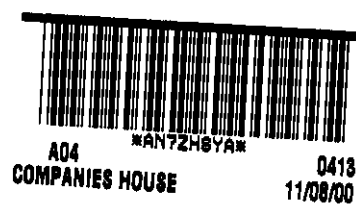


BRIT UW Limited
Financial Statements
For the nine month period ended 31 December 1999

Registered number 03217775



BRIT UW Limited
Financial Statements
For the nine month period ended 31 December 1999

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BRIT UW Limited

Company Information

Directors N. D. Eckert
 P. D. Scales (Appointed 8 November 1999)
 J. M. P. Welman

Secretary J. A. Lynch

Auditors Mazars Neville Russell
 24 Bevis Marks
 London EC3A 7NR

Company No. 03217775

Registered Office 55 Bishopsgate
 London EC2N 3AS

BRIT UW Limited

Report of the Directors

For the nine month period ended 31 December 1999

The Directors present herewith their report, together with the audited financial statements of the Company for the nine month period ended 31 December 1999. These statements have been prepared in accordance with Schedule 4 of the Companies Act.

Principal activities and business review

The company commenced trading during the period. The company has been registered as a corporate underwriting member at Lloyd's for the 2000 year of account. The company supports, for the 2000 year of account, underwriting capacity of £188.6m of which £130m is on group managed syndicates and £58.6m on third party syndicates.

Results and Dividends

The loss for the period attributable to shareholders amounted to £4,762. The directors do not recommend any dividend.

Change of Registered Office and Parent

The company has changed its registered office to 55 Bishopsgate, London, EC2N 3AS. The company's immediate parent is Masthead Insurance Underwriting Limited.

Directors and Directors' Interests

The present members of the Board are shown on page 1.

The interests of the Directors in the shares of the ultimate holding company, BRIT Insurance Holdings PLC (formerly "The Benfield & Rea Investment Trust Plc"), are dealt with in the accounts of that company, with the exception of Mr P. D. Scales whose interests are disclosed in the accounts of the immediate parent company, Masthead Insurance Underwriting Limited.

No Director had, during or at the end of the period, any material interest in a contract which was significant in relation to the Company's business, otherwise than as disclosed in the financial statements of the ultimate holding company, BRIT Insurance Holdings PLC, or the immediate parent company, Masthead Insurance Underwriting Limited.

In accordance with the Articles of Association, Mr P. D. Scales retires and, being eligible, offers himself for election at the forthcoming Annual General Meeting.

Managers and Advisors

Close Private Asset Management Limited (formerly Rea Brothers (Investment Management) Limited) ("CPAM"), a wholly owned subsidiary of Rea Brothers Group plc, provided company secretarial services to the Company. On 27 September 1999, the agreement between CPAM and the Company was terminated and Mr J. A. Lynch was appointed Company Secretary of the Company.

Wren Underwriting Agencies Limited have been appointed members agent to the Company and provides advice on its underwriting activities at Lloyd's.

Directors' Responsibilities

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

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

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

Auditors

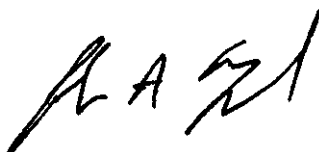
A resolution will be proposed at the forthcoming Annual General Meeting to re-appoint Mazars Neville Russell as auditors of the Company.

Elective Resolution

An elective resolution will be proposed at the forthcoming Annual General Meeting in accordance with Section 379A of the Companies Act 1985. It is intended that the following shall form part of this elective resolution:

- (i) In accordance with Section 752 of the Companies Act 1985 to dispense with the lodging of the report and accounts before the members of the company at a general meeting;
- (ii) In accordance with Section 366A of the Companies Act 1985 to dispense with the holding of the annual general meeting; and
- (iii) In accordance with Section 386 of the Companies Act 1985 to dispense with the appointment of auditors annually.

By order of the Board



John A. Lynch
Company Secretary

23 May 2000

Auditors' Report

to the Shareholders of BRIT UW Limited

We have audited the financial statements on pages 5 to 13 which have been prepared following the accounting policies set out on page 7.

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 result for the period 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

14 July 2000

BRIT UW LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 31 DECEMBER 1999

	<u>Notes</u>	<u>Nine months</u> <u>ended</u> <u>31 December</u> <u>1999</u> £	<u>Year</u> <u>ended</u> <u>31 March</u> <u>1999</u> £
Turnover – continuing operations		-	-
Administrative expenses		(6,885)	-
Operating loss – continuing operations		(6,885)	-
Interest receivable and similar income	2	57	-
Loss on ordinary activities			-
Before taxation	3	(6,828)	-
Taxation on loss on ordinary activities	4	2,066	-
Loss on ordinary activities			-
after taxation		(4,762)	-
Retained profit brought forward		-	-
Dividends proposed		-	-
Transfer from reserves		(4,762)	£ Nil

The company has no recognised gains and losses other than those included in the loss above and therefore no separate statement of total recognised gains and losses has been presented.

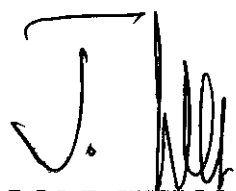
There is no difference between the loss on ordinary activities before taxation and the transfer from reserves for the year stated above and their historical cost equivalents.

