



FUIT TWO LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2002



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# **FUIT TWO LIMITED**

## **Company Information**

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### **Directors**

J M P Welman  
N D Eckert  
A Holland  
P J Goddard

### **Secretary**

Brit Group Services Limited

### **Members' Agent**

Wren Underwriting Agencies Limited  
55 Bishopsgate  
London  
EC2N 3AS

### **Registered Office**

55 Bishopsgate  
London  
EC2N 3AS

### **Registered Number**

2861345

### **Auditors**

Mazars  
Chartered Accountants & Registered Auditors  
24 Bevis Marks  
London  
EC3A 7NR

# **FUIT TWO LIMITED**

## **Report of the Directors**

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The directors present herewith their annual report, together with the audited financial statements of the Company for the year ended 31 December 2002.

### **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.

The 1999 Underwriting Year of Account closed on 31 December 2001 with Syndicate 718 remaining open on its 1994 year of account. The Company has made an underwriting loss of £18,000 (2001: profit of £446,000) before agents' expenses and tax but after aggregate provisions of £nil (2001: £13,000).

The Company's underwriting activities were supported by a covenant from Wren Limited to pay up to £2,061,114 (2001: £2,061,114) 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 £2,061,114 (2001: £2,061,114) of its covenant to Brit UW Limited, a Group company, to support its 2000 year of account underwriting activities. The covenant is now provided by Masthead Insurance Underwriting Limited.

### **Result and dividend**

The Company made a loss for the year of £407,000 (2001: profit of £592,000).

The directors do not recommend payment of any dividend for the year ended 31 December 2002 (2001: £nil).

### **Directors and share interests**

The names of the directors as at the date of this report are listed on page 2. J M P Welman, N D Eckert, A Holland and P J Goddard were appointed on 10 April 2002. A Shone resigned on 7 February 2002 and J A V Townsend and P R Withers Green resigned on 11 April 2002.

No director held any interest in the Company on 31 December 2002. The interests of the directors who held office as at 31 December 2002 and their families in the share capital of other group companies are dealt with in the accounts of Finsbury Underwriting Limited, the immediate parent company.

The interests of the directors who held office as at 31 December 2002 in the Brit Employee Share Ownership Plan 2001 ("ESOP") are dealt with in the accounts of Finsbury Underwriting Limited, the immediate parent company.

An award of 500 free shares was made to all participants on 18 October 2002. 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.

### **Managers and advisors**

Wren Underwriting Agencies Limited (WUA), a fellow subsidiary, provide Lloyd's members' agent services to the Company. The relevant agreement may be terminated by either party giving written notice on 31 August in any year in respect of the following year of account.

## **FUIT TWO LIMITED**

### **Report of the Directors continued**

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#### **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.

#### **Ultimate holding company**

The ultimate parent company is Brit Insurance Holdings PLC.

#### **Elective resolutions**

Elective resolutions under section 379A of the Companies Act 1985 were passed on 11 July 2000.

By Order of the Board

**for BRIT GROUP SERVICES LIMITED**  
*L. Giben* **Corporate Secretary**

Brit Group Services Limited  
Secretary  
30 June 2003

# **FUIT TWO LIMITED**

## **Independent Auditors' Report To the Shareholders of FUIT Two Limited**

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We have audited the financial statements on pages 7 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 11.

This report is made solely to the company's member 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 member those matters we are required to state to it in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company is not disclosed.

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

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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.

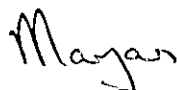
## **FUIT TWO LIMITED**

### **Independent Auditors' Report continued**

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#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS  
Chartered Accountants and Registered Auditor  
24 Bevis Marks  
London  
EC3A 7NR  
30 June 2003

# FUIT TWO LIMITED

## Technical Account – General Business For the Year Ended 31 December 2002

	Note	Year ended 31 December 2002		Year ended 31 December 2001	
		£'000	£'000	£'000	£'000
<b>Earned premiums, net of reinsurance:</b>					
Gross premiums written	3(a)	-		288	
Outward reinsurance premiums		3		(98)	
Net premiums written			3		190
Allocated investment return transferred from the non-technical account			-		379
<b>Claims paid:</b>					
Gross amount	3(a)	(15)		(7,575)	
Reinsurers' share		-		3,353	
		(15)		(4,222)	
<b>Change in the provisions for claims:</b>					
Gross amount	3(a)	19		7,861	
Reinsurers' share		(22)		(3,605)	
		(3)		4,256	
<b>Claims incurred, net of reinsurance</b>	4		(18)		34
Net operating expenses	5		(3)		(157)
Balance transferred to the non-technical account			(18)		446



