

Annual Report & Accounts 2000



The background is a collage of four images. The top-left image shows a globe of the Earth. The top-right image shows a sunset or sunrise over a body of water. The bottom-left image shows a close-up of a person's face. The bottom-right image shows a person's hands holding a small object.

specialist risk taking and investment skills
an enhanced

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combined with
distribution capability

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Chairman's Statement



In my previous annual statement I referred to an increasing confidence that the insurance cycle had turned and that we could look forward to a period of significantly improved returns for shareholders. I am happy to report that the recovery in the share prices of our insurance investments and a profit on the technical account after a loss in 1999 have combined to turn the reported half-year pre tax loss of £13.67 million to a full year pre tax profit of £1.503 million. While this falls a long way short of a satisfactory return on our shareholders' funds, I believe that the year 2000 marks the turning point in BRiT's financial performance. In the light of this the Board is recommending a final dividend of 2.1 pence per share payable on 6 July 2001 to shareholders on the register on 25 May 2001. This will make the total dividend for the twelve month period 3.1 pence per share compared with 3.0 pence per share for the nine months to 31 December 1999.

Since the low point reached in February 2000 the rise in value of both BRiT's share price and our insurance investments have been in stark contrast with the wider equity market. I believe that these are early signs of the stockmarket's acknowledgement of the improving prospects for earnings growth against the background of a more uncertain outlook for other sectors of the UK economy.

This annual report covers the first full accounting year for BRiT as a trading company. Neil Eckert and his Executive Management Group have stripped the business down into three core constituents of underwriting, investment and distribution in order to focus the activities of operational team members. Accordingly, some key new appointments have been made in a manner which your Board believes will make the best possible use of the Company's resources.

Insurance rates have continued to recover across much of our underwriting activity. The last of our third party "spread" portfolio was sold during the year. Our proposed new composite Lloyd's syndicate and BRiT Insurance Limited are together developing a disciplined process of resource allocation within our underwriting activities with the objective of maximising returns over the insurance cycle.

On the investment side, disappointing returns from the equity indices were offset by our defensive strategy and the second half recovery in the quoted insurance sector. We are building the in-house resources required both to manage BRiT's assets efficiently and generate income from offering investment products and services to third party clients.

We have been joined by Patrick Franklin-Adams to help further develop BRiT's in-house distribution capability. Patrick formerly held various senior positions in Sedgwick retail, founded Johnson & Higgins UK retail and was latterly Chairman of Graham Brown & Company.

BRiT is developing an integrated distribution strategy including a direct marketing capability that complements our traditional distribution methods. Despite the stock markets' treatment of technology investments over the past year, BRiT's future progress will be heavily influenced by our ability to harness new technologies in a manner which enables us both to communicate with, and process transactions for, large numbers of corporate and retail customers.

Brand loyalty supported by effective IT platforms and a high level of service will help BRiT to take full advantage of the improved pricing environment and we approach the coming years with increasing confidence. Perception often lags behind reality but I believe that as BRiT starts to deliver earnings growth from a solid capital base, the Company's relative share rating will look increasingly anomalous.

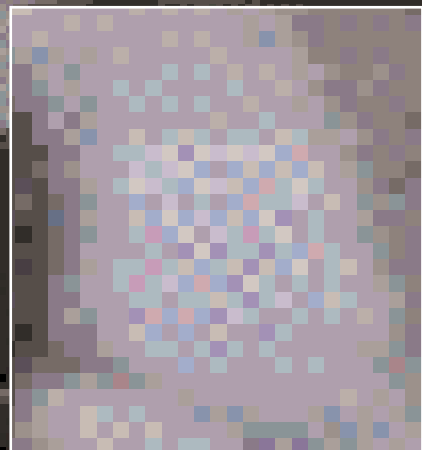
A handwritten signature in black ink that reads "Jo Welman". The signature is written in a cursive, slightly stylized font.

Jo Welman
24 April 2001

David Wade, satellite space specialist, being interviewed in connection with MIR space station. Photograph courtesy of BBC News.

BRiT's future progress will be heavily influenced by our ability to harness new technologies

MIR'S
RETURN
TO EARTH



harnessing the future

Enhanced distribution

Enhanced distribution is an area that has generated demonstrable increased shareholder value in the sector

BRiT's strapline is "Specialist Risk Taking – Investment Skills – Enhanced Distribution Capability". BRiT is developing an integrated distribution network covering the high street and regional brokers, telesales and the internet. It is fast building its regional representation and has appointed Patrick Franklin-Adams to head up this key initiative. We already have more than £100 million of personal lines and small commercial premiums and regard this as a fast growing and profitable sector.



Chief Executive's Statement

Our account is significantly weighted towards the reinsurance and motor accounts where we are experiencing exceptionally strong rate increases at this time

This report is structured to set out both the strategy of the Company and activities carried out during the reporting period that will lead to the delivery of this strategy.

Strategy

For BRiT, the three 'must haves' are successful underwriting, investment and distribution. If all three are revenue generators then your company will have gone a significant way to developing a "through the cycle" earnings model. In order to deliver these elements, we are undertaking a disposal programme of non-core investments. We have referred to those objectives in previous statements and delivery is now well underway.

Disposals

As part of our programme in achieving a less cyclical earnings model, we are looking to realise all the investments that are not intended to form a core part of our future business.

In September we closed the Wren members' agency realising annual cost savings of £350,000. We have disposed of all underwriting participations on non-BRiT syndicates realising a profit of £2.44 million.

We still have a legacy of quoted insurance investments from our origins as an investment trust. Against a weak equity market back-drop, we have seen a substantial recovery in share prices in the Lloyd's sector which enabled us to realise £37.4 million through sales at values that exceeded our expectations. We also sold our minority stake in the unquoted investment Cathedral Capital for £2 million.

Since the year end the continued recovery in the quoted sector, itself reflecting continued optimism for premium rate increases, has facilitated the realisation of a further £8 million of shares and the conversion of BRiT's share of the unquoted Chaucer Dedicated underwriting vehicle into quoted ordinary shares.



A perspective view of a long, brightly lit tunnel. The road is dark with white lane markings. A white van is driving away in the distance, and a dark truck is on the right side of the road. The tunnel walls are light-colored, and the ceiling has recessed lighting. The text "specialist risk taking" is overlaid in the upper left quadrant.

specialist risk taking

Chief Executive's Statement

Continued

Underwriting

We are carrying out a comprehensive review of all lines of business underwritten in the Group as part of the 2002 planning process. Because our account is significantly weighted (over 40% by premium income) towards the reinsurance and motor accounts we are experiencing exceptionally strong rate increases at this time.

Lloyd's

A composite syndicate is proposed for 2002 bringing improved efficiencies (subject to both regulatory and capital providers' approvals). The preliminary 2002 business plans anticipate capacity under management of £450 million, approximately a threefold increase over premium written in 1999. This would constitute exceptional growth by comparison to many of our competitors and comes at a time when there is clear evidence of a move to profitable market conditions. Significant strengthening of underwriting teams, improving underwriting conditions and an increasing emphasis on technology and risk modelling is designed to generate further strong growth in revenue and profit.

BRiT Insurance Limited

The performance of BRiT Insurance Limited continues to justify our confidence. The Company transformed a pre tax £4.4 million loss in 1999 into a pre tax £6.2 million profit in 2000. We have increased the paid up capital from £50 million to £70 million to allow for further development of the company and Dane Douetil, the company's chief executive, is actively assessing other specialist lines of business.

Investment Management

Jo Welman heads up our capital management strategy. The finance report contains detail on the performance of the company's assets, but it is pleasing to note a strong performance relative to the indices. Jo is also charged with the responsibility of developing our asset management resources. He has over 20 years' experience in this area and built a substantial business for the Rea Brothers merchant banking group (acquired by Close Brothers in 1999).

Distribution

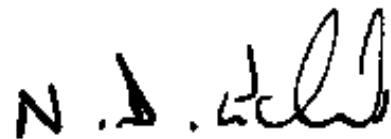
We have appointed Patrick Franklin-Adams to head up the development of BRiT's distribution strategy. Peoples Choice, a telesales and internet company with over 300 employees and offices in Manchester and Leicester is now a subsidiary company of BRiT and is examining the merits of launching an equivalent service for the high street broker. Since the year-end we have also agreed to acquire a 37% shareholding of ebix.com, one of the most comprehensive insurance portals in North America. Wren Products is being launched to distribute products among the high street brokers. These initiatives combine to provide BRiT with integrated distribution across the spectrum of insurance and will enhance our ability to build strong brands.

Insurance Market backdrop

Premium rates continue to harden across many of our business lines due to the market's belated recognition of recent soft underwriting conditions as evidenced by exceptionally high combined loss ratios and poor underlying investment returns. Our consistent theme has been to have sufficient capital to be ready to take advantage of this scenario. We strongly believe that conditions will continue to improve and we look forward to fully utilising our capital base.

BRiT has enjoyed strong second half recovery and the outlook for earnings growth is very positive.

The strategy has now been developed replacing the previous complex history and the company has now truly evolved from an investment trust to a focused insurance trading entity.



Neil Eckert
24 April 2001

2000 UK floods. BRiT supports numerous research projects into world climatic trends and continually develops insurance products to meet new demand.



supporting topical issues

Financial Review



The year to 31 December 2000 has seen the Group make further progress towards its strategic objectives and in the process simplify some of the structural complexities inherited from the past.

The simplification process has initially concentrated on Lloyd's underwriting. All the Group's Lloyd's underwriting is now transacted through BRIT UW Limited and the number of non-aligned participations was reduced for the 2000 underwriting year. For 2001, all the Group's Lloyd's underwriting is sourced from syndicates managed by Wren Syndicates Management Limited.

We have adopted annual accounting for the 2000 financial year in respect of our own managed capacity. The 1999 comparatives have been restated accordingly and incorporate a prior year adjustment which has reduced shareholders' funds at 31 December 1999 by £1.7m. In line with our market peers we have also applied the long-term rate of investment return to our underwriting activities.

The Group has discontinued its members' agency business and invested in distribution businesses during the year. These distribution businesses are principally Peoples Choice (Europe) Limited and City3k Limited, both of which have been equity accounted as associates in these financial statements. The policy of disposing of listed insurance stocks and other non core investments has also been continued.

Underwriting Result

The technical result for the year was a profit of £2.8m compared with a loss of £14.2m for the 9 months to 31 December 1999. The technical result includes a loss of £6.1m in respect of non-aligned capacity for prior underwriting years. The 1999 underwriting year has been reserved at a level in excess of recommendations received from managing agents. The average reserve in respect of non-aligned syndicates has been set at 16.4% of capacity. Reserves in respect of Wren managed syndicates have been set in accordance with the managing agent's recommendations. On a traditional three year accounting basis Wren managed syndicates produced a reserve release of £1.0m.

Result for the year

The pre-tax result for the year is as below:

	Year ended 31 December 2000	Nine months ended 31 December 1999 (restated) £'000
	£'000	
Balance on technical account	2,832	(14,221)
Investment income	6,030	(12,906)
Agency fees and commissions	5,335	1,824
Other income	3,239	3,600
Expenses	(14,518)	(5,652)
Operating profit/(loss)	2,918	(27,355)
Share of associated companies results	(1,415)	-
Profit/(loss) on ordinary activities before tax	1,503	(27,355)



*The Group has made further progress towards its strategic objectives
and in the process simplified some of the structural complexities*

moving in the right direction

Financial Review

Continued

As stated above, the 2000 underwriting year has introduced annual accounting for Wren managed syndicates. The change to annual accounting has occurred in the financial year following the acquisition of the Wren Group and has resulted in a significant new business strain in the 2000 financial year. The reason for this is that the underwriting from the Wren corporate members for 1999 and prior underwriting years is treated as pre-acquisition. The renewal of that underwriting through BRiT UW Limited in 2000 effectively means that annually accounted post acquisition underwriting capacity has increased

from £38.2m in 1999 to £129.9m in 2000. Annual accounting recognises expenses earlier than investment income for an underwriting year due to the concentration of investment income in the third year arising from the reinsurance to close received from earlier years. Consequently a new business strain is created by the timing difference that arises between payment of expenses and receipt of investment income in respect of any expansion in underwriting activity.

BRiT Insurance Limited had a positive balance on the technical account for the 2000 financial year

of £2.6m (1999: (£7.0m)) net of a transfer to equalisation reserve of £1.6m (1999: (£1.3m)). Gross written premium grew by 65% to £38.0m (1999:£23.0m) which included £7.7m (1999: £1.9m) in respect of financial risks. Only 10.6% (1999: 7.2%) of the financial risk income was earned in 2000 and this contributed to the growth in the BRiT Insurance Limited unearned premium reserve from £3.5m to £9.7m during the year.

The technical result can be analysed between its main component parts as below :

	Year ended 31 December 2000 £'000	Nine months ended 31 December 1999 (restated) £'000
Technical Account		
External syndicates	(6,081)	(13,200)
Wren managed syndicates	(4,291)	(9,044)
Consolidation adjustment in respect of fees and expenses	1,408	409
Return on underwriting capital funds	2,359	12,726
Long term rate of investment return adjustment	6,856	(4,896)
Lloyd's result	251	(14,005)
BRiT Insurance Limited result	2,581	(216)
Technical result	2,832	(14,221)

At 100% level, for managed syndicates and BRiT Insurance Limited, the technical account would show a combined ratio of 106%, detailed as below:

	Year ended 31 December 2000 £'000	Nine months ended 31 December 1999* (restated) £'000
Gross premiums written	320,556	104,225
Net premiums written	229,862	95,551
Net earned premiums	210,343	98,941
Net claims incurred	(158,953)	(122,466)
Change in equalisation provision	(1,612)	1,233
Changes in other technical provisions, net of reinsurance	365	397
Net operating expenses	(70,430)	(36,672)
Net investment return on technical funds at the long-term rate	12,397	10,245
100% Technical loss	(7,890)	(48,322)
Claims ratio (net claims incurred and changes in other technical provisions/net earned premiums)	75.4%	123.4%
Expense ratio (net operating expenses/net premiums written)	30.6%	38.4%
Combined ratio	106.0%	161.8%

*The insurance company figures are in respect of the period 16 November 1999 to 31 December 1999.



