

Masthead E Limited
Financial Statements
For the year ended 31 December 1999

Registered number 2864625



Masthead E Limited
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For the year ended 31 December 1999

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Masthead E Limited

Company Information

Directors	Sir Jeffery Bowman W.A.C. Thomson E.A.J. Fergusson M.F. Heathcoat-Amory P.D. Hill-Wood A. I. G. C. South P. D. Scales	(resigned 3 August 1999) (resigned 3 August 1999) (resigned 2 February 1999) (resigned 2 February 1999) (resigned 2 February 1999) (appointed 2 February 1999) (appointed 2 February 1999)
Secretary	J.A. Lynch	
Members' Agent	Wren Underwriting Agencies Limited 12 Arthur Street London EC4R 9AB	
Auditors	Mazars Neville Russell 24 Bevis Marks London EC3A 7NR	
Company No.	2864625	
Registered Office	55 Bishopsgate London EC2N 3AS	

Masthead E Limited

Report of the Directors For the year ended 31 December 1999

The Directors present herewith their annual report, together with the audited financial statements of the Company for the year ended 31 December 1999. These statements have been prepared in accordance with Schedule 9A of the Companies Act 1985.

Results and Dividends

The Company made a loss for the year of £1,860,000 (1998: loss of £57,000). The directors do not recommend payment of an interim dividend (1998: £nil). The directors do not recommend payment of a final dividend for the year to 31 December 1999 (1998: £nil).

Review of the Business

The Company is authorised by the Council of Lloyd's to operate as a corporate member of Lloyd's. The Company has allocated premium income capacity as follows:

1999 Underwriting Year of Account	£ 9,623,289
1998 Underwriting Year of Account	£ 7,890,356
1997 Underwriting Year of Account	£14,451,257

The 1997 Underwriting Year of Account closed on 31 December 1999. The Company has made an underwriting loss of £2,003,000 (1998: profit of £13,000) before agents' expenses and tax but after provisions for open year losses of £1,461,000 (1998: £421,000). The provisions for open year losses are in respect of syndicates 33, 55, 205, 510, 544, 582, 623, 1173 and 1228 for the 1997, 1998 and 1999 years of account. The results of the 1998 and 1999 Underwriting Years of Account will be recognised in the financial statements when the respective Year of Account closes.

Under Lloyd's three year accounting rules it is not expected that the results for the 1999 and 1998 underwriting years of account will be known until the second quarter of 2002 and 2001, at which time these results will be included in the Company's results for that year.

During the period, Masthead Insurance Underwriting Limited (formerly Masthead Insurance Underwriting PLC) was acquired by Wren Limited (formerly Wren plc) which in turn was acquired by the Company's ultimate parent company BRIT Insurance Holdings PLC (formerly The Benfield & Rea Investment Trust Plc). This increased the number of corporate members in the Group to sixteen. Furthermore, the Group has reorganised its underwriting activities for the 2000 year of account and as a result of this reorganisation the Company ceased underwriting at the end of the 1999 year of account.

The Company's underwriting activities were supported by a covenant from Masthead Insurance Underwriting Limited to pay up to £7,226,000 (1998: £7,226,000) where the Company's assets are insufficient to meet its liabilities at Lloyd's. However as part of the reorganisation of the Group's underwriting activities a Group "Inter-availability scheme" to support underwriting activities for the 2000 and prior underwriting years of account has been set up. To this end the Company has made inter-available £7,226,000 of its covenant to BRIT UW Limited, a Group company, to support its 2000 year of account underwriting activities

Report of the Directors (Continued)

Directors and Directors' Interests

The Directors who served the Company during the year are set out on page 1.

The interests of the Directors in the shares of the ultimate holding company BRIT Insurance Holdings PLC, are set out in the financial statements of the immediate holding company, Masthead Insurance Underwriting Limited.

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 immediate holding company.

Managers and Advisors

Investec Guinness Flight Investment Management Limited (IGFIM), provided company secretarial services to the Company for a part of the period. The company secretarial service agreement between IGFIM and the Company required six months termination notice to be given and notice to terminate the agreement was given on 4 February 1999.

Wren Underwriting Agencies Limited (WUA), a fellow subsidiary, provides Lloyd's members' agent services to the Company for the 2000 and subsequent years of account. Murray Lawrence Members' Agency Limited provides services for the 1999 and prior years of account.