## FUIT TWO LIMITED

### Non Technical Account For the Year Ended 31 December 2002

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		Year ended 31 December 2002	Year ended 31 December 2001
	Note	£'000	£'000
Balance on the general business technical account		(18)	446
Investment income		-	323
Realised gains on investments		-	65
Investment expenses and charges		-	(9)
Allocated investment return transferred to the General business technical account		-	(379)
Other income	6	17	6
Other charges, including value adjustments	7	(2)	(3)
(Loss)/profit on ordinary activities before tax		(3)	449
Tax on (loss)/profit on ordinary activities	8	(404)	143
(Loss)/profit on ordinary activities after tax		(407)	592
Dividends		-	-
Retained (deficit)/surplus for the financial period	14	(407)	592

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 2002

		As at 31 December 2002			As at 31 December 2001		
	Note	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
<b>Fixed Asset Investments:</b>							
Financial Investments	9	-	7	7	-	7,070	7,070
Deposits with ceding undertakings		-	-	-	-	29	29
		-	7	7	-	7,099	7,099
<b>Reinsurers' Share of Technical Provisions:</b>							
Claims outstanding		-	26	26	-	759	759
<b>Debtors:</b>							
Arising out of direct insurance operations – due from intermediaries		-	-	-	-	71	71
Arising out of reinsurance operations		-	-	-	-	1,733	1,733
Other	10	-	1	1	(1)	(463)	(464)
		-	1	1	(1)	1,341	1,340
<b>Other Assets:</b>							
Cash at bank and in hand		-	-	-	-	705	705
Provision for deferred taxation	11	-	2	2	600	-	600
Other		-	-	-	-	296	296
		-	2	2	600	1,001	1,601
<b>Prepayments and Accrued Income</b>							
		-	-	-	-	19	19
<b>Total Assets</b>		-	36	36	599	10,219	10,818

# FUIT TWO LIMITED

## Balance Sheet continued

		As at 31 December 2002			As at 31 December 2001		
	Note	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
<b>Capital and Reserves:</b>							
Called up share capital	13	-	-	-	-	-	-
Revenue reserve	14	(4,092)	-	(4,092)	(3,685)	-	(3,486)
<b>Equity Shareholder's Funds</b>							
	15	(4,092)	-	(4,092)	(3,685)	-	(3,486)
<b>Technical Provisions:</b>							
Claims outstanding - gross		-	57	57	-	7,054	7,054
Provisions for losses foreseen on open years	3(b)	-	-	-	-	13	13
		-	57	57	-	7,067	7,067
<b>Creditors:</b>							
Arising from direct insurance operations		-	-	-	-	29	29
Arising from reinsurance operations		-	-	-	-	1,618	1,618
Other creditors	12	4,092	(22)	4,070	4,284	1,495	5,580
		4,092	(22)	4,070	4,284	3,142	7,227
<b>Accruals and Deferred Income:</b>							
		-	1	1	-	10	10
<b>Total Liabilities</b>							
		-	36	36	599	10,219	10,818

The financial statements on pages 7 to 22 were approved by the Board of Directors on 14 March 2003 and were signed on its behalf by



A HOLLAND  
Director

# FUIT TWO LIMITED

## Notes to the Financial Statements For the year ended 31 December 2002

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### 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 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. These provisions are determined by the directors of the Company.

#### (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.

#### (d) Going concern

As at 31 December 2002, the Company had net liabilities of £4,092,000 resulting from its past underwriting activities.