BRiT continues to develop structured mortgage products to support clients such as Bristol & West (pictured here) along with many other retail lenders.

Investment Activity

The Group's investment management process has been reviewed during the year and a number of benchmarks re-established. Total cash and investments at 31 December 2000 were £338.3m of which £52.4m was invested in listed insurance stocks. Approximately 35% of the remainder of the portfolio is exposed to equity markets and this element of the portfolio was affected by the fall in stock prices during the year.

The overall investment return for the year, excluding the return on syndicate investments, was £20.5m (1999: (£2.8m)), before interest paid.

During the year the Group has realised £37.4m from the sale of holdings in listed insurance stocks. The total return arising from this portfolio was £13.6m.

The structure of the investment portfolio was as below:

	31 December 2000	31 December 1999 (restated)
	£'m	£'m
Listed insurance stocks	52.4	74.5
Unquoted investments	9.4	14.1
Funds at Lloyd's – equities	64.0	85.9
Funds at Lloyd's – protected	21.7	27.3
Funds at Lloyd's – fixed income	54.2	45.0
Investments held by BRiT Insurance Limited	95.6	75.7
Other investments	10.3	6.4
Total	307.6	328.9

Taxation

The tax charge in the profit and loss account is very high at 56%. This is as the result of a number of factors, the most significant being increases arising from disallowed expenses, US tax written off and tax credits not set up on underwriting loss provisions. These increases have been mitigated by a high level of franked investment income received (not liable to corporation tax) and releases of prior year tax provisions.

Balance Sheet Structure

The balance sheet can be summarised into its main components as shown below:

	31 December 2000	31 December 1999 (restated)
	£'m	£'m
Goodwill	18.9	17.9
Syndicate participations	2.2	4.7
Investments	307.6	329.0
Cash at bank and in hand	30.7	25.5
Lloyd's net technical provisions	(40.5)	(54.1)
BRiT Insurance Limited – net technical provisions	(35.5)	(27.5)
Financing	(24.0)	(44.5)
Other	(12.0)	3.3
Shareholders' funds	247.4	254.3

Financial Review

Continued

Gearing

Group borrowings reduced from £44.5m to £24.0m during the year. This is part of a £60m facility, £10m of which remains undrawn at the date of this report.

An additional new facility for £20m has been negotiated in 2001. This facility has been fully drawn and used to increase the share capital of BRiT Insurance Limited.

Expenses

Total expenses for the period amounted to £58.6m and are analysed below:

	Year ended 31 December 2000 £'000	Nine months ended 31 December 1999 (restated) £'000
Technical		
Acquisition costs	30,003	13,471
Administrative expenses	13,592	5,905
Profit on exchange	(2,780)	(2,321)
Personal expenses	3,231	2,034
	44,046	19,089
Non technical		
Salaries and related costs	6,679	1,585
Accommodation costs	1,011	414
Legal and professional	1,793	549
Irrecoverable VAT	518	444
Use of fixed assets	1,143	311
Amortisation of goodwill and underwriting capacity	2,831	1,242
Administrative expenses	543	1,107
	14,518	5,652
Total	58,564	24,741

NAV/NTA per share

As at 31 December 2000 the net asset value per share was 104p (1999:108p) and the net tangible asset value per share was 95p (1999: 98p).

Conclusion

The Group has made good progress during the year to rationalise its business structure. Non core activities such as the members' agency have been discontinued and substantial holdings in listed insurance stocks have been sold. The reserving policy at 31 December 1999 has proved more than adequate in respect of our own managed syndicates, although we have decided to strengthen further the reserves held for non-aligned capacity.

The balance sheet at 31 December 2000 is strong and well placed to support an increased commitment to underwriting as the market continues to harden.

The share capital of BRiT Insurance Limited has accordingly been increased by £20m and it is planned to provide further Funds at Lloyd's to support an expansion of underwriting activity in 2002.

With continued development of our distribution businesses and the current position of the underwriting cycle, we are optimistic about the prospects for the Group in the coming years.



Matthew Scales
24 April 2001

Company Information

Executive Board

Jo Marc Pole Welman, Executive Chairman
Andrew Shone, Deputy Executive Chairman
Neil David Eckert, Chief Executive Officer
Andrew Holland, Chief Operating Officer
Matthew Scales, Finance Director
Simon Dudley Clapham, Executive Director
Dane Jonathan Douetil, Executive Director

The executive directors are members of the Executive Management Committee and the Capital Management Committee.

Non-Executive Board

Donald Cecil McCrickard, Non-Executive Director * # ‡
Paul Gaunt, Non-Executive Director †
George (Glyn) Franklin MacAulay, Non-Executive Director * #
John Anthony Victor Townsend, Non-Executive Director *
Phillip Richard (Dick) Withers Green, Non-Executive Director #

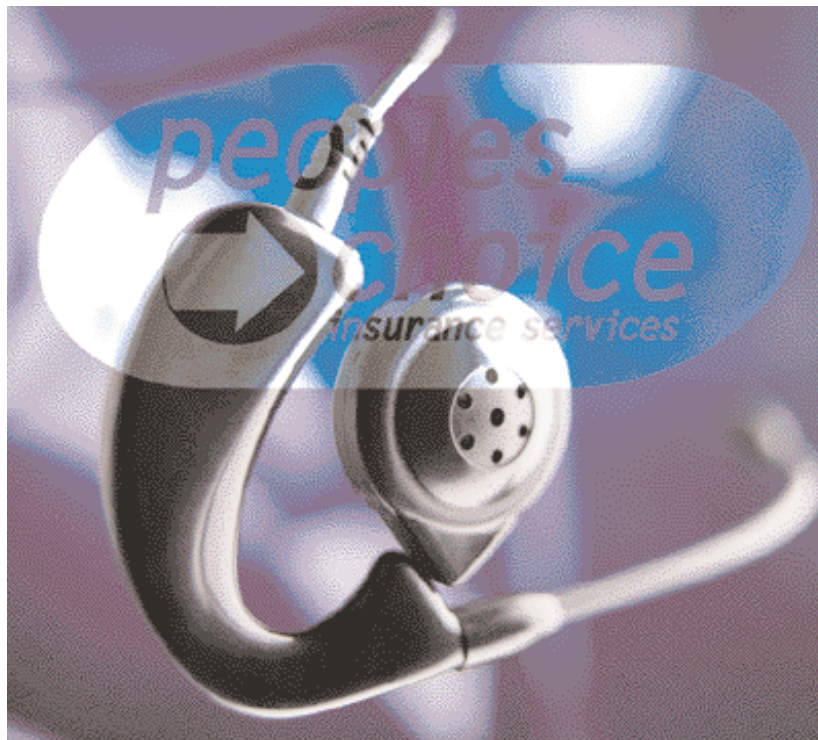
* Member of the Audit Committee

† Member of the Capital Management Committee

Member of the Remuneration and Nominations Committees

‡ Senior Independent Director

The Group's distribution capability has significantly increased through the acquisition of Peoples Choice and its call centre technology.



Secretary

Peter John Goddard

Registered Office

55 Bishopsgate
 London EC2N 3AS

Company Number

3121594

Investment Managers

Close Private Asset Management Limited
 12 Appold Street
 London EC2A 2AW

Investec Guinness Flight Global Asset Management Limited
 2 Cresham Street
 London EC2V 7QP

Apax Finsbury Investment Management Limited
 28 Melville Street
 Edinburgh EH3 7HA

Benfield Greig Asset Management Limited
 55 Bishopsgate London EC2N 3AS

Citibank Global Asset Management
 P.O. Box 200, Cottons Centre
 London SE1 2QT

Scottish Widows Investment Partnership
 10 Fleet Place
 London EC4M 7RH

Gartmore Investment Management PLC
 8 Fenchurch Place
 London EC3M 4PH

Auditors

Mazars Neville Russell
 Chartered Accountants
 24 Bevis Marks London EC3A 7NR

Bankers

National Westminster Bank PLC
 City of London Office
 1 Princes Street London EC2R 8PA

Barclays Bank PLC
 54 Lombard Street London EC3V 9EX

Stockbrokers

HSBC Investment Bank PLC
 Thames Exchange 10 Queen Street Place
 London EC4R 1BL

Numis Securities Limited
 Cheapside House 138 Cheapside
 London EC2V 6LH

Registrars

Capita IRG PLC
 Balfour House 390-398 High Road
 Ilford Essex IG1 1NQ

Financial Calendar 2001

Full Year Figures	April
Annual Report Posted	May
Annual General Meeting	June
Final Dividend Paid	July
Half Year Figures Announced	September
Interim Report Posted	October
Interim Dividend Paid	November

www.britholdings.com

Report of the Directors

Report of the Directors

The directors present their report and financial statements for the year ended 31 December 2000.

Principal Activity and Business

The Company is, through its subsidiaries, engaged in specialist risk taking as an insurer or reinsurer, distribution and specialist investment.

The principal operating subsidiaries are:

- BRiT Insurance Limited whose principal activity is that of insurance and reinsurance underwriting catastrophe and financial risks;
- BRiT UW Limited, the corporate member providing capital to support Lloyd's underwriting activity;
- Wren Syndicates Management Limited, a Lloyd's managing agent, which currently manages five syndicates, one in each of the main market areas, with a total capacity for the 2001 year of account of £315 million.

A detailed review of the activities and results of the Group is included in the Chief Executive Officer's Statement and the Financial Review on pages 6 to 14.

Peoples Choice (Europe) Limited, an intermediary selling and administering private motor and household insurance products, became a subsidiary on 21 February 2001.

Following the Group's declared intention to control the majority of its syndicate capacity, Wren Underwriting Agencies Limited, a Lloyd's members' agent, was closed down in the year. Wren Capital Management Limited, the third party capital management business, was disposed of during the year.

Dividends

The dividends paid and proposed are as follows:

	Year ended 31 December 2000 £'000	Nine Months ended 31 December 1999 £'000
Interim dividend of 1 p paid on 8 November 2000	2,370	2,373
Final dividend of 2.1 p proposed	5,059	4,742
	7,429	7,115

It is intended that the proposed final dividend will be payable on 6 July 2001 to shareholders on the register at the close of business on 25 May 2001.

Share Capital

On 4 January 2000, the Company purchased 170,000 ordinary 25p shares at an aggregate value of £130,664 representing 0.07% of the issued share capital. These shares have been cancelled.

On 16 February 2001, a further 3,040,452 ordinary 25p shares were admitted to the UK Listing Authority Official List.

Details of the share capital in issue are set out in note 22 to the accounts on page 67.

Future Developments

Details of future plans for the Group are set out in the Chairman's Statement and the Chief Executive Officer's Statement on pages 2 to 8.

Directors

The directors who served during the year were as shown on page 15. John Coldman and Richard Sandor resigned from the Board on 6 January and 12 June 2000 respectively.

Jo Welman, previously Deputy Chairman, succeeded John Coldman as executive Chairman of the Company on 6 January 2000.

Directors' Interest in Transactions

Paul Gaunt is a non-executive director of Numis Corporation PLC, the ultimate holding company for Numis Securities Limited which was the joint financial advisor, sponsor and stockbroker to the Company.

Neil Eckert is a shareholder in Benfield Greig Group PLC, the parent company of Benfield Advisory Limited and Benfield Greig Asset Management Services Limited and was interested in the agreements to provide insurance advisory and investment management services to the Company.

Total fees payable to subsidiaries of Benfield Greig Group PLC amounted to £228,250.

Report of the Directors

Continued

Directors' Interests

The interests of the directors and their families in the ordinary shares of 25p each of the company are set out below:

	Held at 31 December 2000			Held at 31 December 1999		
	Shares	Options	LTIP	Shares	Options	LTIP
Jo Welman	100,000	510,526	93,855	100,000	510,526	93,855
Simon Clapham	659,621	469,365	93,855	659,621	469,365	93,855
Dane Douetil	85,000	250,000	102,500	42,000	–	–
Neil Eckert	891,863	1,114,473	187,708	358,169	1,114,473	187,708
Paul Gaunt	–	–	–	–	–	–
Andrew Holland	389,696	523,555	125,139	389,696	523,555	125,139
Glyn MacAulay	20,000	–	–	20,000	–	–
Don McCrickard	–	–	–	–	–	–
Matthew Scales	–	300,000	136,667	–	–	–
Andrew Shone	5,455,705	150,000	93,855	5,455,705	150,000	93,855
Anthony Townsend	253,565	–	–	253,565	–	–
Dick Withers Green	11,750	–	–	11,750	–	–

All directors' interests in the ordinary shares of the company are beneficial. All directors' interests are unchanged at the date of this report since the year end.

External Appointments

With the prior consent of the Board, executive directors are permitted to accept appointments on external boards or committees so long as these are not deemed to interfere with the business of the Group. Any fees received in respect of these appointments are remitted to the Group and any such fees are reflected in the remuneration package of the individual director concerned.

Secretary

John Lynch resigned on 9 October 2000 and Peter Goddard was appointed on 14 November 2000.

Long Term Incentive Schemes

There are four active schemes and two further schemes, which are closed to future entrants, details of which are set out below:

1 1998 Approved Executive Share Option Scheme (“the Approved Scheme”)

The Approved Scheme is a discretionary share option scheme approved by the Inland Revenue. Options may only be granted within certain periods and no option can be granted more than ten years after the date of adoption of the approved scheme. Options granted under this scheme will be subject to performance criteria at the discretion of the Board.

The price payable for each option is determined by the Remuneration Committee at the date of grant, but will not be less than the middle market price for the day immediately preceding that date. The aggregate market value of the shares (determined at the time of grant of the option) which may be acquired in pursuance of options granted to a person other than of the approved scheme may not exceed £30,000.

Options are generally exercisable between three and ten years from the date of grant.

Options have been granted, at nil cost, under the Approved Scheme as follows:

No. of option holders	Date of grant of options	Amount of shares under option	Exercise price	Date from which exercisable	Expiry date of options
4	06/12/99	118,379	80.25p	06/12/02	05/12/09
1	08/06/00	38,710	77.50p	08/06/03	07/06/10
9	20/11/00	162,162	74.00p	20/11/03	19/11/10

2 1998 Unapproved Executive Share Option Scheme (“the Unapproved Scheme”)

The Unapproved Scheme is a discretionary share option scheme not approved by the Inland Revenue. Options may only be granted within certain periods and no option can be granted more than ten years after the date of adoption of the unapproved scheme. Options granted under this scheme will be subject to performance criteria as are determined by the Board.