Directors' Responsibilities

The Directors are required by 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 period and of the profit of the Company for the period. The financial statements must be prepared in compliance with the requirements of the Companies Act 1985 and with applicable accounting standards. In addition the Directors are required: (a) to select suitable accounting policies and apply them consistently; (b) to make judgements and estimates that are reasonable and prudent; (c) to state whether applicable accounting standards have been followed; and (d) to 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 these 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.

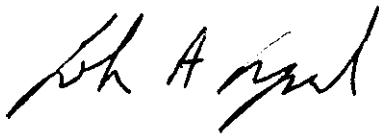
Report of the Directors (continued)

Auditors

PricewaterhouseCoopers resigned as auditors, at the request of the directors, in December 1999. They confirmed that in accordance with the provisions of section 394 of the Companies Act 1985, that there were no circumstances connected with them ceasing to hold office that were required to be brought to the attention of the members or creditors of the Company.

Mazars Neville Russell agreed to be appointed auditors for the company, and a resolution to proposing their appointment would be put to the forthcoming annual general meeting.

By order of the Board



J.A. Lynch
Company Secretary

23 May 2000

Auditors' Report

To the Shareholders of Masthead E Limited

We have audited the financial statements on pages 6 to 22 which have been prepared in accordance with the accounting policies set out on pages 10 to 15.

Respective Responsibilities of Directors and Auditors

As described on page 3 the Company's Directors are responsible for the preparation of 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 have 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 affairs of the company as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
24 Bevis Marks, London EC3A 7NR
23 May 2000

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 1999

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Basis of preparation

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

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has meant the Company recognises its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ('the syndicates').

For each such syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's technical profit and loss account. Similarly, its proportion of each syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading 'syndicate'). Syndicate assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

The proportion referred to above is calculated by reference to the Company's participation as a percentage of each syndicate's total capacity.

The Company has delegated sole management and control of its underwriting through each syndicate to its Members' Agent, who deals with the Managing Agent of the syndicate ('the Managing Agent'). The Managing Agents of the syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims on open or run-off years of account of syndicates. The provisions are determined by the directors of the Company after consultation with the Members' Agent.

c) Sources of data

The information used to compile the technical account and the 'syndicate' balance sheet is based on returns prepared for this purpose by the Managing Agents of each syndicate ('the Returns'). These Returns have been subject to audit by the syndicate auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members. This base data has been adjusted as necessary to reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A to the Act.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a syndicate level and analysing it into corporate member level results.

The Returns cover the 12 months to 31 December 1999.

Masthead E Limited
Technical Account - General Business Profit and Loss Account
For the year ended 31 December 1999

	Note	Year ended 31 December 1999		Year ended 31 December 1998	
		£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance:					
Gross premiums written	1	12,961		10,131	
Outward reinsurance premiums		(2,561)		(2,325)	
		<hr/>		<hr/>	
Net premiums written			10,400		7,806
Allocated investment return transferred from the non-technical account			283		607
Claims paid:					
Gross amount	1	(8,488)		(6,882)	
Reinsurers' share		3,458		2,479	
		<hr/>		<hr/>	
		(5,030)		(4,403)	
Change in the provisions for claims:					
Gross amount	1	(6,705)		(5,138)	
Reinsurers' share		2,323		3,799	
		<hr/>		<hr/>	
		(4,382)		(1,339)	
Claims incurred, net of reinsurance	2		(9,412)		(5,742)
Net operating expenses	3		(3,274)		(2,658)
			<hr/>		<hr/>
Balance transferred to non-technical account			(2,003)		13
			<hr/>		<hr/>

Masthead E Limited
Non-Technical Profit and Loss Account
For the year ended 31 December 1999

		Year ended 31 December 1999	Year ended 31 December 1998
	Note	£'000	£'000
Balance on the general business technical account		(2,003)	13
Investment income		408	544
Realised (losses)/gains on investments		(119)	70
Investment expenses and charges		(6)	(7)
Allocated investment return transferred to the general business technical account		(283)	(607)
Other income	4	(27)	298
Other charges, including value adjustments	5	-	(16)
(Loss)/profit on ordinary activities before tax		<u>(2,030)</u>	<u>295</u>
Tax on (loss)/ profit on ordinary activities	6	170	(352)
(Loss)/profit on ordinary activities after tax		<u>(1,860)</u>	<u>(57)</u>
Dividends		-	-
Retained deficit for the financial period	16	<u>(1,860)</u>	<u>(57)</u>