The Company's underwriting activities are supported by certain funds at Lloyd's interavailability arrangements, guarantees and a deed of charge entered into by other group companies, as set out in note 17. The Directors have prepared the financial statements on the going concern basis having taken into account all information that could reasonably be expected to be available. In doing so, they have assumed that the Company's open year underwriting results meet with the current forecasts and that the interavailable funds, guarantees and deed of charge can be called down upon if required. The financial statements, therefore, do not include any adjustments that would result if the underwriting results do not meet expectations and the interavailable funds, guarantees and deed of charge do not respond

## **FUIT TWO LIMITED**

### **Notes to the Financial Statements continued**

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#### **2. 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 recognised 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 incepting 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 reinsurers' claims) to remove this intersyndicate reinsurance.

##### **(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.

## **FUIT TWO LIMITED**

### **Notes to the Financial Statements continued**

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#### **2 Accounting policies continued**

##### **(d) Provision for claims**

Provision is made for claims incurred but not paid in respect of events during the year to 31 December. The provision includes the amounts required to ensure 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).

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 syndicate participations have been considered in aggregate as each year's Lloyd's underwriting is managed together.

Any additional provision is determined by Directors.

##### **(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 limitation the right to receive all future premiums, reinsurances and 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.

## **FUIT TWO LIMITED**

### **Notes to the Financial Statements continued**

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#### **2 Accounting policies continued**

- (e) 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 a 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.

(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.

## **FUIT TWO LIMITED**

### **Notes to the Financial Statements continued**

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#### **2 Accounting policies continued**

**(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.

**(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 1999 Year of Account and are declared for tax purposes in the calendar year 2002.

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 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.

**(n) Cashflow statement**

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



## FUIT TWO LIMITED

### Notes to the Financial Statements continued

#### 3. (a) Segmental Information - year ended 31 December 2002

	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	-	-	(2)	(6)	(8)
Motor - third party liability	-	-	-	-	-
Motor - other classes	-	-	-	-	-
Marine, Aviation & Transport	-	-	-	-	-
Fire and other Damage to Property	-	-	-	-	-
Third Party Liability	-	-	-	-	-
Credit and Suretyship	-	-	-	-	-
Legal Expenses	-	-	-	-	-
Other	-	-	-	-	-
Total Direct	-	-	(2)	(6)	(8)
Reinsurance Business:					
Reinsurances Acceptances	-	4	(1)	(13)	(10)
Reinsurance to Close	-	-	-	-	-
Total Reinsurance	-	4	(1)	(13)	(10)
Total	-	4	(3)	(19)	(18)

# FUIT TWO LIMITED

## Notes to the Financial Statements continued

### 3 (a) Segmental Information – continued

	Year ended 31 December 2001				
	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	17	9	(5)	(8)	13
Motor – third party liability	-	-	-	-	-
Motor - other classes	8	(2)	-	29	35
Marine, Aviation & Transport	221	3	53	(75)	202
Fire and other Damage to Property	39	102	44	1,120	1,305
Third Party Liability	92	33	(24)	50	151
Credit and Suretyship	83	13	(22)	75	149
Legal Expenses	-	-	-	-	-
Other	(84)	(7)	21	(69)	(139)
Total Direct	376	151	67	1,122	1,716
Reinsurance Business:					
Reinsurances Acceptances	(196)	160	55	(1,851)	(1,832)
Reinsurance to Close	108	(25)	-	100	183
Total Reinsurance	(88)	135	55	(1,751)	(1,649)
Total	288	286	122	(629)	67

	31 December 2002 £'000	31 December 2001 £'000
Gross premiums in respect of direct business written in:		
United Kingdom	(357)	376
Other EU Member States	-	-
Rest of World	357	-
	-	376

# FUIT TWO LIMITED

## Notes to the Financial Statements continued

### 3 (b) Movement in provisions for losses foreseen on open years

	Balance at 31 December 2001	Amounts Utilised	Amounts Unused	Balance at 31 December 2002
	£'000	£'000	£'000	£'000
1994 Account	13	(13)	-	-

### 4. Claims Incurred, Net of Reinsurance

	31 December 2002 £'000	31 December 2001 £'000
<b>Gross</b>		
1994 Year of Account	4	233
1998 Year of Account	-	(134)
1999 Year of Account	-	187
	4	286
<b>Reinsurance</b>		
1994 Year of Account	(22)	(3)
1998 Year of Account	-	-
1999 Year of Account	-	(249)
	(22)	(252)
Net claims incurred	(18)	34

