



FUIT FIVE LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2005



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FUIT FIVE LIMITED

Company Information

Directors

D J Douetil

RA Field

P J Goddard

M Scales

M A Sibthorpe

Secretary

Brit Corporate Secretaries Limited

Registered Office

55 Bishopsgate

London

EC2N 3AS

Registered Number

2861332

Auditor

Ernst & Young LLP

1 More London Place

London

SE1 2AF

FUIT FIVE LIMITED

Report of the Directors

The Directors present their annual report, together with the audited financial statements of the Company for the year ended 31 December 2005.

Review of the business

During 2000, the Company's ultimate parent company, Brit Insurance Holdings PLC, reorganised its underwriting activities for the 2000 and subsequent years of account and as a result of this reorganisation the Company ceased underwriting at the end of the 1999 year of account which closed on 31 December 2001.

A Group "Inter-availability scheme" was set up to support underwriting activities for the 1999 and prior underwriting years of account of the Company, and the 2000 and subsequent year underwriting years of account of Brit UW Limited. Under the scheme, the Company has made inter-available £4,823,997 (2004: £4,823,997) of its covenant from Masthead Insurance Underwriting Limited to Brit UW Limited.

On 28 February 2006 the Company entered into various deeds in order to reorganise the covenant and charge arrangements between the Company, Lloyd's, Masthead Insurance Underwriting Limited and Brit UW Limited. Following the reorganisation, funds are no longer made inter-available between the ceased corporate members and Brit UW Limited.

Result and dividend

The Company made a profit for the year of £nil (2004: £289,000).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2005 (2004: £ nil).

Directors and share interests

The names of the Directors as at the date of this report are listed on page 2. M A Sibthorpe was appointed as a Director on 20 May 2005 and N D Eckert resigned as a Director with effect from 17 May 2005.

No Director held any interest in the share capital of the Company on 31 December 2005. The interests of D J Douetil and M Scales and their families in the securities of other Group companies as at 31 December 2005 are dealt with in the accounts of Brit Insurance Holdings PLC, the ultimate holding company. The interests of R A Field and P J Goddard and their families in the securities of other Group companies as at 31 December 2005 are dealt with in the accounts of Wren Limited, the intermediate parent company. The interests of M A Sibthorpe and his family in the securities of other Group companies at 31 December 2005 were as follows:

	Brit Insurance Holdings PLC - Ordinary shares of 25p each***					
	Shares		Options		PSP**	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004	31 December 2005	31 December 2004
M A Sibthorpe*	3,110	80,443	1,157,932	955,230	441,440	238,738

* Interests disclosed from date of appointment, 20 May 2005.

** Awards made under the Brit Performance Share Plan 2003, details of which are provided in the Report and Accounts of the ultimate parent company, Brit Insurance Holdings PLC.

*** On 15 May 2006 Brit Insurance Holdings PLC, the ultimate holding company, consolidated its shares on a one for three basis. The share interests disclosed above relate to the Director's interests in the shares of Brit Insurance Holdings PLC at 31 December 2005, prior to the consolidation.

FUIT FIVE LIMITED

Report of the Directors continued

The interests of D J Douetil and M Scales in the Brit Employee Share Ownership Plan 2001 ("ESOP") as at 31 December 2005 are dealt with in the accounts of Brit Insurance Holdings PLC, the ultimate holding company. The interests of R A Field and P J Goddard in the ESOP at 31 December 2005 are dealt with in the accounts of Wren Limited, the intermediate parent company.

The interests of M A Sibthorpe in the ESOP at 31 December 2005 were as follows:

	Free Shares awarded during year**	Partnership Shares purchased during year**	Matching Shares awarded during year**	Subsisting at 31 December 2005**	Subsisting at 31 December 2004**
M A Sibthorpe*	500	1,019	508	14,916	12,889

* Interests disclosed from date of appointment, 20 May 2005.

** On 15 May 2006 Brit Insurance Holdings PLC, the ultimate holding company, consolidated its shares on a one for three basis. The share interests disclosed above relate to the Director's interests in the shares of Brit Insurance Holdings PLC at 31 December 2005, prior to the consolidation.