There were no other recognised gains or losses in the period

Masthead E Limited
Balance Sheet
As at 31 December 1999

	Note	As at 31 December 1999			As at 31 December 1998		
		Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Intangible Assets	7	-	-	-	600	-	600
Investments:							
Financial Investments	8	-	5,435	5,435	-	6,247	6,247
Deposits with ceding undertakings		-	9	9	-	15	15
		-	5,444	5,444	-	6,262	6,262
Reinsurers' Share of Technical Provisions:							
Claims outstanding		-	4,782	4,782	-	5,533	5,533
Debtors:							
Arising out of direct insurance operations - due from intermediaries		-	4,744	4,744	-	3,083	3,083
Arising out of reinsurance operations		-	4,057	4,057	-	6,588	6,588
Other	10	763	431	1,194	709	694	1,403
		763	9,232	9,995	709	10,365	11,074
Other Assets:							
Cash at bank and in hand	9	4	959	963	14	788	802
Other		-	550	550	-	585	585
		4	1,509	1,513	14	1,373	1,387
Prepayments and Accrued Income	11	583	54	637	324	42	366
Total Assets		1,350	21,021	22,371	1,647	23,575	25,222

Masthead E Limited
Balance Sheet
As at 31 December 1999

	Note	As at 31 December 1999			As at 31 December 1998		
		Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Capital and Reserves:							
Called up share capital	15	1	-	1	1	-	1
Revenue reserve	16	(1,288)	-	(1,288)	572	-	572
Equity Shareholders' Funds	17	(1,287)	-	(1,287)	573	-	573
Technical Provisions:							
Claims outstanding - gross		-	19,628	19,628	-	21,830	21,830
Provisions for losses foreseen on open years		-	1,461	1,461	-	421	421
		-	21,089	21,089	-	22,251	22,251
Provisions for other risks and charges:							
Provision for deferred taxation	12	-	-	-	-	-	-
		-	-	-	-	-	-
Creditors:							
Arising from direct insurance operations		-	473	473	-	248	248
Arising from reinsurance operations		-	593	593	-	650	650
Other creditors	13	2,637	(1,166)	1,471	1,058	402	1,460
		2,637	(100)	2,537	1,058	1,300	2,358
Accruals and Deferred Income:	14	-	32	32	16	24	40
Total Liabilities		1,350	21,021	22,371	1,647	23,575	25,222

The financial statements on pages 6 to 22 were approved by the Board of Directors on 23 May 2000 and were signed on its behalf by



P. D. Scales, Director

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 1999

II. ACCOUNTING POLICIES

a) Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the syndicates. The nature of the information Managing Agents can make available is insufficient for the company to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis, followed by the Company, the excess of premiums written and attributable net investment return over claims, and expenses, paid in respect of contracts beginning in an accounting period ('the underwriting year') is carried forward as a technical provision, until the end of the third year from the inception of the underwriting year. Consequently, no profit is recorded in respect of an underwriting year until that time at the earliest. Profit is only recognised if a syndicate has been able to effect a 'reinsurance to close' (see (e) below) in respect of that underwriting year.

If in an underwriting year a loss is expected to be made, the loss is recorded as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

b) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by contracts beginning during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in previous years.

Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

Gross premiums written may include 'reinsurance to close' premiums receivable. See (e) below for further details.

Premiums written by a syndicate may also include the reinsurance of other syndicates in which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and re-insurers' claims) to remove this inter-syndicate reinsurance.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31st December 1999

c) Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year. For further details of 'reinsurance to close' payable, which is included in claims incurred, see (e) below.

d) Provision for claims

Provision is made for claims incurred but not paid in respect of events up to 31 December. The provision includes the amounts required to ensure that neither a profit nor a loss is recognised before the end of the third year under the three year funded basis of accounting, see 1(b) above.

The provision has been increased as appropriate by the Directors to the extent that deficits are anticipated on underwriting years at the 12 and 24 months stage or on underwriting years not closed at the 36 month stage at the balance sheet date.

In deciding whether any such additional provision is necessary syndicates' participation have been considered in aggregate as each year's Lloyd's underwriting is managed together.