### 5. Net Operating Expenses

	31 December 2002 £'000	31 December 2001 £'000
Acquisition costs	-	44
Administrative expenses	1	171
Loss/(profit) on exchange	2	(121)
Names' personal expenses on Lloyd's syndicates	-	63
	3	157

## FUIT TWO LIMITED

### Notes to the Financial Statements continued

#### 6. Other income

	31 December 2002 £'000	31 December 2001 £'000
Interest on Premium Trust Fund releases	9	6
Profit on exchange	8	-
	<u>17</u>	<u>6</u>

#### 7. Other charges

	31 December 2002 £'000	31 December 2001 £'000
Lloyd's charges	<u>2</u>	<u>3</u>

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

#### 8. Taxation

##### (i) Analysis of tax charge/(credit) in year

	31 December 2002 £'000	31 December 2001 £'000
Current taxation:		
Adjustment in respect of previous years	(196)	26
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(196)</u>	<u>26</u>
Deferred taxation (see note 11)		
Origination and reversal of timing differences	600	(169)
	<u>600</u>	<u>(169)</u>
		<u>(143)</u>

# FUIT TWO LIMITED

## Notes to the Financial Statements continued

### 8. Taxation - continued

	31 December 2002 £'000	31 December 2001 £'000
(ii) Factors affecting tax (credit)/charge for year		
(Loss)/profit on ordinary activities before tax	(3)	449
(Loss)/profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2001:30%)	(1)	135
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	2	-
Group relief received for no consideration	771	-
Short term timing differences:		
Syndicate results	(772)	(134)
Overseas tax not recoverable		-
Adjustment to tax in respect of previous years	(196)	26
Current tax (credit)/charge for the year	(196)	26

### 9. Financial investments

	31 December 2002 £'000	31 December 2001 £'000
Shares and other variable yield securities	-	3,580
Debt securities and other fixed interest securities	-	3,395
Loans guaranteed by mortgage	-	15
Deposits with credit institutions	-	80
Other	7	-
	7	7,070

### 10. Other debtors

	31 December 2002 £'000	31 December 2001 £'000
Sundry	-	(1)

# FUIT TWO LIMITED

## Notes to the Financial Statements continued

### 11. Provision for deferred taxation

	31 December 2002 £'000	31 December 2001 £'000
Declared underwriting results	-	(596)
Provision for future underwriting losses	-	(4)
		<u>(600)</u>
Undiscounted provision for deferred taxation at the start of the year	(600)	(431)
Deferred tax credit in profit and loss account for year (Note 8)	600	(169)
Provision at end of year	<u>-</u>	<u>(600)</u>

At 31 December 2002, there was an unprovided deferred tax asset of £ nil (31 December 2001 : Nil)

### 12. Other creditors

	31 December 2002 £'000	31 December 2001 £'000
Amounts due to group undertakings	4,047	4,379
Taxation	8	4
Provision for losses foreseen on open years	-	13
Amounts due in respect of syndicate losses	36	(112)
Other	1	-
	<u>4,092</u>	<u>4,284</u>

### 13. Share capital

	31 December 2002 £	31 December 2001 £
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>

### 14. Revenue reserve

	31 December 2002 £'000	31 December 2001 £'000
Balance as at 1 January	(3,685)	(4,277)
(Loss)/profit retained for the financial period	(407)	592
Balance as at 31 December	<u>(4,092)</u>	<u>(3,685)</u>

## FUIT TWO LIMITED

### Notes to the Financial Statements continued

#### 15. Movement in shareholder's funds

	31 December 2002 £'000	31 December 2001 £'000
Opening shareholder's funds	(3,685)	(4,277)
Total recognised (losses)/gains for the financial period	(407)	592
Closing shareholder's funds	<u>(4,092)</u>	<u>(3,685)</u>

#### 16. 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.

#### 17. 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 (formerly Wren PLC) 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 £2,061,114 (31 December 2001: £2,061,114) 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 £2,061,114 (2001:£2,061,114) 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.

#### 18. Ultimate holding company

The Company regards Brit Insurance Holdings PLC, which is registered in England, as its ultimate holding company. Copies of the accounts are available from 55 Bishopsgate, London, EC2N 3AS.