial statements when they are reported to the Company by Wren Underwriting Agencies Limited, the Company's members' agent.

Under Lloyd's three year accounting rules it is not expected that the results of the 1996 underwriting year of account will be known until the second quarter of 1999 (1995 and 1994 underwriting year of account until the second quarter of 1998 and 1997 respectively) at which time these results will be included in the Company's results for that year.

The Company's underwriting activities are supported by a covenant from its ultimate parent company, Finsbury Underwriting Investment Trust PLC, to pay up to £4.95m where the Company's assets are insufficient to meet its liabilities at Lloyd's. In addition assets have been lodged directly at Lloyd's to cover the Company's long term life business at Lloyd's.

Directors and Directors' Interests

The directors who served the company during the year were:

R.A.M. Baillie  
A.F. Jackson  
P. Martin  
J.A.V. Townsend  
P.R. Withers Green

The interests of the directors in the shares of the holding company, Finsbury Underwriting Investment Trust PLC, are dealt with in the accounts of that company.

No director had, during or at the end of the year, any material interest in a contract which was significant in relation to the company's business, otherwise than as disclosed in the financial statements of the ultimate holding company, Finsbury Underwriting Investment Trust PLC.

FUIT Two Limited

Report of the Directors  
For the year ended 30th June 1996 (continued)

Directors and Directors' Interests (continued)

In accordance with the Articles of Association, Mr A.F. Jackson and Mr P.R. Withers Green retire by rotation and, being eligible, offers themselves for re-election.

Managers and Advisors

Finsbury Asset Management Limited (Finsbury) provide company secretarial services to the Company. The agreement between Finsbury and the Company may be terminated by either party giving two years' notice but may not be terminated before 29th October 1996 without the agreement of both parties. Mr J.A.V. Townsend is a director of Finsbury.

Wren Underwriting Agencies Limited (Wren) provide Lloyd's members' agent services to the Company. The agreement may be terminated by either party giving written notice on 31st August in any year, such notice to expire not earlier than 31st August 1997. Mr A.F. Jackson is chairman of Wren Holdings Group PLC which is the parent company of Wren.

Directors' Responsibilities

The Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period. The financial statements must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition the Directors are required to: (a) select suitable accounting policies and apply them consistently; (b) make judgements and estimates that are reasonable and prudent; (c) state whether applicable accounting standards have been followed; and (d) prepare financial statements on a going concern basis unless it is inappropriate to assume the Company will continue in business.


The Directors confirm that the financial statements comply with the above requirements.

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

Auditors

A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Neville Russell as auditors of the Company.

By order of the Board

H Spivey   
Secretary  
3rd September 1996

FUIT Two Limited

Report of the Auditors to the Shareholders of

FUIT Two Limited

We have audited the financial statements on pages 5 to 10 which have been prepared following the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

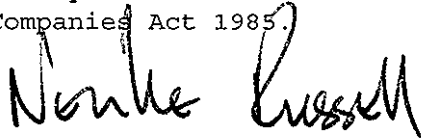
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th June 1996 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



NEVILLE RUSSELL  
CHARTERED ACCOUNTANTS  
and Registered Auditors  
24 Bevis Marks  
London EC3A 7RN

3rd September 1996



FUIT Two Limited

Balance Sheet as at 30th June 1996

	Note	1996 £	1995 £
<u>Current Assets</u>			
Debtors - due within one year	2	343,719	-
Debtors - due after more than one year	3	307,500	319,666
		-----	-----
		651,219	319,666
 <u>Creditors - amounts falling due within one year</u>			
Amounts owed to ultimate holding company		(13,958)	(12,508)
Other creditors	4	(329,759)	-
		-----	-----
Total Assets less Current Liabilities		307,502	307,158
 <u>Creditors - amounts falling due after one year</u>			
	5	(307,500)	(307,156)
		-----	-----
Net Assets		£2	£2
		=====	=====
 <u>Capital and Reserves</u>			
Called up share capital	8	2	2
		-----	-----
Shareholders' Funds	9	£2	£2
		=====	=====

The notes on pages 6 to 10 form part of these financial statements.

On behalf of the board:

R.A.M. Baillie  )  
 J.A.V. Townsend  )

Directors

Dated: 3rd September 1996

1. Accounting Policies

The financial statement have been prepared in accordance with applicable accounting standards.

1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention.

1.2 Underwriting Activities

The Company commenced underwriting at Lloyd's in January 1994. Lloyd's currently operates on a three year accounting period and results for the year to 31st December 1994 will therefore be taken into account in the Company's financial statements as at 30th June 1997. Similarly the 1995 and 1996 underwriting results are not expected until the second quarter of 1998 and 1999 respectively and will be taken into account for years ended 30th June 1998 and 1999 respectively.