Any additional provision is determined by Directors following discussions with the Company's Members' Agent.

e) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

a) a premium; and

b) either:

i) The assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitations the right to receive all future premiums, reinsurances and

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 1999

other monies receivable in connection with that insurance business); or

- ii) An agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the Managing Agent has a duty to ensure both groups of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group.

To the extent that the Company participates on successive years of account of the same syndicate and there is a reinsurance to close between those years, the company has offset its share of the reinsurance to close received against its share of the reinsurance to close paid.

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of reinsurance to close paid. This reflects the reduction in the company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

In the opinion of the directors, the chances of the reinsurance security failing are remote and, since payment of a reinsurance to close is conventionally considered as terminating a reinsured member's participation on a syndicate year of account, it is treated for accounts purposes as settling the company's gross liabilities arising out of the corresponding participation on the year of account closed.

f) Investments

Investments are treated as sold and repurchased at each 31 December in recognition of the annual venture nature of participation on a syndicate. Their cost is therefore their market value at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 1999

g) Investment income

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and cost.

The realised gains reported by syndicates are net of any realised losses.

All investment income net of realised losses arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

h) Investment expenses and charges

Investment expenses and charges comprise investment management expenses and losses on the realisation of investments. Realised losses arise from the difference between proceeds and cost. The realised losses reported by syndicates are net of any realised gains.

i) Net operating expenses

Operating expenses have been charged to the underwriting year for which they were incurred. These include the company's share of syndicate operating expenses, the remuneration payable to Managing Agents, the company's Members' Agent and the direct costs of membership of Lloyd's.

j) Foreign currencies

Transactions in foreign currencies other than sterling, United States dollars and Canadian dollars are translated at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars and Canadian dollars and assets and liabilities in currencies other than sterling are translated at the rate of exchange ruling at 31 December. Exchange differences arising on translation are dealt with in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 1999

k) Syndicate participation rights

Where the Company has purchased the right to participate on syndicates, the cost is capitalised and amortised in equal annual instalments over 3 years. Amortisation commences at the end of the third year from the start of the Company's first underwriting year on the syndicate.

If, at any time, the directors become aware of a permanent diminution in the value of the Company's right to participate on a syndicate, the asset will be written down accordingly. If a syndicate right is sold then any related costs are offset against the disposal proceeds and any gain/loss is taken to the non-technical profit and loss account, in the same period.

l) Taxation

The Company is taxed on its share of the underwriting results declared by syndicates and for tax purposes these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements (excluding any additional provisions made by Directors) relate to the 1997 Year of Account and have been declared for tax purposes in the calendar year 2000.

The Inland Revenue determines the taxable results of individual syndicates on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, none of the syndicate taxable results have been agreed. Any adjustments that may be necessary to the tax provisions established by the Company as a result of Inland Revenue agreement of the taxable results of individual syndicates will be reflected in the financial statements of subsequent periods.

Other profits are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

m) Deferred taxation

Deferred tax is provided in respect of the tax effect of all timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse. One such timing difference is that between when underwriting results are reported for accounting purposes and when they are declared for tax purposes.

n) Cashflow statement

Masthead E Limited is exempt from preparing a cashflow statement under FRS 1. BRIT Insurance Holdings PLC, the ultimate parent company, prepares a consolidated cashflow statement.

1 Segmental Information - Year Ended 31 December 1999

	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	1,077	(1,334)	(317)	480	(94)
Motor - third party liability	54	(49)	(13)	7	(1)
Motor - other classes	1,686	(1,504)	(493)	(41)	(352)
Marine, Aviation & Transport	1,124	(944)	(320)	46	(94)
Fire and other Damage to Property	3,741	(4,506)	(1,210)	799	(1,176)
Third Party Liability	2,103	(1,706)	(538)	327	186
Credit and Suretyship	411	(518)	(110)	55	(162)
Legal Expenses	36	(52)	(8)	14	(10)
Assistance	-	-	-	-	-
Other	236	(36)	(69)	7	138
Total Direct	10,468	(10,649)	(3,078)	1,694	(1,565)
Reinsurance Business:					
Reinsurances Acceptances	932	(1,853)	(201)	806	(316)
Reinsurance to Close	1,561	(2,691)	-	725	(405)
Total Reinsurance	2,493	(4,544)	(201)	1,531	(721)
Total	12,961	(15,193)	(3,279)	3,225	(2,286)