The price payable for each option is determined by the Remuneration Committee at the date of the grant, but will not be less than the middle market price for the day immediately preceding that date. Options are generally exercisable between three and ten years from the date of grant.

Options have been granted, at nil cost, under the Unapproved Scheme as follows:

No. of option holders	Date of grant of options	Amount of shares under option	Exercise price	Date from which exercisable	Expiry date of options
2	10/09/98	799,999	142.50p	10/09/01	09/09/08
8	06/12/99	2,025,000	80.25p	06/12/02	05/12/09
2	24/05/00	550,000	66.00p	24/05/03	24/05/10
5	20/11/00	715,000	74.00p	20/11/03	20/11/10

Report of the Directors

Continued

3 BRiT Long Term Incentive Plan 1999 (“LTIP”)

The LTIP is controlled by the Remuneration Committee, which sets performance targets in respect of all allocations.

The LTIP is established under a discretionary employee share participation trust set up for the provision of benefits and assistance to employees of the Company and its subsidiaries. Accordingly, the trust operates a new employee share scheme to enable such employees to acquire shares in the Company or be granted options over such shares. The trustees have waived their entitlement to dividends on any shares acquired.

Only executives and directors who devote substantially the whole of their working time to the business of the group are eligible to participate. The trustees make awards on the recommendation of the Remuneration Committee and any such awards will normally vest following the achievement of pre-determined performance criteria over a performance period of no less than three years and generally provided that the participant is still in the employment of the Group.

The maximum value of awards in any one year shall not exceed 100% of a participant’s basic annual salary. Awards may not be granted under the LTIP more than 10 years after its approval by shareholders in general meeting. Awards have been made under the LTIP as follows:

No. of participants	Date of grant	Vesting date	Number of shares	Value at date of grant
8	06/12/99	31/12/02	782,120	£625,000
3	24/05/00	31/12/03	266,500	£181,220

The shares held by the trust represent 0.4% of the issued share capital of the Company.

4 BRiT Insurance Phantom Share Option Scheme (“the BIL Phantom Scheme”)

The BIL Phantom Scheme entitles key employees of BRiT Insurance Limited (“BIL”) to share in an aggregate 7.4% growth in the value of that company, after a true money market return on capital employed. The options are normally exercisable after five years from the date of grant and once exercisable shall remain exercisable. The options cannot be exercised beyond the seventh anniversary after cessation of an employee’s employment. The participating employee will receive, on exercising his phantom option, an amount by which the exercise value of the shares in relation to which the phantom option is exercised exceeds their grant value. There is no entitlement to any actual or notional dividend payments by BIL to the participants of the scheme.

5 Wren Approved Share Option Scheme 1998

This is a discretionary share option scheme approved by the Inland Revenue. Options may only be granted within certain periods and no option can be granted more than ten years after the date of adoption of the scheme. Options granted under this scheme, to date, are not subject to performance criteria. The aggregate market value of the shares (determined at the time of grant of the option) which may be acquired in pursuance of options granted to a person other than of the approved scheme may not exceed £30,000. Options may generally be exercised between three and ten years from date of grant.

Options have been granted, at nil cost, under the approved scheme as follows:

No. of option holders	Date of grant of options	Amount of shares under option	Exercise price	Date from which exercisable	Expiry date of options
21	10/09/98	531,632	112p	10/09/01	09/09/08

All option holders accepted rollover terms granting them options over shares in the Company on 21 September 1999. It is not expected that any future options will be granted under this scheme.

6 Wren Unapproved Share Option Scheme 1998

This is a discretionary share option scheme not approved by the Inland Revenue. Options may only be granted within certain periods and no option can be granted more than ten years after the date of adoption of the scheme. Options granted under this scheme were subject to performance criteria (other than those granted on 18 May 1998) determined by the board of Wren Limited.

Options are generally exercisable between three and ten years from the date of grant (with the exception of those granted on 18 May 1998).

Options have been granted, at nil cost, under the unapproved scheme as follows:

No. of option holders	Date of grant of options	Amount of shares under option	Exercise price	Date from which exercisable	Expiry date of options
2	18/05/98	542,920	119p	22/12/00	17/05/08
1	14/08/98	117,500	130.5p	14/08/01	13/08/08

All option holders accepted rollover terms granting them options over shares in the Company on 21 September 1999. It is not expected that any future options will be granted under this scheme.

Report of the Directors

Continued

Substantial Shareholdings

At the date of this report the following interests in the ordinary voting shares of the Company that exceeded 3% of the issued share capital of that class had been notified.

	No. of shares	Percentage of issued share capital
Benfield Greig Group	35,245,421	14.63
Rostrum Investors	32,661,649	13.56
Fidelity Investment Services	23,847,404	9.90
Jupiter Asset Management	9,509,746	3.95
Axa Investment Managers	10,634,212	4.41
Merrill Lynch Investment Managers	8,845,378	3.67
Legal & General	7,661,437	3.18

Employee Involvement

The Company is committed to involve all employees in the performance and development of both the Company and the Group and employees are encouraged to discuss matters of interest and subjects affecting day to day operations.

Disabled Employees

It is the Group's policy to give full consideration to suitable applications for employment by disabled persons.

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotions to disabled employees wherever appropriate.

Creditors Payment Policy

It is the policy of the Company to settle all expenses on a timely basis in the ordinary course of business. At 31 December 2000, other creditors of the company had an average 19 days outstanding (1999: 18 days).

Donations

During the period, the Group made charitable donations amounting to £403 (1999: £250).

Auditors

The Auditors, Mazars Neville Russell, have signified their willingness to continue in office and a resolution proposing their reappointment will be put to the forthcoming Annual General Meeting.

Annual General Meeting

The Annual General Meeting will be held on 20 June 2001 at the Company's offices at 55 Bishopsgate, London EC2N 3AS.

Rotation of directors: In accordance with the Articles of Association, a third of all directors retire each year by rotation. Thus, Andrew Shone, Don McCrickard, Andrew Holland and Anthony Townsend retire this year by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Messrs McCrickard and Townsend do not have service contracts with the company.

Authority to purchase shares: At the Annual General Meeting held on 11 July 2000, the company renewed its authority to purchase up to a maximum of 77,129,700 shares of 25p each. During the year the company purchased 170,000 of its own shares at a price of 76.9p per ordinary 25p share. A resolution seeking renewal of the authority will be put to the forthcoming Annual General Meeting.

All employee share ownership plan: At the forthcoming Annual General Meeting shareholders will be asked to approve the adoption of a new all employee share ownership plan made possible under the Finance Act 2000 and which is specifically designed to widen and deepen employee share ownership in the Company.

Share price

The share price at 31 December 2000 was 89p (31 December 1999: 76p). The highest and lowest closing prices during the financial year were 91p and 57.5p respectively.

Directors Responsibilities

The directors are required by Company Law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial period and of the profit/loss of the Group for the period. 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: (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 Group 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 so as 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.

By Order of the Board

Peter J Goddard, Secretary

24 April 2001

Corporate Governance Report

Combined Code (“the Code”) Provisions

The principles of the Code Provisions set out in section 1 of the Code have been applied as set out below and in the Remuneration Committee report.

Board

The Board is comprised of seven executive and five non-executive directors (of which at least one third were independent throughout the year). Directors are initially appointed by the Board and in accordance with the Articles, retire and seek re-election at the next Annual General Meeting. Thereafter one-third of the directors retire by rotation and seek re-appointment at each Annual General Meeting. Directors meet as a Board on a quarterly basis and at other times as necessary with papers generally distributed at least five days in advance. Directors have the right to obtain professional advice at the Group’s expense in the furtherance of their duties.

The Board has delegated certain of its powers to the following standing committees within defined terms of reference:

Executive Management Committee

Comprising executive directors, the Executive Management Committee is the primary vehicle for the day to day management of the Group and control of its affairs.

Audit Committee

Audit Committee membership is restricted to non-executive directors as shown on page 15. Its responsibilities include review of the effectiveness of internal controls, accounting policies, financial statements, contracts with external accountants, the appointment and fees of external auditors and the valuation of any unquoted investments. The Committee receives reports from the Company’s external auditors and meets at least bi-annually.

Remuneration Committee

Membership and details of the Committee’s responsibilities are set out in their report on pages 27 to 31.

Nominations Committee

Membership of the Nominations Committee is restricted to non-executive directors as shown on page 15 and the Chairman, on the recommendation of the senior independent director. The Committee is responsible for nominating candidates for the approval of the Board to fill vacancies and for succession planning. It meets on an ad hoc basis as required.

Capital Management Committee

Membership comprises the Executive Management Committee and Paul Gaunt. The Committee is responsible for the asset allocation and investment strategy. It is responsible for the appointment and removal of investment managers.

Internal Control

The Board is ultimately responsible for the Group's systems of internal control and for reviewing its effectiveness. These systems are designed to manage the risks of the Group's business, to ensure that the financial information on which the business decisions are made and which is issued for publication is reliable, and to ensure that the assets of the Group are safeguarded. The systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material mis-statement or loss.

The Company, as required by the Listing Rules, has complied during the year with the Code provisions on internal control and has established procedures necessary to implement the guidance issued therewith.

The Group has an independent risk management/internal audit function. This independent review function provides an ongoing process for identifying, evaluating and monitoring significant risks faced by the Group. The function has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. It is regularly reviewed by the Board and accords with the Turnbull Guidelines. The function is responsible for monitoring the major business risks and their associated controls relating to:

- Strategy;
- Underwriting, including reinsurance and claims;
- Finance and investments;
- Information technology;
- Human resources; and
- Regulatory compliance.

The risk management/internal audit function reports to the Risk Management Group, a sub-committee of the Board, on a regular basis. The Risk Management Group is a forum for assessing and managing the key risks affecting the Group. Steps are being taken to further embed internal control into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

The primary objective of the processes used by the Board through the Risk Management Group is to review the effectiveness of the systems of internal control.

In addition the Group structure includes review departments; the departments' objective, in conjunction with the risk management/internal audit function, is to ensure that activities of the Group are closely monitored and evaluated throughout the year.

Risk management reports are circulated to the Board, and the appropriate Committees of the Board, and the external auditors. Minutes of the Risk Management Group are circulated to the Executive Management Group.

Prior to producing this statement in the Annual Report and Accounts, the Board undertook an annual assessment for the purpose of making its public statement on internal control.

The assessment considered issues dealt with in reports reviewed by the Executive Management Group and the Board during the year together with any additional information necessary to ensure that the Board has taken account of all significant aspects of internal controls for the Company.

Corporate Governance Report

Continued

Relations with Shareholders

The company meets regularly with institutional investors to consider the Group's performance and prospects. All investors are encouraged to attend the Annual General Meeting at which a presentation of the Group's results is made and future prospects and direction of the Company are discussed. The Chairman will ensure attendance of the Chairmen or members of the committees of the Board to answer any questions that shareholders may have.

Going Concern

After making reasonable enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board has continued to adopt the going concern basis in preparing these financial statements.

Statement of Compliance with the Code of Best Practice

The Board has carried out a full review of the Group's compliance with the Code of Best Practice on the financial aspects of corporate governance for the year ended 31 December 2000 and is satisfied that the Company has been in full compliance.

Peter J Goddard, Secretary

24 April 2001

Report of the Remuneration Committee

Membership

Membership of the Committee is restricted to independent non-executive directors. Those directors who served on the committee in the period are listed below:

Don McCrickard, Chairman

Glyn MacAulay

Richard Sandor (resigned 12 June 2000)

Philip Richard Withers Green

Policy and incentives

The Group operates in personnel orientated markets. The aim is to offer packages sufficient to attract and retain high calibre executives and, in addition, motivate and reward outstanding performance with remuneration packages that are aligned with the interests of shareholders. This objective is achieved by means of performance related annual bonuses and contractual entitlement to a profit commission linked to performance of insurance risk taking operations. Additionally, share option schemes are in operation, designed for longer term rewards, both of which are also open to employees other than directors. The Group operates a Long Term Incentive Plan, which is open to both the executive directors and senior management. The Group also has a Phantom Option Scheme in operation at BRiT Insurance Limited.

Compliance with the Code of Best Practice

The Committee believes that the Group has complied with Schedule A of the Combined Code under the Listing Rules of the UK Listing Authority. Additionally, the Committee has given full consideration to Schedule B of the Code in formulating the remuneration packages of executive directors and other senior management of the Group.

Contracts of service

All executive directors have waived entitlement to receive fees for the office of director. They have employment arrangements with the Group as follows:

- 1 Messrs Clapham, Eckert, Holland and Welman have service agreements with BRiT Group Services Limited with notice periods of twelve months which can be given by either party. There are restrictive covenants in favour of BRiT Group Services Limited throughout this twelve month notice period.
- 2 Andrew Shone is also employed by BRiT Group Services Limited. A notice period of one month can be given by the employee, but statutory notice, which is one week for each year of service to a maximum of twelve weeks, is required on the part of the Company.
- 3 Messrs Douetil and Scales have service contracts with BRiT Insurance Limited with notice periods of twelve months which can be given by either party. There are restrictive covenants in favour of BRiT Insurance Limited for twelve months post termination.

Report of the Remuneration Committee

Continued

Basic salary and benefits

The basic salary payable to the directors is recommended by the Committee and is subject to annual review. Their salary is recommended having regard to the performance and responsibilities of the individual and after assessing the remuneration levels paid to the executives holding comparable positions in similar organisations. The Committee also takes into account the remuneration of other executives throughout the organisation in determining increases.

Executive directors are offered a number of other benefits including a car, private medical insurance, permanent health insurance and life assurance. Directors with service contracts with BRiT Group Services Limited have a death benefit attached to the life assurance of four times annual salary (subject to the Inland Revenue cap). Directors with service contracts with BRiT Insurance Limited have a death benefit is equal to seven times annual salary (subject to the Inland Revenue cap).

Bonus and profit commission

Simon Clapham is entitled to a contractual profit commission as follows: in relation to Wren, 2.5% part of 15% of the profit commission received in respect of Syndicate 800; and in relation to Marham Consortium Underwriting Limited, 15% of the profit commission but only if Syndicate 800 has a net operating profit.