An award of 500 free shares was made to all participants on 20 October 2005. Participating Directors are able to acquire further shares on a monthly basis. Details of the ESOP and its operation are given in the accounts of Brit Insurance Holdings PLC, copies of which can be obtained from 55 Bishopsgate, London EC2N 3AS.

Statement of Directors' responsibilities

Company Law requires Directors to prepare financial statements for each financial year, 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/loss of the Company for the year. The financial statements must be prepared in compliance with the required format and disclosures of the Companies Act 1985 and with applicable accounting standards.

In addition, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company to 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.

FUIT FIVE LIMITED

Report of the Directors continued

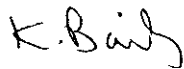
Auditor

Mazars LLP resigned as the Company's Auditor on 6 June 2005 and the Directors appointed Ernst & Young LLP to fill the casual vacancy arising. Elective resolutions passed on 11 July 2000 to dispense with the annual appointment of Auditors, presentation of the Accounts at the Annual General Meeting and the holding of Annual General Meetings, remain in force.

Ultimate holding company

The ultimate parent company is Brit Insurance Holdings PLC.

By Order of the Board



Brit Corporate Secretaries Limited
Secretary
12 June 2006

FUIT FIVE LIMITED

Independent Auditor's Report to the Member of FUIT Five Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account and the Balance Sheet and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
12 June 2006

FUIT FIVE LIMITED

Non-Technical Account For the Year Ended 31 December 2005

		Year ended 31 December 2005	Year ended 31 December 2004
	Note	£'000	£'000
Other income	3	-	274
		<hr/>	<hr/>
Profit on ordinary activities before tax		-	274
Tax on profit on ordinary activities	4	-	15
		<hr/>	<hr/>
Profit on ordinary activities after tax		-	289
		<hr/>	<hr/>
Retained surplus for the financial period	7	-	289
		<hr/>	<hr/>

There were no other recognised gains or losses in the period.

The Company's income and expenses all relate to discontinued operations.

FUIT FIVE LIMITED

Balance Sheet

As at 31 December 2005


		<u>As at 31 December 2005</u>	<u>As at 31 December 2004</u>
	Note	£'000	£'000
Debtors:			
Other	5	13	13
		<hr/>	<hr/>
Total Assets		13	13
		<hr/>	<hr/>
Capital and Reserves:			
Called up share capital	6	-	-
Revenue reserve	7	13	13
		<hr/>	<hr/>
Equity Shareholder's Funds	8	13	13
		<hr/>	<hr/>
		<hr/>	<hr/>
Total Liabilities		13	13
		<hr/>	<hr/>

The financial statements on pages 7 to 14 were approved by the Board of Directors on 12 June 2006 and were signed on its behalf by:

Director



Director



FUIT FIVE LIMITED

Notes to the Financial Statements For the year ended 31 December 2005

1. 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 recommendations of the Statements of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in December 2005 (the "ABI SORP") have been adopted.

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

(b) Change in basis of preparation

Prior to 1 January 2005, the Company accounted for its insurance business on a three year funded basis as this was the basis followed by the Lloyds's syndicates in which it participated. Under three year accounting, each underwriting year was normally kept open for three years and the result was ascertained at the end of the third year when the year of account was closed by reinsurance, normally to the syndicate's following year of account. Under this basis, no provision was made on open years of account for underwriting losses, if any, which may have arisen.

From 1 January 2005 the syndicates have adopted the annual basis of accounting which represents a fundamental change in reporting basis rather than a series of changes in accounting policies which applies in both the accounts of the syndicates and the Company.

The comparatives have been restated but there is no impact on shareholders funds.

(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 Auditor and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members.

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.

2. Accounting policies

(a) Underwriting activities

The results for all classes of business have been determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium, net of reinsurance as follows:

(i) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. Premiums are accreted to the income statement on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are accreted to the income statement on a pro rata basis over the term of the original policy to which it relates.

Premiums are shown net of premium taxes and other levies on premiums.

FUIT FIVE LIMITED

Notes to the Financial Statements continued

2. Accounting policies - continued

(ii) Deferred acquisition costs

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised on a straight line basis over the life of the contract.

(iii) Claims incurred

Claims incurred comprise claims and claims handling costs paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any adjustments to claims from prior years. Claims handling costs are mainly those external costs related to the negotiation and settlement of claims.