Directors will make provision for losses as soon as they are foreseeable though the eventual size of losses may not be ascertained until the relevant underwriting year has been closed off.

1.3 Underwriting Income and Expenses

Income received and expenses incurred in relation to the underwriting activities of the Company are dealt with in the profit and loss account in the year that the underwriting results for that same period are reported

1.4 Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange applicable on the dates of such transactions. Assets and liabilities denominated in foreign currencies at the year end have been expressed in sterling at the rates of exchange ruling at that date.

2 Debtors - due within one year

	1996	1995
	£	£
Premium trust fund credit (see also Note 4)	329,744	-
Deferred expenses	13,975	-
	-----	-----
	343,719	-
	=====	=====



Notes to the Financial Statements for the year ended 30th June 1996.

3	Debtors - falling due after more than one year	1996 £	1995 £
	Special Central Fund contribution (see Note 7)	307,500	-
	Premium Trust Fund credit (see Note 4)	-	307,156
	Deferred expenses	-	12,510
		-----	-----
		307,500	319,666
		=====	=====

4 Premium trust fund credit

An amount of £290,850 was credited from the Company's premium trust fund, in August 1994, as an advance on the 1994 underwriting results. Of this amount £247,500 was received in sterling and the balance of \$66,600 in United States dollars. This credit, including accrued income earned, has been shown as both an asset and liability in the Company's financial statements pending closure of the 1994 underwriting year of account.

On the 19th September 1994 the sterling credit was invested in short term gilts maturing in 1996 and 1997. These gilts have been included in the financial statements as debtors and creditors and have been valued at the lower of cost and mid market price.

The US dollar credit has been included in debtors and creditors at the year end rate of exchange.

This premium trust fund credit has been utilised to support underwriting in 1995 and 1996. No account has been taken of the income earned on this credit in the revenue account, as the 1994 underwriting year will not be closed until 31st December 1996 and the results will be incorporated in the financial statements for the financial year ending 30th June 1997.

Notes to the Financial Statements for the year ended 30th June 1996.

5	Creditors - amounts falling due after one year	1996 £	1995 £
	Special Central Fund contribution (see Note 7)	307,500	-
	Premium Trust Fund credit (see Note 4)	-	307,156
		-----	-----
		307,500	307,156
		=====	=====

6 Directors' Emoluments

There were no fees paid or payable to the directors during the period.

7	Lloyd's Special Central Fund Contribution	1996 £
	1994 Underwriting year of account	150,000
	1995 Underwriting year of account	157,500
		-----
	Balance as at 30th June 1996	307,500
		=====

As part of the Reconstruction and Renewal proposals the Company was required to contribute, in August 1996, to the financing of the settlement offer a 1.5% special Central Fund contribution in respect of its 1994 and 1995 underwriting years of account. This contribution was based on the allocated premium limit (1994: £10m; 1995: £10.5m) for each year of account and was paid at Syndicate level.

Subject to the Settlement Agreement becoming unconditional, this special central fund contribution will be refundable, by way of a Central Fund contribution credit, over seven underwriting years commencing in the 1997 underwriting year of account. If the Company ceases to underwrite in the seven year period the refund will be by way of cash over the same period. The level of the refund in each year is at the discretion of the Council of Lloyd's.

This special Central Fund contribution has been included in the accounts as both a debtor and a creditor at the year end. These figures will be released over the period of the refund.

8 Share Capital

	Authorised	Allotted, Issued and fully paid
	£	1996 £
2 Ordinary shares of £1 each (1995 & 1996)	1,000	2
	=====	=====

9. Reconciliation of Movements in Shareholders Funds

	£
Balance at 30th June 1995 and 1996	£2 =====

10 Ultimate Holding Company

The Company regards Finsbury Underwriting Investment Trust PLC, which is registered in England and Wales, as its ultimate holding company.

11 Contingent Liability

There are four other corporate member subsidiaries of Finsbury Underwriting Investment Trust PLC and if any one of these corporate member subsidiaries fails to meet any of its Lloyd's obligations then (a) Lloyd's will be entitled to require the other subsidiaries to cease or reduce their underwriting and/or (b) having regard to the fact that the Central Fund may be applied to discharge the obligations of the defaulting corporate member's subsidiary to make contributions to the Central Fund up to the amounts of their respective net profits held from time to time in Premiums Trust Funds, sufficient to reimburse the Central Fund in full for any payment made on behalf of the defaulting member.

At the date of these financial statements the Company is not aware of any other corporate member subsidiary of the Group failing to meet any of its Lloyd's obligations.