Andrew Shone is entitled to a contractual profit commission in relation to Wren of 2.5% part of 15% of the profit commission received in respect of Syndicate 735.

Dane Douetil is included in a discretionary bonus pool, at BRiT Insurance Limited level, with other employees of BRiT Insurance Limited. Payments made from this bonus pool are over three years (with a deficit provision) based on performance and approved by the Committee. The performance criteria are based on the pre-tax profits of BRiT Insurance Limited.

Executive directors, who have service contracts with BRiT Group Services Limited, and who were not entitled to contractual profit commission at syndicate level are included in a discretionary bonus pool with other senior management. Payments made from this bonus pool are based on performance of the Group and the individual's contribution.

Pension schemes and contributions

The Group operates two pension schemes: a final salary, non-contributory pension scheme for BRiT Group Services Limited employees and a money purchase retirement benefit scheme for BRiT Insurance Limited employees. Note 31 to the accounts on page 71 sets out details of both schemes.

Contributions paid to the BRiT Group Services Limited scheme in the year were at a rate of 15% per annum subject to the Inland Revenue cap of pensionable remuneration. Contributions to the BRiT Insurance Limited money purchase scheme are dependent on age and subject to the Inland Revenue cap.

Benefits in kind, bonuses and profit commissions paid are not pensionable. Messrs Holland and Shone are members of the BRiT Group Services Limited pension scheme and Messrs Douetil, Eckert and Scales are members of the BRiT Insurance Limited money purchase scheme. Contributions to private personal pension schemes of Messrs Clapham and Welman are made up to the fully allowable contribution limit.

Non-executive directors remuneration

All non-executive directors have service letters from the Company under which there is a nil notice period on behalf of the Company. Fees paid to non-executive directors are determined by the executive directors, with the quantum of fees payable being comparable to those of similar organisations. The Board's aim is that the fees should be sufficient to attract individuals to complement the skills of the executive and contribute to the development of the business.

- 1 The basic fee payable to non-executive directors is £15,000 per annum.
- 2 In addition, non-executive directors receive fees in respect of membership of the Board committees as follows: the Chairmen of the Audit and Remuneration Committees receive fees of £10,000 per annum and members of the Committees receive fees of £5,000 per annum. Non-executive directors who serve on the Capital Management Committee receive fees of £10,000 per annum. There are no fees paid to members of the Nomination Committee.
- 3 Anthony Townsend is Chairman of Wren Syndicates Management Limited and receives £25,000 per annum in respect of his work for that company.

Directors' Remuneration

The emoluments of the directors during the year/period ended 31 December were as follows:

	2000	1999
	£'000	£'000
Fees and Salaries	1,678	334
Benefits	61	20
Cash Bonus/Profit Commission	191	–
Pension Contribution	159	29
Total for the Period	2,089	383

Amounts earned by executive directors for the year/period ended 31 December are as follows:

	2000					1999
	Fees & salaries	Benefits in kind	Bonus	Pension	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Simon Clapham*	208	1	85	18	312	81
Dane Douetil*	174	1	70	30	275	16
Neil Eckert	291	18	–	–	309	7
Andrew Holland*	225	13	–	19	257	75
Matthew Scales*	190	13	–	41	244	18
Andrew Shone*	200	15	36	40	291	82
Jo Welman	234	–	–	11	245	19

Report of the Remuneration Committee

Continued

Amounts earned by non-executive directors for the year/period ended 31 December are as follows:

	2000	1999
	£	£
Paul Gaunt	26,256	22,500
Glyn MacAulay	30,000	15,000
Don McCrickard	30,000	15,000
Richard Sandor	10,000	15,000
Anthony Townsend	45,000	8,750
Dick Withers Green*	15,003	8,750

* In respect of 1999, the amounts earned by these directors have been calculated since their date of appointment.

Dick Withers Green has his fee paid direct to his employing company. None of the non-executive directors received any pension contributions, benefit in kind, bonuses, or compensation for loss of office.

Pension Entitlements

The pension entitlements of the directors are as follows:

	Increase in accrued pension during the period	Transfer value of increase [#]	Accumulated total accrued pension at 31 December 2000	Accumulated total accrued pension at 31 December 1999
	£	£	£	£
Andrew Holland*	2,100	22,700	8,800	6,700
Andrew Shone*	33,400	471,200	104,400	70,300

* In respect of 1999, the pension entitlements of these directors have been calculated since their date of appointment.

The transfer value has been calculated on the basis of actuarial advice in accordance with the actuarial guidance note, GN11.

The non-executive directors do not have any pension entitlements. Messrs Clapham and Welman are not members of either of the Group pension schemes but the contributions, subject to Inland Revenue limits, have been made to their private pension schemes.

Long Term Incentive Plans

These comprise:

- 1 The Approved Scheme (details of which are set out on page 19).
- 2 The Unapproved Scheme (details of which are set out on page 19).
- 3 The LTIP (details of which are set out on page 20).
- 4 The Wren Unapproved Share Option Scheme (details of which are set out on page 21).
- 5 The BIL Phantom Scheme (details of which are set out on page 20).

Details of any options granted, to directors, under these five schemes are set out below. All options and shares under the above long-term incentive plans were granted at nil cost and none lapsed during the year.

There were no options granted to directors under the Approved Scheme during the year.

Unapproved Scheme:

	As at 31 December 1999	No. options granted in period	As at 31 December 2000	Exercise price at date of grant	Date from which exercisable	Expiry date
Simon Clapham	150,000	–	150,000	80.25p	06/12/02	05/12/09
Dane Douetil	–	250,000	250,000	66.00p	24/05/03	23/05/10
Neil Eckert	589,473	–	589,473	142.50p	10/09/01	09/09/08
	525,000	–	525,000	80.25p	06/12/02	05/12/09
Andrew Holland	300,000	–	300,000	80.25p	06/12/02	05/12/09
Matthew Scales	–	300,000	300,000	66.00p	24/05/03	23/05/10
Andrew Shone	150,000	–	150,000	80.25p	06/12/02	05/12/09
Jo Welman	210,526	–	210,526	142.50p	10/09/01	09/09/08
	300,000	–	300,000	80.25p	06/12/02	05/12/09

The LTIP:

	As at 31 December 1999	No. of plan shares allocated in period	As at 31 December 2000	Value at date of grant	Allocation date	Vesting date
Simon Clapham	93,855	–	93,855	£75,000	06/12/99	31/12/02
Dane Douetil	–	102,500	102,500	£69,700	24/05/00	31/12/03
Neil Eckert	187,708	–	187,708	£150,000	06/12/99	31/12/02
Andrew Holland	125,139	–	125,139	£100,000	06/12/99	31/12/02
Matthew Scales	–	136,667	136,667	£92,934	25/05/00	31/12/03
Andrew Shone	93,855	–	93,855	£75,000	06/12/99	31/12/02
Jo Welman	93,855	–	93,855	£75,000	06/12/99	31/12/02

In addition there are the two Wren option schemes under which directors and employees have been granted options. All participants in these schemes accepted the rollover terms of the company following its acquisition of Wren Limited. However, it is not expected that there will be any further options granted under these schemes. Details of the options granted under these schemes are set out below:

Wren Unapproved Share Option Scheme 1998:

	No. of options post roll-over	Grant date	Conversion date	Strike price post roll-over	Date from which exercisable	Expiry date
Simon Clapham	319,365	18/05/98	21/09/99	119p	22/12/00	17/05/08
Andrew Holland	223,555	18/05/98	21/09/99	119p	22/12/00	17/05/08

BIL Phantom Scheme:

Dane Douetil was granted 5% part of the 7.4% options available through this scheme on 30 July 1998. To date 3.5% of the options granted have vested and the remainder will vest (in even tranches) annually on 30 July, during the years 2001 to 2003. Matthew Scales was granted 0.6% part of the 7.4% options available through this scheme on 30 July 1998 and this is fully vested.

Don McCrickard, Chairman of the Remuneration Committee

24 April 2001

Consolidated Profit and Loss Account

Technical Account – General Business

For the year ended 31 December 2000

		Year ended 31 December 2000	Nine months ended 31 December 1999 (restated)
	Notes	£'000	£'000
Earned premiums, net of reinsurance:			
Gross premiums written		249,015	100,045
Outward reinsurance premiums		(67,645)	(18,793)
Net premiums written		181,370	81,252
Change in the provision for unearned premiums		(38,533)	4,403
Change in the provision for unearned premiums, reinsurers' share		7,398	(4,238)
		150,235	81,417
Allocated investment return transferred from the non-technical account	4	17,982	11,130
Claims paid:			
Gross amount	1	(146,055)	(63,245)
Reinsurers' share		77,278	25,646
		(68,777)	(37,599)
Change in the provisions for claims:			
Gross amount	1	(56,334)	(104,200)
Reinsurers' share		5,019	52,490
		(51,315)	(51,710)
Claims incurred, net of reinsurance	2	(120,092)	(89,309)
Change in other technical provisions		(1,247)	1,630
Net operating expenses	3	(44,046)	(19,089)
Balance transferred to the non-technical account		2,832	(14,221)

Consolidated Profit and Loss Account

Non-Technical Account

For the year ended 31 December 2000

	Notes	Year ended 31 December 2000			Nine months ended 31 December 1999 (restated)		
		Discontinued operations £'000	Continuing operations £'000	All operations £'000	Discontinued operations £'000	Continuing operations £'000	All operations £'000
Balance on technical account for general business		-	2,832	2,832	-	(14,221)	(14,221)
Net investment return	4	65	23,947	24,012	6	(1,782)	(1,776)
Allocated investment return transferred to the general business technical account		-	(17,982)	(17,982)	-	(11,130)	(11,130)
Fees and commissions	5	1,133	4,202	5,335	329	1,495	1,824
Other income	6	25	3,214	3,239	-	3,600	3,600
Other expenses	7	(1,843)	(12,675)	(14,518)	(1,531)	(4,121)	(5,652)
Operating profit/(loss)		(620)	3,538	2,918	(1,196)	(26,159)	(27,355)
Share of operating loss in associated undertakings	15			(1,415)			-
Profit/(loss) on ordinary activities before tax				1,503			(27,355)
Tax on profit/(loss) on ordinary activities	10			(843)			10,472
Profit/(loss) on ordinary activities after tax				660			(16,883)
Dividends	11			(7,429)			(7,115)
Transfer from reserves				(6,769)			(23,998)
Operating profit/(loss) based on long-term rate of investment return				9,774			(32,251)
Short-term fluctuations in investment return				(6,856)			4,896
Operating profit/(loss)				2,918			(27,355)
Basic earnings per share (pence per share)	13			0.28p			(8.93)p
Diluted earnings per share (pence per share)	13			0.27p			(8.62)p
Group Statement of Total Recognised Gains and Losses							
Transfer from reserves				(6,769)			(23,998)
Total recognised gains and losses relating to the year/period				(6,769)			(23,998)
Prior year adjustment	23			(1,759)			-
Total gains and losses recognised since the last annual report				(8,528)			(23,998)

The inclusion of unrealised gains and losses in the profit and loss account to reflect the marking to market of investments in the balance sheet is deemed not to be a departure from the unmodified historical cost basis of accounting. Accordingly a separate note of historical cost profits and losses is not given.

Consolidated Balance Sheet

As at 31 December 2000

	Notes	As at 31 December 2000			As at 31 December 1999 (restated)		
		Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Intangible assets:							
Syndicate participations		2,183	–	2,183	4,670	–	4,670
Goodwill		18,938	–	18,938	17,964	–	17,964
	14	21,121	–	21,121	22,634	–	22,634
Investments:							
Financial investments	15	297,290	150,401	447,691	328,952	159,596	488,548
Investments in associated undertakings	15	10,282	–	10,282	–	–	–
Deposits with ceding undertakings		–	184	184	–	195	195
		307,572	150,585	458,157	328,952	159,791	488,743
Reinsurers' share of technical provisions:							
Provisions for unearned premiums		172	7,345	7,517	–	1,971	1,971
Claims outstanding		58,911	116,222	175,133	65,867	121,866	187,733
		59,083	123,567	182,650	65,867	123,837	189,704
Debtors:							
Arising out of direct insurance operations		1,296	49,192	50,488	–	46,989	46,989
Arising out of reinsurance operations		8,309	128,867	137,176	5,010	139,468	144,478
Other	16	6,967	9,566	16,533	5,038	11,186	16,224
		16,572	187,625	204,197	10,048	197,643	207,691
Other Assets:							
Tangible assets	17	3,921	–	3,921	1,479	–	1,479
Cash at bank and in hand		30,724	35,028	65,752	25,539	17,140	42,679
Own shares	18	1,021	–	1,021	827	–	827
Other		–	10,849	10,849	–	9,183	9,183
		35,666	45,877	81,543	27,845	26,323	54,168
Prepayments and accrued income	19	20,158	10,843	31,001	23,338	4,374	27,712
Total assets		460,172	518,497	978,669	478,684	511,968	990,652

	As at 31 December 2000			As at 31 December 1999 (restated)			
	Notes	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Capital and reserves:							
Called up share capital	22	59,468	–	59,468	59,510	–	59,510
Contingent share capital	22	5,291	–	5,291	5,291	–	5,291
Share premium	23	184,899	–	184,899	184,899	–	184,899
Capital redemption reserve	23	586	–	586	544	–	544
Profit and loss reserve	23	(2,825)	–	(2,825)	4,074	–	4,074
Equity shareholders' funds		247,419	–	247,419	254,318	–	254,318
Technical provisions:							
Provision for unearned premiums		9,739	41,662	51,401	3,495	17,813	21,308
Claims outstanding - gross		86,988	447,689	534,677	92,917	487,443	580,360
Equalisation provision		2,782	–	2,782	1,169	–	1,169
Provision for losses foreseen on open years		–	25,043	25,043	–	32,908	32,908
Other technical provisions		(4,925)	–	(4,925)	(4,264)	–	(4,264)
		94,584	514,394	608,978	93,317	538,164	631,481
Provisions for other risks and charges:							
Other provisions		1,513	–	1,513	1,190	–	1,190
	21	1,513	–	1,513	1,190	–	1,190
Creditors: Amounts falling due within one year							
Arising out of direct insurance operations		–	6,285	6,285	–	5,830	5,830
Arising out of reinsurance operations		12,288	30,490	42,778	4,234	13,850	18,084
Other creditors	20	78,388	(34,208)	44,180	121,926	(46,798)	75,128
		90,676	2,567	93,243	126,160	(27,118)	99,042
Creditors: Amounts falling due after more than one year							
Other creditors	20	24,000	–	24,000	–	–	–
Accruals and deferred income		1,980	1,536	3,516	3,699	922	4,621
Total liabilities		460,172	518,497	978,669	478,684	511,968	990,652