(iv) Outstanding claims provisions

Claims outstanding represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. The Company does not discount its liabilities for unpaid claims the ultimate cost of which cannot be known with certainty at the balance sheet date.

(v) Provision for unearned premiums

The proportion of written premiums that relate to unexpired terms of policies in force at the balance sheet date is deferred as a provision for unearned premiums, generally calculated on a time apportioned basis. The movement in the provision is taken to the income statement in order that revenue is recognised over the period of the risk.

(vi) Syndicate balance sheet

For each syndicate on which the Company participates, the Company's proportion of the syndicate's assets and liabilities has been reflected in its Balance Sheet (included in the column headed 'Syndicate'). Syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

(b) **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.

(c) **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.

(d) **Investment expenses and charges**

Investment expenses and charges comprise investment management expenses.

FUIT FIVE LIMITED

Notes to the Financial Statements continued

2. Accounting policies - continued

(e) 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.

(f) 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.

(g) 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.

(h) 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 1999 Year of Account and are declared for tax purposes in the calendar year.

HM Revenue & Customs 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 HM Revenue & Customs' 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.

(i) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(j) Cash flow statement

The Company is exempt from preparing a cash flow statement under FRS 1. Brit Insurance Holdings PLC, the ultimate parent company, prepares a consolidated cash flow statement.

FUIT FIVE LIMITED

Notes to the Financial Statements continued

3. Other income

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Inter-company balance write down	-	269
Interest on Premium Trust Fund releases	-	5
	-	274

4. Taxation

(i) Analysis of tax credit in year

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Current taxation:		
Adjustment in respect of previous years	-	15
Tax credit on profit on ordinary activities	-	15

(ii) Factors affecting tax credit for year

	Year ended 31 December 2005 £'000	Year ended 31 December 2004 £'000
Profit on ordinary activities before tax	-	274
Profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2004:30%)	-	(82)
Effects of:		
Group relief received for no consideration	-	1
Short term timing differences:		
Other timing differences	-	81
Adjustment to tax in respect of previous years	-	15
Current tax credit for the year per (i) above	-	15

FUIT FIVE LIMITED

Notes to the Financial Statements continued

5. Other debtors

	31 December 2005 £'000	31 December 2004 £'000
Amounts due from Group companies	<u>13</u>	<u>13</u>

6. Share capital

	31 December 2005 £	31 December 2004 £
Authorised: 1,000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid: 2 ordinary shares of £1	<u>2</u>	<u>2</u>

7. Revenue reserve

	31 December 2005 £'000	31 December 2004 £'000
Balance as at 1 January	13	(276)
Profit retained for the financial period	-	289
Balance as at 31 December	<u>13</u>	<u>13</u>

8. Movement in Shareholder's funds

	31 December 2005 £'000	31 December 2004 £'000
Opening Shareholder's funds	13	(276)
Total recognised gains for the financial period	-	289
Closing Shareholder's funds	<u>13</u>	<u>13</u>

9. Related party transactions

As a subsidiary undertaking of Brit Insurance Holdings PLC, the Company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the Group.

FUIT FIVE LIMITED

Notes to the Financial Statements continued

10. Contingent liabilities

(i) Lloyd's

If any of the other corporate member subsidiaries of the Brit Insurance Holdings PLC Group ("the Group") fail to meet any of their obligations, after having called on Wren 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 Wren Limited to pay up to £4,823,997 (31 December 2004:£4,823,997) 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 £4,823,997 (2004:£4,823,997) of its covenant to Brit UW Limited, a fellow Group company, to support its 2000 and subsequent years of account underwriting activities. The covenant is now provided by Masthead Insurance Underwriting Limited.

On 28 February 2006 the Company entered into various deeds in order to reorganise the covenant and charge arrangements between the Company, Lloyd's, Masthead Insurance Underwriting Limited and Brit UW Limited. Following the reorganisation, funds are no longer made inter-available between the ceased corporate members and Brit UW Limited.

11. Ultimate holding company

The Company is a wholly owned subsidiary of Finsbury Underwriting Limited. The ultimate holding company is Brit Insurance Holdings PLC, a company registered in England and Wales. Copies of Brit Insurance Holdings PLC's accounts can be obtained from 55 Bishopsgate, London, EC2N 3AS.