Brit
Insurance

FUIT TWO LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2007

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Registered No. 2861345

FUIT TWO LIMITED

Contents

Page

2	Company Information
3	Report of the Directors
5	Independent Auditor's Report
7	Non-Technical Account
8	Balance Sheet
9	Notes to the Financial Statements

FUIT TWO LIMITED

Company Information

Directors

D J Douetil
P J Goddard
M Scales

Secretary

Brit Corporate Secretaries Limited

Registered Office

55 Bishopsgate
London
EC2N 3AS

Registered Number

2861345

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

FUIT TWO 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 2007

Review of the business

The Company ceased underwriting at the end of the 1999 year of account which closed on 31 December 2001.

The Company has made an underwriting profit of £nil (2006 £nil) before agents' expenses and tax

In the opinion of the Directors, the state of affairs of the Company at the end of the year was satisfactory The Directors do not envisage any changes to the current business model in 2008

Result and dividend

The Company made a profit for the year of £nil (2006. £nil)

The Directors do not recommend payment of any dividend for the year ended 31 December 2007 (2006 £nil)

Directors

The names of the Directors as at the date of this report are listed on page 2 R A Field and M A Sibthorpe retired as Directors on 31 December 2007 and 22 May 2008 respectively.

Statement of Directors' responsibilities

The Directors are responsible for preparing the report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping proper accounting records that 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 Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Disclosure of Information to Auditors

Each person who is a Director at the date of approval of this report confirms that.

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

Report of the Directors continued

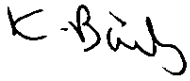
Ultimate holding company

The ultimate parent company is Brit Insurance Holdings PLC.

Auditor

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

By Order of the Board



Brit Corporate Secretaries Limited
Secretary
23 May 2008

Independent Auditor's Report
To the Member of FUIT Two Limited

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the Directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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

Independent Auditor's Report continued

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 2007 and of its result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements

Ernst & Young LLP
Registered Auditor
London
27 May 2008

Non Technical Account
For the Year Ended 31 December 2007

	Note	Year ended 31 December 2007	Year ended 31 December 2006
		£'000	£'000
Profit on ordinary activities before tax		-	-
Tax on profit on ordinary activities	4	-	-
Profit on ordinary activities after tax		-	-
Retained surplus for the financial period	7	-	-

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

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

FUIT TWO LIMITED

Balance Sheet
As at 31 December 2007

	Note	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Debtors:			
Other	5	3	3
Total Assets		3	3
Capital and Reserves:			
Called up share capital	6	-	-
Revenue reserve	7	3	3
Equity Shareholder's Funds	8	3	3
Total Liabilities		3	3

The financial statements on pages 7 to 13 were approved by the Board of Directors on 23 May 2008 and were signed on its behalf by

Director

Director

Notes to the Financial Statements
For the year ended 31 December 2007

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 as amended in December 2006 (the "ABI SORP") have been adopted.

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

(b) **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

(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

Notes to the Financial Statements continued

2. Accounting policies - continued

(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.

(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 Exchange differences arising on the retranslation of opening balances at the closing rate are dealt with in the statement of total recognised gains and losses All other translation differences are dealt with in the profit and loss account

Notes to the Financial Statements continued

2. Accounting policies - continued

(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

3. Auditors' Remuneration

Audit fees for the Company have been borne by Brit Insurance Holdings Plc, the ultimate holding company and amounted to £1,000.

Notes to the Financial Statements continued

4. Taxation

(i) Analysis of tax credit in year

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Current taxation.		
Adjustment in respect of previous years	-	-
Tax credit on profit on ordinary activities	-	-

(ii) Factors affecting tax credit for year

	Year ended 31 December 2007 £'000	Year ended 31 December 2006 £'000
Profit on ordinary activities before tax	-	-
Profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2006:30%)	-	-
Short timing differences:		
Adjustment to tax in respect of previous years	-	-
Current tax credit for the year per (i) above	-	-

5. Other debtors

	31 December 2007 £'000	31 December 2006 £'000
Taxation	-	-
Amounts due from Group companies	3	3
	3	3

6. Share capital

	31 December 2007 £	31 December 2006 £
Authorised:		
1,000 ordinary shares of £1	1,000	1,000
Allotted, issued and fully paid		
2 ordinary shares of £1	2	2

Notes to the Financial Statements continued

7. Revenue reserve

	31 December 2007 £'000	31 December 2006 £'000
Balance as at 1 January	3	3
Profit retained for the financial period	-	-
Balance as at 31 December	3	3

8. Movement in shareholder's funds

	31 December 2007 £'000	31 December 2006 £'000
Opening shareholder's funds	3	3
Total recognised gains for the financial period	-	-
Closing shareholder's funds	3	3

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

10. Guarantees

(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.

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