Balance Sheet of the Company

As at 31 December 2000

		31 December 2000	31 December 1999 (restated)
	Notes	£'000	£'000
Fixed asset investments:			
Investments in subsidiary undertakings	15	187,829	141,320
Investments in associated undertakings	15	9,671	–
Other investments	15	61,832	95,008
Own shares	18	820	625
		260,152	236,953
Current assets:			
Debtors	16	19,068	77,057
Prepayments and accrued income	19	4,880	10,845
Cash at bank		9,870	3,724
		33,818	91,626
Creditors: Amounts falling due within one year			
Other creditors	20	(6,548)	(63,689)
Accruals and deferred income		(318)	(1,496)
Current liabilities		(6,866)	(65,185)
Net current assets		26,952	26,441
Total assets less current liabilities		287,104	263,394
Creditors: Amounts falling due after more than one year	20	(24,000)	–
Net assets		263,104	263,394
Capital and reserves:			
Called-up share capital	22	59,468	59,510
Contingent share capital	22	5,291	5,291
Share premium	23	184,899	184,899
Capital redemption reserve	23	586	544
Profit and loss reserve	23	12,860	13,150
Total shareholders' funds		263,104	263,394

The financial statements on pages 32 to 73 were approved by the Board of Directors on 24 April 2001 and were signed on its behalf by

Jo Welman, Chairman

Matthew Scales, Finance Director

Consolidated Cash Flow Statement

For the year ended 31 December 2000

	Notes	Year ended 31 December 2000 £'000	Nine months ended 31 December 1999 (restated) £'000
Net cash inflow from operating activities	27	8,798	16,631
Returns on investment and servicing of finance:			
Interest paid		(3,534)	(2,226)
Taxation:			
Corporation tax recovered/(paid)		872	(12,960)
Capital expenditure:			
Purchase of syndicate capacity		(554)	(2,197)
Purchase of tangible fixed assets		(3,626)	(127)
Proceeds from disposal of syndicate capacity		4,517	4,558
Proceeds from disposal of tangible fixed assets		91	81
		428	2,315
Acquisitions and disposals:			
Acquisition of Wren Limited		–	(3,737)
Net cash acquired with Wren Limited		–	8,682
Acquisition of BRiT Insurance Limited		–	(1,157)
Acquisition of associated undertaking		(6,447)	–
Net cash acquired with BRiT Insurance Limited		–	2,623
Acquisition of own shares for Long Term Incentive Plan		(194)	(625)
Loan to associated undertaking		(1,601)	–
		(8,242)	5,786
Equity dividends:			
Equity dividends paid		(9,496)	(5,238)
Financing:			
(Increase)/decrease in bank loans		(20,415)	2,000
Buy back of own shares		(130)	(1,744)
		(20,545)	256
(Decrease)/increase in cash in the year/period		(31,719)	4,564
Cash flows were invested as follows:			
Increase in cash holdings	28	5,177	2,716
Net portfolio investments:			
Deposits with credit institutions	30	15,604	5,436
Fixed income investments	30	(7,406)	3,084
Shares	30	(45,094)	(6,672)
(Decrease)/increase in cash in the year/period		(31,719)	4,564

The consolidated cashflow statement excludes syndicate cashflows and cash held within Lloyd's premium trust funds on behalf of the Group's underwriting subsidiaries.

Basis of Preparation of Financial Statements and Accounting Policies

For the year ended 31 December 2000

I BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified by the revaluation of investments.

The financial statements of the Group have been prepared in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in November 1998 (the "ABI SORP") have been adopted.

The balance sheet of the Company has been prepared in accordance with Schedule 4 to the Companies Act 1985. No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, together with the Group's participation in the Lloyd's syndicates' assets, liabilities, revenues and expenses for the year ended 31 December 2000. In the Group accounts, associated undertakings are accounted for on the equity basis from the date the directors deem that the Group exercises a significant influence over the company.

Changes in accounting policies

The financial statements for the period ended 31 December 1999 included the Group's share of the results from syndicates at Lloyd's, on which the Group's corporate member subsidiaries participated, on a three year funded basis. This has been changed such that the Group's share of the results from the syndicates managed by the Group is accounted for on an annual basis. At the same time, profit commission arising in respect of these syndicates is also accounted for on an annual basis.

Purchased capacity in respect of managed syndicates is now amortised over three years from the date the underwriting results are first recognised in the technical account.

The investment return is reported initially in the non-technical account. An allocation of net investment return is made from the non-technical account to the general business technical account, based on the long-term rate of investment return, on funds supporting underwriting business.

II ACCOUNTING POLICIES

1 Underwriting Transactions

(a) Managed syndicates and BRiT Insurance Limited

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 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.
- (ii) Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.
- (iii) Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.
- (iv) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from prior years. Where applicable deductions are made for salvage and other recoveries.
- (v) Claims outstanding represent the 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 yet reported, less any amounts paid in respect of those claims. Claims outstanding are reduced by anticipated salvage and other recoveries.
- (vi) Unexpired risks provision: Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated having regard to events that have occurred up to the balance sheet date.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

- (vii) Equalisation provisions (BRiT Insurance Limited): Amounts are set aside in accordance with the requirements of the Insurance Companies (Reserves) Regulations 1996 for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 9A to the Companies Act 1985 to be included within technical provisions.

Basis of Preparation of Financial Statements and Accounting Policies

Continued

For the year ended 31 December 2000

(b) Non-Managed Syndicates

(i) Basis of information for underwriting results

For each syndicate on which the Group participates, the Group's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Consolidated Technical Account. Similarly, its proportion of the syndicates' assets and liabilities has been reflected in its Consolidated Balance Sheet (under the column headed 'Syndicate'). Syndicate assets are held subject to trust deeds for the benefit of the Group's insurance creditors.

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

The managing agents of the syndicates on which the Group participates are responsible for determining the insurance transactions to be recognised by the Group. 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 relevant subsidiaries.

The financial information used to compile the Consolidated Technical Account and the Syndicate column of the Consolidated Balance Sheet is based on returns prepared for this purpose by the managing agents of the syndicates ('the Returns'). These Returns have been audited 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 Companies Act 1985.

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 the Group's corporate members' results. The Returns cover the 12 months to 31 December 2000 with the comparative period including the Returns for the 12 months to 31 December 1999. No adjustment has been made to the Returns to reflect the fact that the Group's comparative accounting period for the nine months to 31 December 1999 was not the same period as covered by the Returns.

The balance sheet includes the Group's share of assets and liabilities of the Lloyd's syndicates on which the Group's corporate member subsidiaries participated.

(ii) 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 Group to make reliable estimates of the necessary technical provision on an annual basis of accounting. Under the three year funded basis followed by the Group, 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. Profit is only recognised if a syndicate has been able to effect a reinsurance to close (see (vi) 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.

(iii) Premiums

Premiums written are stated gross of commission payable to intermediaries but exclude insurance premium tax. They relate to business incepting during the twelve months to 31 December, together with any adjustments for premiums relating to the prior year. Premiums also include estimates for pipeline premiums.

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

Premiums written by a syndicate may also include the reinsurance of other syndicates on which the Group participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this inter-syndicate reinsurance as there is insufficient information available.

(iv) Claims incurred

Claims incurred include the costs of claims handling expenses, but are net of recoverable amounts arising out of subrogation or salvage. Claims incurred comprise amounts paid or provided in respect of claims occurring during the twelve months to 31 December together with the amount by which settlement or reassessment of claims from prior 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 (vi) below.

(v) Provision for claims

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. This additional provision is determined by the directors.

In deciding whether any such additional provision is necessary, the syndicate participation for each year has been considered in aggregate as each year's Lloyd's underwriting is managed together.

(vi) Reinsurance to close

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

Where the Group has increased or decreased its participation from one year of account to the next, the difference between the reinsurance to close received and the reinsurance to close paid is shown in the technical account as either gross premiums written or reinsurance premiums payable as appropriate.

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.

Basis of Preparation of Financial Statements and Accounting Policies

Continued

For the year ended 31 December 2000

(c) Investments

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

(i) Investment return

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 investment return is accounted for in the non-technical account. An allocation is made from the non-technical account to the general business technical account to reflect the long-term investment return on funds supporting underwriting business. The long-term investment return is an estimate of the long-term investment return for the BRiT Insurance Holdings PLC Group and the managed and non managed syndicates having regard to past performance, current trends and future expectations.

(ii) 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.

(d) Net operating expenses

Operating expenses have been charged in the year in which they were incurred. These include the Group's share of syndicate operating expenses, the remuneration payable to managing agents and the direct costs of membership of Lloyd's.

(e) Foreign currencies

Transactions in foreign currencies other than sterling, Euros, United States dollars and Canadian dollars are converted 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 converted at the rate of exchange ruling at 31 December of each year. Exchange differences arising on conversion are dealt with in the technical account.

2 Other Accounting Policies

(a) Investments

The values of financial investments are stated in the financial statements on the following basis:

- (i) Listed investments are stated at closing middle market prices on recognised stock exchanges.
- (ii) Unlisted investments and subsidiary undertakings are stated at cost or directors' valuation.

(b) Goodwill

Goodwill arising on the acquisition of companies or businesses is capitalised and amortised on a straight line basis over the period which, in the directors' opinion, is its useful economic life. For all acquisitions up to 31 December 2000, the Directors' estimate of the useful economic life of the goodwill arising is ten years.

(c) Syndicate participation rights

Where the Group has purchased the right to participate on managed syndicates, the cost is capitalised and amortised in equal annual instalments over three years. Amortisation commences from the date the underwriting results are first recognised in the technical account.

Where the Group has purchased the right to participate on non-managed syndicates, the cost is capitalised and amortised in equal annual instalments over three years. Amortisation commences at the beginning of the third year from the start of the Group's first underwriting year on the syndicate.

If, at any time, the directors become aware of a permanent diminution in the value of the Group's right to participate on a syndicate, the asset will be written down accordingly. If a syndicate participation is sold any related costs are offset against the disposal proceeds and any gain or loss is taken to the Non-Technical Profit and Loss Account in the same accounting period.

(d) Taxation

Items of income/gain and expenditure/loss are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation, except for the following:

The Group 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 non-managed syndicate results included in these financial statements (excluding any additional provisions made by directors) relate to the 1998 Year of Account and have been declared for tax purposes in the calendar year 2001. The managed syndicate results included in these financial statements relate to the annually accounted result for the 2000 calendar year. These will be declared for tax purposes in the years following the closure of the relevant Years of Account contributing to the annually accounted result.

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 Group as a result of Inland Revenue agreement of the taxable results of individual syndicates will be reflected in the financial statements of subsequent periods.

(e) 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. Another such timing difference is that between when unrealised investment gains and losses are reported for accounting purposes and when they are declared for tax purposes.

Basis of Preparation of Financial Statements and Accounting Policies

Continued

For the year ended 31 December 2000

(f) Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is calculated so as to write off the cost over their estimated useful economic lives on a straight line basis as follows:

Freehold property	2% per annum
Office refurbishment costs, computers (except personal computers and visual display units), office machinery, furniture and equipment	20% per annum
Motor vehicles and visual display units	25% per annum
Personal computers	33% per annum

(g) Own shares

Own shares held as assets are stated at the lower of cost and market valuation.

(h) Investment income and expenses

Dividends and interest on listed investments (and any related tax credits) are taken into account by reference to the date the security becomes 'ex-dividend'. Dividends and interest on investments in unlisted shares and securities (and any related tax credits) are taken into account when it is reasonably certain that they are receivable.

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years which have been realised during the year and are reported as realised gains and losses in the current profit and loss account.

(i) Profit commissions

Profit commissions arising from managed syndicates are recognised as earned on an annual basis to match the related underwriting profits. Profit commissions are receivable when the relevant Lloyd's year of account closes, normally after three years.

(j) Agency fees

Agency fees are recognised in the period to which the fee relates.

(k) Other income

Other income includes:

- gains made on disposal of syndicate participation rights (net of related costs).
- amounts charged to managed syndicates in respect of depreciation arising on fixed assets used by those syndicates.

(l) Expenses

All expenses are accounted for on an accruals basis. Expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of the investment.

Profits arising in Marham Consortium Management Limited, which are due to a Wren managed syndicate, are charged as an expense to the Group.

Depreciation is calculated so as to write off the value of freehold buildings and cost of other tangible fixed assets over their estimated useful economic lives on a straight line basis.

(m) Pension costs

For BRiT Group Services Limited employees, the Group operates a defined benefit pension scheme with pension benefits funded over employees' periods of service. Contributions are based on the recommendation of the actuary following the valuation of the fund and are charged to the profit and loss account as incurred.

For BRiT Insurance Limited employees, the Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period to which they relate.

(n) Leased assets

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to enter into an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

(o) Foreign currencies

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to the Financial Statements

Continued

1 Segmental Information

(i) Underwriting

	Year ended 31 December 2000				
	Gross	Gross	Gross	Reinsurance	Result*
	Premiums	Claims	Operating	Balance	
	Written	Incurred	Expenses		
£'000	£'000	£'000	£'000		
Direct Business:					
Accident & Health	4,276	(4,425)	(514)	384	(279)
Motor – third party liability	45,602	(22,153)	(8,099)	(2,045)	13,305
Motor – other classes	9,018	(8,022)	(1,964)	(1,445)	(2,413)
Marine, Aviation & Transport	25,719	(17,126)	(4,564)	(4,752)	(723)
Fire and other Damage to Property	20,235	(18,106)	(4,041)	1,879	(33)
Third Party Liability	28,904	(23,514)	(6,253)	(387)	(1,250)
Credit and Suretyship	4,326	(1,312)	(442)	77	2,649
Legal Expenses	259	(211)	(50)	19	17
Assistance	74	(47)	(19)	(19)	(11)
Other	6,578	(2,191)	(1,269)	(1,159)	1,959
Total Direct	144,991	(97,107)	(27,215)	(7,448)	13,221
Reinsurance Business:					
Reinsurance acceptances	95,161	(89,634)	(16,663)	20,166	9,030
Reinsurance to Close	8,863	(15,648)	(195)	1,960	(5,020)
Total Reinsurance	104,024	(105,282)	(16,858)	22,126	4,010
Total	249,015	(202,389)	(44,073)	14,678	17,231

* This result is before the change in provision for unearned premiums (gross and reinsurers' share), investment return and change in other technical provisions. Included in gross claims incurred is total reinsurance to close payable of £57,006,341.