Included in gross claims incurred is total reinsurance to close payable of £ 5,188,926

1 Segmental Information - Year Ended 31 December 1998

	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	1,392	(923)	(444)	(11)	14
Motor - third party liability	(58)	46	13	1	2
Motor - other classes	404	(276)	(141)	(61)	(74)
Marine, Aviation & Transport	1,448	(2,249)	(463)	1,034	(230)
Fire and other Damage to Property	1,173	(576)	(580)	47	64
Third Party Liability	1,610	(1,430)	(445)	223	(42)
Credit and Suretyship	220	(220)	(43)	9	(34)
Legal Expenses	88	(11)	(21)	(3)	53
Assistance	-	-	-	-	-
Other	356	(126)	(133)	(83)	14
Total Direct	6,633	(5,765)	(2,257)	1,156	(233)
Reinsurance Business:					
Reinsurances Acceptances	622	(271)	(367)	(135)	(151)
Reinsurance to Close	2,876	(5,984)	-	2,898	(210)
Total Reinsurance	3,498	(6,255)	(367)	2,763	(361)
Total	10,131	(12,020)	(2,624)	3,919	(594)

Included in gross claims incurred is total reinsurance to close payable of £ 5,390,580

	Year ended 31 December 1999 £'000	Year ended 31 December 1998 £'000
Gross premiums in respect of direct business written in:		
United Kingdom	2,961	6,633
Other EU Member States	-	-
Rest of World	7,507	-
Total	10,468	6,633

1b Movement in provisions for losses forseen on open years

	Balance at 31 December 1998 £'000	Amounts Utilised £'000	Amounts Unused £'000	Additional Provisions £'000	Balance at 31 December 1999 £'000
1997 Account	272	(272)	-	383	383
1998 Account	149	-	-	260	409
1999 Account	-	-	-	669	669
Total	421	(272)	-	1,312	1,461

2 Claims Incurred, Net of Reinsurance

	31 December 1999 £'000	31 December 1998 £'000
Gross		
1996 Year of Account	-	1,163
1997 Year of Account	2,603	10,331
1998 Year of Account	5,567	526
1999 Year of Account	7,023	-
	<u>15,193</u>	<u>12,020</u>
Reinsurance		
1996 Year of Account	-	(1,612)
1997 Year of Account	(1,177)	(5,184)
1998 Year of Account	(2,598)	518
1999 Year of Account	(2,006)	-
	<u>(5,781)</u>	<u>(6,278)</u>
Net claims incurred	<u>9,412</u>	<u>5,742</u>

3 Net Operating Expenses

	31 December 1999 £'000	31 December 1998 £'000
Acquisition costs	2,602	1,690
Administrative expenses	713	560
(Profit)/loss on exchange	(235)	127
Names' personal expenses on Lloyd's syndicates	194	281
	<u>3,274</u>	<u>2,658</u>

4 Other income

	31 December 1999 £'000	31 December 1998 £'000
Interest	27	-
Profit on exchange	1	4
Sale of Syndicate capacity	(55)	245
Other	-	49
	<u>(27)</u>	<u>298</u>

5 Other charges

	31 December 1999 £'000	31 December 1998 £'000
Profit Commission	-	16
Auditors' remuneration - for audit services	-	-
Other	-	-
	<hr/>	<hr/>
	-	16

Audit fees for the Company have been borne by BRIT Insurance Holdings PLC, the ultimate holding company

6 Taxation

	31 December 1999 £'000	31 December 1998 £'000
Corporation tax @ 30% (1998:31%)	202	637
Overseas tax	-	253
Deferred tax (see note 12)	(372)	(685)
Under provision in respect of prior years	-	147
	<hr/>	<hr/>
	(170)	352

7 Intangible Assets

	31 December 1999 £'000	31 December 1998 £'000
Balance as at 1 January 1999	600	526
Additions	-	80
Disposals	(454)	(251)
(Loss)/gain	(55)	245
Amortisation	(4)	-
Transfer to BRIT UW Limited	(87)	-
	<hr/>	<hr/>
Balance as at 31 December 1999	-	600

Intangible assets are the purchase costs of the Company's participations in certain Lloyd's syndicates.