The notes on pages 7 to 13 form part of these accounts.

BRIT UW Limited
BALANCE SHEET
AS AT 31 DECEMBER 1999

	<u>Notes</u>	<u>31 December</u> <u>1999</u> £	<u>31 March</u> <u>1999</u> £
Fixed assets			
Intangible assets	5	5,065,821	-
Current assets			
Debtors	6	2,123	2
Creditors: Amounts falling due within one year	7	(5,072,704)	-
Net current (liabilities) / assets		<u>(5,070,581)</u>	<u>2</u>
Net (liabilities) / assets		<u>(4,760)</u>	<u>2</u>
Capital and reserves			
Called up equity share capital	8	2	2
Profit and loss account	9	<u>(4,762)</u>	<u>-</u>
Shareholders' funds		<u>(4,760)</u>	<u>2</u>

Approved by the Board of Directors on 23 May 2000 and signed on its behalf by


J. M. P. WELMAN
 Director

The Notes on pages 7 to 13 form part of these accounts.

BRIT UW Limited

NOTES TO THE ACCOUNTS

FOR THE NINE MONTHS ENDED 31 DECEMBER 1999

1. Basis of preparation of accounts

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

2. 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 incepting 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 recognised 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 an underwriting year is expected to make a loss, 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.

Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by the 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' receivable. See (e) below for further details.

Premiums written by a syndicate may also include the reinsurance of other syndicates on 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.

BRIT UW Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE NINE MONTHS ENDED 31 DECEMBER 1999

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.

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 following discussions with the Company's Members' Agent.

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 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.

BRIT UW Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE NINE MONTHS ENDED 31 DECEMBER 1999

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.

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.

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.

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.

BRIT UW Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE NINE MONTHS ENDED 31 DECEMBER 1999

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 / licensed adviser and the direct costs of membership of Lloyd's.

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 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.

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 participation 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.

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 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.

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.

BRIT UW Limited**NOTES TO THE ACCOUNTS (Continued)
FOR THE NINE MONTHS ENDED 31 DECEMBER 1999****2. Interest receivable**

Interest receivable consists of interest earned on balances held at Lloyd's.

3. Loss on ordinary activities

The audit fees of the company have been borne by a related group company.

4. Taxation

	<u>31 December</u> <u>1999</u>	<u>31 March</u> <u>1999</u>
Corporation tax credit on the loss on ordinary activities for the period at 30%	£ <u>2,066</u>	£ <u>-</u>

5. Intangible assets

	<u>Syndicate participation rights</u> £
At 1 April 1999	-
Purchases in the period	2,197,882
Transferred from other group companies	<u>2,867,939</u>
At 31 December 1999	<u>5,065,821</u>

6. Debtors

	<u>31 December</u> <u>1999</u>	<u>31 March</u> <u>1999</u>
Due within one year:	£	£
Amount due from group companies	-	2
Tax recoverable	<u>2,123</u>	<u>-</u>
	<u>2,123</u>	<u>2</u>

BRIT UW Limited**NOTES TO THE ACCOUNTS (Continued)
FOR THE NINE MONTHS ENDED 31 DECEMBER 1999****7. Creditors**

	<u>31 December</u> <u>1999</u> £	<u>31 March</u> <u>1999</u> £
Amounts falling due within one year:		
Amount due to group companies	<u>5,072,704</u>	<u>-</u>

8. Share capital

	<u>31 December</u> <u>1999</u> £	<u>31 March</u> <u>1999</u> £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Issued:		
2 (March 1999: 2) ordinary shares of £1 each, fully paid	<u>2</u>	<u>2</u>

9. Movement in shareholders' funds

	<u>31 December</u> <u>1999</u> £	<u>31 March</u> <u>1999</u> £
Result for the year	<u>(4,762)</u>	<u>-</u>
Movement in shareholders' funds	<u>(4,762)</u>	<u>-</u>
Shareholders' funds at 1 April	<u>2</u>	<u>2</u>
Shareholders' funds at 31 December / 31 March	<u>(4,760)</u>	<u>2</u>

10. 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. BRIT Insurance Holdings PLC accounts are available from 55 Bishopsgate, London, EC2N 3AS.

BRIT UW Limited

NOTES TO THE ACCOUNTS (Continued) FOR THE NINE MONTHS ENDED 31 DECEMBER 1999

11. Controlling parties

The company is a wholly owned subsidiary of Masthead Insurance Underwriting Limited. The company regards BRIT Insurance Holdings PLC, a company incorporated in England, as its ultimate holding company.

12. Contingent liabilities

At the end of 1999, the other 16 corporate members of the group were placed into run-off with all the underwriting capacity transferred to the company.

Masthead Insurance Underwriting Limited entered into a deed of charge to support the underwriting activities of the company. Masthead Insurance Underwriting Limited also entered into guarantees with respect to the interavailable funds provided by each of the corporate members placed into run-off. These interavailable funds amounted to £118,738,728. The company has used these interavailable funds to support its underwriting for the 2000 year of account.

BRIT UW Limited has entered into covenants of £46,535,555 to cover the ongoing underwriting. BRIT UW Limited has supported underwriting of £188,633,935 for 2000.