Nine month period ended 31 December 1999 (restated)					
	Gross Premiums Written	Gross Claims Incurred	Gross Operating Expenses	Reinsurance Balance	Result*
	£'000	£'000	£'000	£'000	£'000
Direct Business:					
Accident & Health	2,121	(1,810)	(754)	2,219	1,776
Motor – third party liability	7,856	(4,756)	(2,371)	1,635	2,364
Motor – other classes	8,116	(10,681)	(2,049)	798	(3,816)
Marine, Aviation & Transport	7,105	(13,302)	(2,467)	7,569	(1,095)
Fire and other Damage to Property	10,561	(14,011)	(3,007)	8,634	2,177
Third Party Liability	13,633	(18,862)	(4,096)	7,027	(2,298)
Credit and Suretyship	833	(1,406)	(243)	723	(93)
Legal Expenses	47	(211)	(14)	35	(143)
Assistance	–	–	–	–	–
Other	1,188	(2,334)	(361)	5,066	3,559
Total Direct	51,460	(67,373)	(15,362)	33,706	2,431
Reinsurance Business:					
Reinsurance acceptances	13,797	(53,727)	(4,346)	26,256	(18,020)
Reinsurance to Close	34,788	(46,345)	–	–	(11,557)
Total Reinsurance	48,585	(100,072)	(4,346)	26,256	(29,577)
Total	100,045	(167,445)	(19,708)	59,962	(27,146)

* This result is before the change in provision for unearned premiums (gross and reinsurers' share), investment return and change in other technical provisions.
Included in gross claims incurred is total reinsurance to close payable of £62,508,726.

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Gross premiums in respect of direct business written in:		
United Kingdom	115,197	45,694
Other EU Member States	5,507	1,053
Rest of World	24,287	4,713
	144,991	51,460

Notes to the Financial Statements

Continued

(ii) Technical account

	Year ended 31 December 2000				Nine months ended 31 December 1999 (restated)			
	Managed syndicates	Non- managed syndicates	Insurance company	Total	Managed syndicates	Non- managed syndicates	Insurance company*	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross premiums written	128,893	82,103	38,019	249,015	15,929	80,661	3,455	100,045
Net premiums written	94,103	62,340	24,927	181,370	14,194	64,931	2,127	81,252
Net earned premiums	69,017	62,340	18,878	150,235	14,783	64,931	1,703	81,417
Net claims incurred	(52,209)	(56,887)	(10,996)	(120,092)	(18,903)	(67,118)	(3,288)	(89,309)
Change in equalisation provision	-	-	(1,612)	(1,612)	-	-	1,233	1,233
Changes in other technical provisions, net of reinsurance	-	-	365	365	-	-	397	397
Net operating expenses	(23,710)	(15,918)	(5,826)	(45,454)	(5,370)	(13,751)	(377)	(19,498)
Net investment return on technical funds at the long-term rate	1,956	2,619	1,507	6,082	829	3,196	126	4,151
Technical profit/(loss)	(4,946)	(7,846)	2,316	(10,476)	(8,661)	(12,742)	(206)	(21,609)
Claims ratio	75.6%	91.3%	56.3%	79.7%	127.9%	103.4%	169.8%	109.2%
Expense ratio	25.2%	25.5%	23.4%	25.1%	37.8%	21.2%	17.7%	24.0%
Combined ratio	100.8%	116.8%	79.7%	104.8%	165.7%	124.6%	187.5%	133.2%

*The insurance company figures are in respect of the period 16 November 1999 to 31 December 1999.

The claims ratio is calculated as follows: net claims incurred and changes in other technical provisions/net earned premiums.

The expense ratio is calculated as follows: net operating expenses/net premiums written.

Reconciliation to Group technical results:

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Technical loss per above	(10,476)	(21,609)
Net investment return on Group underwriting capital at the long-term rate	11,900	6,979
Consolidation adjustments	1,408	409
Technical profit/(loss) for the Group	2,832	(14,221)

(iii) Corporate

Profit/(loss) before taxation is derived from the following business segments in the Group:

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Underwriting at Lloyd's, including investment return	(2,134)	(25,937)
BRiT Insurance Limited	6,243	94
Agencies – continuing operations	688	1,045
Agencies – discontinued operations	(620)	(1,196)
Associated undertakings	(1,415)	–
Central costs / consolidation adjustments	(1,259)	(1,341)
Profit/(loss) before tax	1,503	(27,335)

Consolidation adjustments related to intra-group transactions which are eliminated on consolidation.

Net assets:

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Underwriting at Lloyd's, including investments	188,758	188,297
BRiT Insurance Limited	57,144	55,574
Agencies	5,952	5,974
Share of net liabilities of associated undertakings	(1,577)	–
Other adjustments	(2,858)	4,473
Total net assets	247,419	254,318

Notes to the Financial Statements

Continued

2 Claims incurred, net of reinsurance

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Gross		
<i>Lloyd's:</i>		
1997 Year of Account	696	12,006
1998 Year of Account	16,220	87,962
1999 Year of Account	35,490	50,136
2000 Year of Account	108,138	–
<i>BRIT Insurance Limited</i>	41,845	17,341
	202,389	167,445
Reinsurance		
<i>Lloyd's:</i>		
1997 Year of Account	(96)	(7,707)
1998 Year of Account	(10,486)	(39,963)
1999 Year of Account	(16,057)	(16,413)
2000 Year of Account	(24,809)	–
<i>BRIT Insurance Limited</i>	(30,849)	(14,053)
	(82,297)	(78,136)
Net claims incurred	120,092	89,309
3 Net Operating Expenses		
	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Acquisition costs	30,003	13,471
Administrative expenses	13,592	5,905
Profit exchange	(2,780)	(2,321)
Names' personal expenses on Lloyd's syndicates	3,231	2,034
	44,046	19,089

4 Investment return

(i) Investment return - The total investment return before taxation comprises:

	31 December 2000	31 December 1999 (Restated)
	£'000	£'000
Investment return on funds at Lloyd's and other corporate funds:		
Investment income - continuing operations	9,228	9,157
Investment income - discontinued operations	65	6
Unrealised gains/(losses) on investments	2,025	(8,922)
Realised gains/(losses) on investments	4,978	(1,316)
Interest payable	(3,534)	(2,226)
Investment management expenses	(1,347)	(2,069)
	11,415	(5,370)
Investment return on syndicate funds:		
Investment income	6,438	5,093
Realised gains/(losses) on investments	613	(1,831)
Investment management expenses	(56)	(78)
	6,995	3,184
Investment return on insurance company funds:		
Investment income	5,494	496
Unrealised gains on investments	170	11
Realised gains/(losses) on investments	124	(29)
Investment management expenses	(186)	(68)
	5,602	410
Total investment return	24,012	(1,776)

Notes to the Financial Statements

Continued

(ii) Investment return - The long-term investment return

The transfer to the technical account represents the estimated long-term rate of return applied to the Group's share of investment assets supporting the insurance business of BRiT Insurance Limited and Lloyd's Syndicates, together with Funds at Lloyd's. The long-term rates of return were based on the historical asset performance, current and prospective bond yields and the estimated risk premium for holding equity investments. For the investment assets of BRiT Insurance Limited and the funds at Lloyd's, separate rates were established and applied to the average bond and equity components of the underwriting investment assets. For the syndicate investments, a single weighted rate was applied to all categories of investment.

The long-term rates of return used were:

BRiT Insurance Limited and Funds at Lloyd's:

Equities	8.0%
Fixed interest	6.0%
Cash	4.0%

Syndicate investments 5.5%

5 Fees and commission

	31 December 2000			31 December 1999 (restated)		
	Discontinued operations	Continuing operations	All operations	Discontinued operations	Continuing operations	All operations
	£'000	£'000	£'000	£'000	£'000	£'000
Managing and members' agents' fees	1,133	887	2,020	329	327	656
Marham Consortium management fees and profit commission	–	1,941	1,941	–	583	583
Broking commission earned	–	1,374	1,374	–	585	585
	1,133	4,202	5,335	329	1,495	1,824

6 Other income

	31 December 2000			31 December 1999 (restated)		
	Discontinued operations	Continuing operations	All operations	Discontinued operations	Continuing operations	All operations
	£'000	£'000	£'000	£'000	£'000	£'000
Profit on disposal of syndicate participations	–	2,438	2,438	–	3,411	3,411
Income from syndicates (use of assets)	–	381	381	–	164	164
Other income	25	395	420	–	25	25
	25	3,214	3,239	–	3,600	3,600

7 Other expenses

	31 December 2000			31 December 1999 (restated)		
	Discontinued operations	Continuing operations	All operations	Discontinued operations	Continuing operations	All operations
	£'000	£'000	£'000	£'000	£'000	£'000
Other expenses include:						
Amortisation of goodwill	–	1,884	1,884	–	744	744
Depreciation of tangible fixed assets	–	1,128	1,128	–	311	311
Profit on sale of fixed assets	–	(52)	(52)	–	(57)	(57)
Operating lease rentals – land and buildings	12	604	616	35	315	350
Consortium profits due to managed syndicate	–	803	803	–	171	171
Auditors' remuneration in respect of audit services:						
Mazars Neville Russell	10	222	232	8	162	170
Other auditors	–	8	8	–	10	10
Auditors' remuneration in respect of non-audit services:						
Mazars Neville Russell	9	131	140	2	359	361
Other auditors	–	–	–	–	16	16

Notes to the Financial Statements

Continued

8 Staff costs

	31 December 2000			31 December 1999 (restated)		
	Discontinued operations	Continuing operations	All operations	Discontinued operations	Continuing operations	All operations
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries (including profit commission)	767	11,879	12,646	131	4,296	4,427
Social security costs	65	1,132	1,197	11	339	350
Other pension costs	98	1,507	1,605	23	553	576
	930	14,518	15,448	165	5,188	5,353

The employment costs of certain of these employees (which include the directors) are charged to the Lloyd's syndicates which are managed by the Group and are not included in the profit and loss account.

The average number of employees, including executive directors during the period was as follows:

	31 December 2000			31 December 1999 (restated)		
	Discontinued operations	Continuing operations	All operations	Discontinued operations	Continuing operations	All operations
	No.	No.	No.	No.	No.	No.
Management	–	13	13	–	6	6
Administration	14	81	95	5	45	50
Syndicates	–	229	229	–	124	124
	14	323	337	5	175	180

9 Directors' Emoluments

Details, for each director, of remuneration, pension entitlements and interests in share options are set out on pages 27 to 31.

10 Taxation

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
The charge for taxation comprises:		
Current taxation:		
UK corporation tax at 30%	(2,117)	3,839
Tax on franked investment income	–	748
Movement on deferred tax	1,175	(15,437)
Overseas tax	(599)	213
Over provision in respect of prior years	1,123	165
Share of associates' tax	(425)	–
	(843)	(10,472)

11 Dividends

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Interim dividend paid – 1.0p (1999: 1.0p)	2,370	2,373
Final dividend proposed – 2.1 p (1999: 2.0p)	5,059	4,742
	7,429	7,115

12 Result attributable to members of the parent company

The loss after dividends dealt with in the accounts of the parent company was £160,000. (1999: restated loss of £6,668,000).

As permitted by Section 230 (2) of the Companies Act 1985, no separate profit and loss account for the Company has been included in these financial statements.

13 Earnings per share

The calculation of basic earnings per share is based on profits of £660,000 (1999: restated loss of £16,883,000) and on 236,669,582 (1999: 188,982,911) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share is based on profits of £660,000 (1999: restated loss of £16,883,000) and on 244,823,911 (1999: 195,944,753) ordinary shares, calculated as follows:

	31 December 2000	31 December 1999 (restated)
	No.	No.
Basic weighted average number of shares	236,669,582	188,982,911
Contingently issuable shares	6,961,842	6,961,842
Dilutive potential ordinary shares:		
Employee share options	177,035	–
Convertible Unsecured Subordinate Loan Stock (see note 20)	1,015,452	–
Diluted weighted average number of shares	244,823,911	195,944,753

Notes to the Financial Statements

Continued

14 Intangible assets

	Syndicate participations £'000	Goodwill £'000	Total £'000
Cost:			
At 1 January 2000	5,347	18,708	24,055
Additions	554	–	554
Disposals	(2,079)	–	(2,079)
Adjustment to goodwill acquired with Wren Limited	–	2,858	2,858
At 31 December 2000	3,822	21,566	25,388
Amortisation:			
At 1 January 2000	677	744	1,421
Charge for the period	962	1,884	2,846
At 31 December 2000	1,639	2,628	4,267
Net book value:			
At 31 December 2000	2,183	18,938	21,121
At 31 December 1999	4,670	17,964	22,634

On the acquisition of Wren Limited, the future results of the open years of account were treated as pre-acquisition. Due to the policy of three year reporting for Lloyd's business, any results relating to the open years of account will not be known until after the relevant year of account closes. In accordance with the provisions of FRS 10, the goodwill arising on the acquisition of Wren Limited has been revised and is based on management estimates of those results which reflect the latest information available regarding the fair value of identifiable assets and liabilities acquired.

Goodwill is being amortised as follows:

- Goodwill arising on the acquisition of Wren Limited and its subsidiaries is being amortised evenly over the directors' estimate of its useful economic life of ten years.
- Goodwill arising on the acquisition of BRiT Insurance Limited is being amortised evenly over the directors' estimate of its useful economic life of ten years.