8 Financial investments

	31 December 1999 £'000	31 December 1998 £'000
Shares and other variable yield securities	166	39
Debt securities and other fixed interest securities	4,564	5,421
Participation in investment pools	471	357
Deposits with credit institutions	229	428
Other investments	5	2
	<hr/>	<hr/>
	5,435	6,247

9 Cash at bank and in hand

	31 December 1999 £'000	31 December 1998 £'000
Cash at Lloyd's	4	14
	<u>4</u>	<u>14</u>

10 Other debtors

	31 December 1999 £'000	31 December 1998 £'000
Amounts due from group undertakings	754	709
Other	9	-
	<u>763</u>	<u>709</u>

11 Prepayments and Accrued Income

	31 December 1999 £'000	31 December 1998 £'000
Accrued Income	203	316
Deferred tax asset (note 12)	380	8
	<u>583</u>	<u>324</u>

12 Provision for deferred taxation

	1 January 1999 £'000	Movement £'000	31 December 1999 £'000
Deferred tax	-	-	-
Represented by:			
Declared underwriting profits	95	(384)	(289)
Provision for future underwriting losses	(104)	4	(100)
Other timing differences	1	8	9
	<u>(8)</u>	<u>(372)</u>	<u>(380)</u>

The deferred tax asset of £380,000 is included within Prepayments and accrued income - see note 11.
At 31 December 1999, there was an unprovided deferred tax asset of £337,833 (31 March 1999: £23,250)

13 Other creditors

	31 December 1999 £'000	31 December 1998 £'000
Taxation	123	637
Provisions for losses foreseen on open years	1,461	421
Amounts due in respect of Syndicate losses	1,051	-
Other	2	-
	<u>2,637</u>	<u>1,058</u>

14 Accruals and Deferred Income

	31 December 1999 £'000	31 December 1998 £'000
Profit Commission	-	16
	<u>-</u>	<u>16</u>

15 Share Capital

	31 December 1999 £'000	31 December 1998 £'000
Authorised: 1,000 ordinary shares of £1	<u>1</u>	<u>1</u>
Allotted, issued and fully paid: 1000 ordinary shares of £1	<u>1</u>	<u>1</u>

16 Revenue reserve

	31 December 1999 £'000	31 December 1998 £'000
Balance as at 1 January	572	629
Loss retained for the financial period	(1,860)	(57)
Balance as at 31 December	<u>(1,288)</u>	<u>572</u>

17 Movement in Shareholders' Funds

	31 December 1999 £'000	31 December 1998 £'000
Opening shareholders' funds	573	630
Total recognised losses for the period	(1,860)	(57)
Dividends	-	-
Closing shareholders' funds	<u>(1,287)</u>	<u>573</u>

18 Related Party Transactions

The Directors have taken advantage of the exemption under FRS8 which does not require disclosure of transactions with other group companies, where the parent company prepares consolidated accounts which are publicly available

19 Contingent Liabilities

(i) Lloyd's

If any of the other corporate member subsidiaries of the Group fail to meet any of their obligations, after having called on Masthead Insurance Underwriting Limited under its guarantees, then:

- (a) Lloyd's will be entitled to require any of the Group's 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 subsidiary, Lloyd's will be entitled to require each of the other corporate member subsidiaries of the Group to make contributions to the Central Fund up to the amount 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 of the other corporate member subsidiaries of the Group failing to meet any of their Lloyd's obligations.

The Company's underwriting activities were supported by a covenant from Masthead Insurance Underwriting Limited (formerly Masthead Insurance Underwriting PLC) to pay up to £ 7,226,000 (31 December 1998: £ 7,226,000) where the Company's assets are insufficient to meet its liabilities at Lloyd's.

At the end of 1999, the Company was placed into run-off with all the underwriting capacity transferred to BRIT UW Limited, a related group company. As part of the reorganisation of the Group's underwriting activities, a Group "Inter-availability scheme" to support underwriting activities for the 2000 and prior underwriting years of account has been set up. To this end the Company has made inter-available £7,226,000 of its covenant to BRIT UW Limited, a fellow Group company, to support its 2000 year of account underwriting activities. The covenant is provided by Masthead Insurance Underwriting Limited.

20 Ultimate Holding Company

The Company regards BRIT Insurance Holdings PLC, which is registered in England, as its ultimate holding company.