15 Investments

(i) Investments – Corporate

Group:	Listed investments £'000	Unlisted investments £'000	Deposits* £'000	Total financial investments £'000
Cost at 1 January 2000	321,512	18,272	–	339,784
Opening unrealised depreciation	(6,988)	(3,844)	–	(10,832)
Reclassification of cost	(60,716)	–	60,716	–
Reclassification of opening unrealised depreciation	41	–	(41)	–
Value at 1 January 2000, as restated	253,849	14,428	60,675	328,952
Movements in the year:				
Purchases at cost	109,247	2,366	180,063	291,676
Sales – proceeds	(169,647)	(2,133)	(156,800)	(328,580)
– realised gains on sales	7,509	–	19	7,528
Reclassification of investments to investment in associated undertakings	–	(2,234)	–	(2,234)
Decrease in unrealised appreciation	(100)	(21)	69	(52)
Value at 31 December 2000	200,858	12,406	84,026	297,290
Cost at 31 December 2000	207,905	16,271	83,998	308,174
Closing unrealised depreciation	(7,047)	(3,865)	28	(10,884)
Value at 31 December 2000	200,858	12,406	84,026	297,290

* Deposits include Certificates of Deposit and Deposits with Credit Institutions.

If the investments held at 31 December 2000 had been sold at that date, there would have been no liability to tax.

Notes to the Financial Statements

Continued

Company:	Listed investments £'000	Unlisted investments £'000	Investments in subsidiaries £'000	Investments in associated undertakings £'000	Total financial investments £'000
Cost at 1 January 2000	103,114	16,783	141,320	–	261,217
Opening unrealised depreciation	(22,524)	(2,365)	–	–	(24,889)
Value at 1 January 2000	80,590	14,418	141,320	–	236,328
Movements in the year:					
Purchases at cost	1,117	846	–	7,437	9,400
Transfers from other group companies	–	–	46,509	–	46,509
Sales – proceeds	(40,628)	(2,123)	–	–	(42,751)
– realised gains on sales	3,694	–	–	–	3,694
Reclassification of investments to investment in associated undertakings	–	(2,234)	–	2,234	–
Increase/(decrease) in unrealised appreciation	7,653	(1,501)	–	–	6,152
Value at 31 December 2000	52,426	9,406	187,829	9,671	259,332
Cost at 31 December 2000	67,297	13,272	187,829	9,671	278,069
Closing unrealised depreciation	(14,871)	(3,866)	–	–	(18,737)
Value at 31 December 2000	52,426	9,406	187,829	9,671	259,332

If the investments held at 31 December 2000 had been sold at that date, there would have been no liability to tax.

Details of the subsidiaries and associates of the Company are set out in notes 15 (iii) and 15 (iv).

(ii) Investments – Syndicate participations

	Current value	
	31 December 2000 £'000	31 December 1999 (restated) £'000
Financial investments:		
Shares and other variable yield securities	9,679	7,588
Debt securities and other fixed interest securities	124,252	137,646
Participation in investment pools	1,783	2,218
Loans guaranteed by mortgage	1,269	1,625
Deposits with credit institutions	13,068	9,717
Other investments	350	802
	150,401	159,596

(iii) Investments – Investments in subsidiary undertakings

Details of the Company's subsidiaries are as follows:

Name of company	Nature of business	Proportion of ordinary shares held by the Company	Proportion of ordinary shares held by subsidiary
Wren Limited	Intermediate holding company	100%	
BRiT Insurance Limited	Reinsurance company	100%	
BRiT UW Limited	Lloyd's corporate member		100%
HCG Holdings Limited	Intermediate holding company	100%	
HCG Alpha Limited	Lloyd's corporate member		100%
HCG Bravo Limited	Lloyd's corporate member		100%
HCG Charlie Limited	Lloyd's corporate member		100%
HCG Delta Limited	Lloyd's corporate member		100%
HCG Echo Limited	Lloyd's corporate member		100%
HCG Foxtrot Limited	Lloyd's corporate member		100%
HCG Golf Limited	Dormant company		100%
HCG Hotel Limited	Dormant company		100%
BRiT Investment Company Limited	Dormant company	100%	
Benfield & Rea Investment Holdings Limited	Dormant company	100%	
Finsbury Underwriting Limited	Intermediate holding company		100%
FUIT Underwriting and Placings Limited	Dormant company		100%
FUIT One Limited	Lloyd's corporate member		100%
FUIT Two Limited	Lloyd's corporate member		100%
FUIT Three Limited	Lloyd's corporate member		100%
FUIT Four Limited	Lloyd's corporate member		100%
FUIT Five Limited	Lloyd's corporate member		100%
Wren Holdings Group PLC	Dormant company		100%
BRiT Group Services Limited	Intermediate holding company		100%
Wren Syndicates Management Limited	Lloyd's managing agent		100%
Wren Underwriting Agencies Limited	Lloyd's members' agent*		100%
Wren Lloyd's Advisers Limited	Non-trading company		100%
Wren Insurance Services Limited	Lloyd's syndicate support company		100%
Marham Consortium Management Limited	Lloyd's syndicate support company		100%
Wren Group Services Limited	Dormant company		100%
Wren Legal Expenses Limited	Dormant company		100%
Masthead Insurance Underwriting Limited	Intermediate holding company	100%	
Masthead A Limited	Lloyd's corporate member		100%
Masthead B Limited	Lloyd's corporate member		100%
Masthead C Limited	Lloyd's corporate member		100%
Masthead D Limited	Lloyd's corporate member		100%
Masthead E Limited	Lloyd's corporate member		100%

All companies are registered and operate in England.

On 31 October 2000, the Group completed the sale of Wren Capital Management Limited, an investment adviser company. The company was sold for £40,000 which was the value of the company's net assets.

* On 31 December 2000, Wren Underwriting Agencies Limited ceased to trade.

Notes to the Financial Statements

Continued

(iv) Investments - Investments in associated undertakings

Peoples Choice (Europe) Limited

On 27 September 2000, the Company's share of the ordinary share capital increased from 17.8% to 27.1%.

This was achieved by the Company increasing its holding of 'A' ordinary shares from 22.1% to 32.8%, while it continued to have no interest in the 'B' ordinary shares. The Company also increased its preference shareholding from 57.0% to 61.8% on this date. The cost of acquiring these additional ordinary and preference shares was £825,000 cash. At 31 December 2000, the total cost of the investment in Peoples Choice (Europe) Limited was £8,069,665. The company specialises in the provision of insurance services over the telephone and internet. The company's accounting date is 31 May and it is registered and operates in England.

On 21 February 2001, the Company increased its holding of 'A' ordinary shares to 99.6%, giving an overall share of the controlling share capital of 82.3%. On this date, the Company also increased its holding of preference shares to 96.2%.

City3k Limited

On 25 May 2000, the Company acquired 33.3% of the share capital of City3k Limited for £1,100,999 cash. The company provides e-commerce solutions to insurance and reinsurance trading. The company's accounting date is 31 May and it is registered and operates in England.

Harlequin Limited

The Company purchased 50% of the ordinary share capital of Harlequin Limited in 1998 for £500,000 cash.

During 1998 and 1999, the Company did not exercise control over or significantly influence its activities and therefore it was not equity accounted. From 1 January 2000, the directors no longer considered this to be the case and therefore it has been accounted for as an associated undertaking.

The company's principal activity is that of underwriting general insurance business. The company's accounting date is 31 December and it is registered and operates in Guernsey, Channel Islands.

The Group's share of the results and net assets of the associated undertakings is as follows:

Year ended 31 December 2000				
	Peoples Choice (Europe) Limited	City3k Limited	Harlequin Limited	Total
	£'000	£'000	£'000	£'000
Profit and loss account, Group share:				
Turnover	479	–	55	534
Profit/(loss) on ordinary activities before tax	(623)	(856)	64	(1,415)
Tax (charge)/credit on loss	187	257	(19)	425
Profit/(loss) on ordinary activities after tax	(436)	(599)	45	(990)
Balance sheet, Group share:				
Fixed assets	312	57	–	369
Current Assets	554	423	615	1,592
Other assets	657	–	–	657
Liabilities due within one year:				
– Loan from BRIT Insurance Holdings PLC	–	(534)	–	(534)
– Other	(500)	(205)	(51)	(756)
Liabilities due after one year	(2,905)	–	–	(2,905)
Net assets/(liabilities)	(1,882)	(259)	564	(1,577)

The carrying value of the associated undertakings is as follows:

Year ended 31 December 2000				
	Peoples Choice (Europe) Limited	City3k Limited	Harlequin Limited	Total
	£'000	£'000	£'000	£'000
Share of net assets/(liabilities)	(1,882)	(259)	564	(1,577)
Loans to associated undertakings	5,249	1,601	–	6,850
Goodwill arising on acquisition less amortisation	4,267	761	(19)	5,009
	7,634	2,103	545	10,282

It is the Group's policy to amortise goodwill over the directors' estimate of its useful economic life of ten years.

Notes to the Financial Statements

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(v) Investments – Significant interests in other companies

At 31 December 2000, the Company had holdings in the following companies where the holding exceeds 20% of any class of equity share capital of the company concerned:

Name of undertaking	Country of incorporation and registration	Class of capital	Percentage of class held	Latest available accounts	Aggregate capital and reserves £'000	Profit/(loss) after tax for the year £'000
Chaucer Holdings PLC	England	Ordinary	26.52%	31 Dec 1999	59,182	(310)
Chaucer Dedicated Limited	England	'C' shares	23.35%	31 Dec 1999	} (1,533)	} (3,485)
Chaucer Dedicated Limited	England	'D' shares	23.35%	31 Dec 1999		
Chaucer Dedicated Limited	England	'E' shares	23.35%	31 Dec 1999		
International Security Management Group Limited	England	Ordinary	43.80%	31 Dec 1999	685	(517)
Insurance Broadcast Systems Inc	USA	Ordinary	58.00%	31 Dec 1999	(915)	(1,069)
P I Direct Limited	England	'B' shares	50.00%	31 Aug 2000	46	(2)
P I Direct Limited	England	Preference	50.00%	31 Aug 2000	46	(2)

The Company does not exercise control over or significantly influence the activities of the above companies and therefore these holdings have not been equity accounted.

On 26 March 2001, the Company received 5,650,000 ordinary shares in Chaucer Holdings PLC in consideration for its entire holding in Chaucer Dedicated Limited. At this time the Company also subscribed for a further 4,967,023 ordinary shares in Chaucer Holdings PLC. These transactions increased the Company's shareholding to 26.76%.

On 2 April 2001, the Company entered into an agreement to acquire 6,944,000 ordinary shares in ebix.com Inc in exchange for 3,913,542 ordinary shares of Insurance Broadcast Systems Inc and US\$7,000,000 (£4,698,000) cash. After this transaction is completed, the Company will hold 37% of the ordinary shares in ebix.com Inc and 30% of the ordinary shares in Insurance Broadcast Systems Inc.

16 Debtors

Amounts due within one year:

	Group		Company	
	31 December 2000	31 December 1999 (restated)	31 December 2000	31 December 1999 (restated)
	£'000	£'000	£'000	£'000
Trade debtors	4,230	2,009	–	–
Amounts owed by managed syndicates	1,102	222	111	–
Amounts owed by group undertakings	–	–	13,837	75,053
Loans to associated undertakings	–	–	1,601	–
Future settlements	–	162	–	15
Tax recoverable	–	1,581	3,430	1,972
Other debtors	1,635	1,064	89	17
	6,967	5,038	19,068	77,057

17 Tangible Assets

The net book value of tangible assets is made up as follows:

	Freehold property	Office refurbishment	Computers and office machinery, furniture and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2000	509	401	6,470	564	7,944
Additions	–	1,437	2,164	25	3,626
Disposals	–	(319)	(1,519)	(267)	(2,105)
At 31 December 2000	509	1,519	7,115	322	9,465
Depreciation:					
At 1 January 2000	293	331	5,408	433	6,465
Charge for the period	9	251	781	87	1,128
Disposals	–	(319)	(1,495)	(235)	(2,049)
At 31 December 2000	302	263	4,694	285	5,544
Net book value:					
At 31 December 2000	207	1,256	2,421	37	3,921
At 31 December 1999	216	70	1,062	131	1,479

Notes to the Financial Statements

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18 Own Shares

In December 1999, the trustees of the director's Long Term Incentive Plan acquired BRiT Insurance Holdings PLC shares on behalf of certain employees, in accordance with the terms of that plan. Additional shares were purchased in May 2000. Details of the Long Term Incentive Plan are given on page 20.

In addition, BRiT Insurance Limited held 265,623 ordinary 25p shares of BRiT Insurance Holdings PLC. These were valued in the balance sheet of the Group at £201,873.

19 Prepayments and accrued income

	Group		Company	
	31 December 2000 £'000	31 December 1999 (restated) £'000	31 December 2000 £'000	31 December 1999 (restated) £'000
Accrued income:				
underwriting	974	2,503	–	–
profit commission	–	923	–	–
investment income	2,361	2,125	33	3,411
other	117	527	–	–
Deferred acquisition costs	542	324	–	–
Deferred tax asset	15,546	15,239	4,800	7,401
Prepayments	618	1,697	47	33
	20,158	23,338	4,880	10,845

The movement in deferred tax asset is represented by:

	1 January 2000 (restated) £'000	Movement £'000	31 December 2000 £'000
Declared underwriting losses	(2,112)	(4,193)	(6,305)
Provisions for future underwriting losses	(10,495)	3,934	(6,561)
Deferred tax on unrealised gains/(losses) on investments	(2,986)	146	(2,840)
Other timing differences	354	(194)	160
	(15,239)	(307)	(15,546)

In determining the deferred tax position, it has been assumed that group relief will be available between companies within the Group.

Unprovided deferred tax assets amounted to £7,262,000 at 31 December 2000 (1999: £5,794,000).

Of the £307,000 deferred tax movement, £1,175,000 has been credited to the profit and loss account and £868,000 relates to goodwill and prior year adjustments.

20 Other creditors

Amounts payable within one year:

	Group		Company	
	31 December 2000 £'000	31 December 1999 (restated) £'000	31 December 2000 £'000	31 December 1999 (restated) £'000
Convertible Unsecured Subordinate Loan Stock	1,500	–	1,500	–
Bank loans and overdrafts	85	44,500	–	44,500
Trade creditors	67,396	66,383	–	–
Amounts due to group companies	–	–	–	12,062
Amounts due to managed syndicates	–	968	–	–
UK Corporation tax	1,166	725	–	–
Other taxes and social security costs	739	413	–	–
Dividends payable	5,048	7,115	5,048	7,115
Other creditors	2,454	1,822	–	12
	78,388	121,926	6,548	63,689

On 26 June 2000, £1,500,000 of Convertible Unsecured Subordinate Loan Stock 2000 was issued. This loan stock attracted interest at 6%. In consideration, the Company received £1,500,000 Convertible Unsecured Subordinate Loan Stock in Peoples Choice (Europe) Limited.

On 27 September 2000, the loan stock in BRiT Insurance Holdings PLC with attaching interest was fully converted into 1,015,452 ordinary shares. These shares were issued on 16 February 2001.

Amounts payable after one year:

	Group		Company	
	31 December 2000 £'000	31 December 1999 (restated) £'000	31 December 2000 £'000	31 December 1999 (restated) £'000
Bank borrowings	24,000	–	24,000	–

At 31 December 1999, the Group had a loan with Bank Boston N.A. and ScotiaBank Europe Limited of £44,500,000. This loan was in accordance with the Facility Agreement dated 17 June 1999 between BRiT Insurance Holdings PLC and Bank Boston N.A. and ScotiaBank Europe Limited which provided a facility of £55,000,000. This loan matured on 11 January 2000 and £45,100,000 was drawn down until 4 February 2000 when the agreement was terminated. The interest rate payable on the loan was equal to LIBOR plus 1.5%. On 3 February 2000, the Group entered into a £60,000,000 facility with Barclays Bank PLC and National Westminster Bank PLC (Tranche A). £50,000,000 was drawn down on 4 February 2000. The interest rate payable on the loan is equal to LIBOR plus 1.0%. £26,000,000 of Tranche A was repaid by 31 December 2000.

On 26 January 2001, an additional £20,000,000 facility was entered into with Barclays Bank PLC and National Westminster Bank PLC (Tranche B), in order to provide additional share capital for BRiT Insurance Limited. The full amount was drawn down on 14 March 2001. The interest rate payable on Tranche B of the loan is equal to LIBOR plus 1.25% until 31 August 2001, thereafter LIBOR plus 1.75%.

Under the terms of both Tranche A and Tranche B of this facility, the lenders have a fixed and floating charge over certain investments owned by the Company.

Notes to the Financial Statements

Continued

21 Provisions for liabilities and charges

	Provision for lease shortfall	Provision for dilapidations	Provision for rent-free period	Provision for pensions and similar obligations	Group Total
	£'000	£'000	£'000	£'000	£'000
At 1 January 2000	738	250	187	15	1,190
Arising during the year	–	–	613	14	627
Utilised	(39)	–	–	(15)	(54)
Write-back of provisions no longer required	–	(250)	–	–	(250)
At 31 December 2000	699	–	800	14	1,513

The provision for lease shortfall is in respect of a property which is leased by Wren Underwriting Agencies Limited and sublet to third parties. Under the terms and conditions of the leases, the directors anticipate a loss arising over the period of the lease which has been recognised as a provision.

The provision for dilapidations related to the estimated potential dilapidation costs arising on the expiry of a property lease on 31 August 2000 in respect of office accommodation which the Group occupied until March 2000. This figure was arrived at after taking professional advice. The provision was released during the year following notification from the landlord that they do not intend to pursue any claims for dilapidations.

The provision for rent-free period relates to a lease agreement entered into in July 1999 which provides an 18 month rent-free period. The lease is being charged evenly to the profit and loss account up to the date of the first rent review, being five years after the lease agreement commenced.

The provision for pensions and similar obligations relates to the defined contribution scheme in operation for employees of BRiT Insurance Limited.

22 Share Capital

	31 December 2000	31 December 1999 (restated)	31 December 2000	31 December 1999 (restated)
	£'000	£'000	No. '000	No. '000

Authorised:

Ordinary shares of 25p each	78,750	78,750	315,000	315,000
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Allotted, issued and fully paid:

Ordinary shares of 25p each	59,468	59,510	237,870	238,040
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Number of 25p ordinary shares allotted, issued and fully paid:

	2000	1999 (restated)
	No.	No.
At 1 January/1 April	238,040,287	149,614,871
Number of shares issued in respect of the acquisition of Wren Limited	–	60,120,618
Number of shares issued in respect of the acquisition of BRiT Insurance Limited	–	30,479,798
Number of shares acquired under share buy-back scheme	(170,000)	(2,175,000)
At 31 December	237,870,287	238,040,287

In addition, there is a contingent share capital of £5,291,000 representing ordinary shares to be issued to Lennoxhurst Limited in relation to the acquisition of BRiT Insurance Limited on 16 November 1999 (see note 23).

On 16 February 2001 the Company issued 1,015,452 ordinary shares in connection with the conversion of a loan note (see note 20).

On 16 February 2001 the Company issued 2,025,000 ordinary shares in exchange for £4,950,000 Loan Notes in Peoples Choice (Europe) Limited.

Options were granted during the year as indicated below. Outstanding options over shares in the Company at 31 December 2000 were as follows:

	Date of grant	Subscription price per 25p share (pence)	Number of employees including directors	Number of shares
1998 BRiT Approved Executive Share Option Scheme	06.12.99	80.25	5	155,762*
	08.06.00	77.50	1	38,710
	20.11.00	74.00	9	162,162
1998 BRiT Unapproved Executive Share Option Scheme	10.09.98	142.50	2	799,999
	06.12.99	80.25	8	2,025,000
	24.05.00	66.00	2	550,000
	20.11.00	74.00	5	715,000
1998 Wren Approved Executive Share Option Scheme	21.09.99	112.00	21	531,632
1998 Wren Unapproved Executive Share Option Scheme	18.05.98	119.00	2	542,920
	14.08.98	130.50	1	117,500

* One employee, to whom 37,383 options had been granted, left the Group on 19 January 2001. These options lapsed on that date.

Outstanding options are normally exercisable after the third but before the tenth anniversary of the date of grant.

Further details are given in the Remuneration Committee Report on page 27.

Notes to the Financial Statements

Continued

23 Reserves

Movements in reserves for the year ended 31 December 2000:

Group:	Share capital £'000	Contingent share capital £'000	Share premium £'000	Capital redemption £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2000	59,510	5,291	184,899	544	5,833	256,077
Prior year adjustment in respect of annual accounting	–	–	–	–	(1,759)	(1,759)
Balance at 1 January 2000 restated	59,510	5,291	184,899	544	4,074	254,318
Buy back of shares	(42)	–	–	42	(130)	(130)
Transfer from reserve	–	–	–	–	(6,769)	(6,769)
At 31 December 2000	59,468	5,291	184,899	586	(2,825)	247,419

The profit for the year ended 31 December 2000 before dividends, without the change in accounting policy, would have amounted to £3,763,000. The effect of the change in accountancy policy was to decrease the profit before dividends by £3,103,000 (1999: increase the loss by £72,000).

Company:	Share capital £'000	Contingent share capital £'000	Share premium £'000	Capital redemption £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2000	59,510	5,291	184,899	544	13,150	263,394
Buy back of shares	(42)	–	–	42	(130)	(130)
Transfer from reserve	–	–	–	–	(160)	(160)
At 31 December 2000	59,468	5,291	184,899	586	12,860	263,104

The change in accounting policy had no effect on the result of the Company for the year ended 31 December 2000 or the nine months ended 31 December 1999.

24 Reconciliation of shareholders' funds

For the year ended 31 December 2000

	Group		Company	
	31 December 2000 £'000	31 December 1999 (restated) £'000	31 December 2000 £'000	31 December 1999 (restated) £'000
Total recognised gains/(losses) for the year/period	660	(16,883)	7,269	(6,668)
Dividends	(7,429)	(7,115)	(7,429)	(7,115)
Issue of shares	-	85,225	-	85,225
Buy back of shares	(130)	(1,744)	(130)	(1,744)
Total movements during the year/period	(6,899)	59,483	(290)	69,698
Opening shareholders' funds	254,318	194,835	263,394	193,696
Closing shareholders' funds	247,419	254,318	263,104	263,394

25 Capital commitments

Capital expenditure contracted but not provided for in the financial statements:

	31 December 2000 £'000	31 December 1999 (restated) £'000
Contracted capital expenditure	36	1,592

26 Operating leases

At 31 December 2000, the Group was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2001:

	Land & buildings		Other	
	31 December 2000 £'000	31 December 1999 (restated) £'000	31 December 2000 £'000	31 December 1999 (restated) £'000
Annual commitments under operating leases which expire:				
within one year	-	363	18	11
between two and five years	34	32	88	99
after five years	1,303	346	-	-
	1,337	741	106	110

Notes to the Financial Statements

Continued

27 Reconciliation of operating profit to net cash inflow from operating activities

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Profit/(loss) before tax on ordinary activities	1,503	(27,355)
Profit on sale of fixed assets	(35)	(57)
Depreciation of fixed assets	1,128	311
Amortisation of goodwill	1,884	744
Adjustment to goodwill acquired from Wren Limited	(2,858)	–
Amortisation of syndicate capacity	962	498
Profit on sale of capacity	(2,438)	(3,411)
Decrease/(increase) in debtors	2,166	(1,675)
Increase in creditors	7,338	20,266
Increase in loan stock	1,500	–
Increase in provisions	1,590	15,576
Realised and unrealised investment (gains)/losses	(7,476)	10,256
Interest payable	3,534	2,226
Net tax suffered on investment income	–	(748)
	8,798	16,631

28 Movement in opening and closing portfolio investments net of financing

	31 December 2000	31 December 1999 (restated)
	£'000	£'000
Net cash inflow for the year	5,177	2,716
Cash flow – portfolio investments	(36,896)	1,848
Movement arising from cashflows	(31,719)	4,564
Investments acquired with subsidiaries	–	165,564
Changes in market value	7,476	(10,256)
Other changes	(2,234)	(51,203)
Total movement in portfolio investments net of financing	(26,477)	108,669
Portfolio at 1 January/1 April	354,491	245,822
Portfolio at 31 December	328,014	354,491

Other changes relate to the reclassification of investments to investment in associated undertakings (1999: reclassification of investments to investment in subsidiaries).

29 Movement in cash and portfolio investments

	At 1 January 2000 (restated) £'000	Cash flow £'000	Changes to market value £'000	Other changes £'000	31 December 2000 £'000
Cash at bank and in hand	25,547	5,177	–	–	30,724
Deposits with credit institutions	14,066	15,604	875	–	30,545
Total cash	39,613	20,781	875	–	61,269
Fixed income investments	109,600	(7,406)	1,398	7,564	111,156
Shares	205,278	(45,094)	5,203	(9,798)	155,589
Total portfolio investments	314,878	(52,500)	6,601	(2,234)	266,745
Total cash and portfolio investments	354,491	(31,719)	7,476	(2,234)	328,014
Borrowings	(44,500)	20,415	–	–	(24,085)
Total cash and portfolio investments, net of debt	309,991	(11,304)	7,476	(2,234)	303,929

30 Net cash outflow on portfolio investments

	Year ended 31 December 2000			Nine months ended 31 December 1999 (restated)		
	Purchases £'000	Sales £'000	Net cash flow £'000	Purchases £'000	Sales £'000	Net cash flow £'000
Deposits with credit institutions	–	–	15,604	–	–	5,436
Fixed income investments	13,117	20,523	(7,406)	15,254	12,170	3,084
Shares	262,963	308,057	(45,094)	38,830	45,502	(6,672)
	276,080	328,580	(36,896)	54,084	57,672	1,848

31 Pensions

The Group has two pension schemes in operation:

For BRIT Group Services Limited employees, the Group operates a funded pension scheme providing benefits for its employees based on final pensionable emoluments. The assets of the Scheme are held in a separate trustee administered fund. The most recent completed actuarial valuation of the Scheme was carried out as at 31 July 2000 using the projected unit method. The actuarial assumptions made for the valuation were that the investment returns would be 7.5% per annum, salary increases would average 5% per annum and that present and future pensions for members retiring from the Scheme would increase at the rate of 3% per annum. For Minimum Funding Requirement, the Scheme's assets at 31 July 2000 taken at a value of £66.4 million, exceed 120% of the amount of liabilities of the scheme as at that date. The current employer's contribution rate of 15 per cent, if the actuarial assumptions are borne out, is sustainable for 9 years.

For BRIT Insurance Limited employees, the Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £149,468 (1999: £85,811). At 31 December 2000, contributions amounting to £13,804 (1999: £14,647) were payable to the fund and are included in creditors.

Notes to the Financial Statements

Continued

32 Related party transactions

(i) Interests in contracts

The interests of the directors in the share capital of BRiT Insurance Holdings PLC are shown in the Report of the Directors on page 18.

(ii) Other

There were no other material related party transactions.

33 Contingent liabilities

(i) Fixed and floating charges

(a) Company

Lloyd's has a floating guarantee over the assets of the BRiT Insurance Holdings PLC.

(b) Group

If any of the corporate member subsidiaries fails to meet any of its Lloyd's obligations, after having called on the Group under its guarantees, then:

(a) Lloyd's will be entitled to require the other subsidiaries to cease or reduce their underwriting; and/or

(b) having regard to the fact that the Central Fund or the New 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 to make contributions to the Central Fund up to the amount of their respective net profits held from time to time in Premium Trust Funds, sufficient to reimburse the Central Fund or the New Central Fund in full for any payment made on behalf of the defaulting member.

At the date of these financial statements the Group is not aware of any corporate member subsidiary failing to meet its Lloyd's obligations.

On 26 November 1999, there was a reorganisation of the Group such that:

(i) all underwriting at Lloyd's is now conducted through one corporate member subsidiary, and;

(ii) all investments and assets supporting the underwriting at Lloyd's are held in one subsidiary, being Masthead Insurance Underwriting Limited ('Masthead').

A number of agreements were entered into in order to achieve this.

A deed of charge was entered into by Masthead with Lloyd's to support the underwriting activities of all corporate member subsidiaries within the Group.

Masthead entered into deeds of covenant with Lloyd's to cover the run-off liabilities of these corporate members. It also entered into guarantees with respect to interavailable funds of £118,738,728.

Lloyd's has the right to retain the income on charged investments, although it is not expected to exercise this right unless it considers there to be a risk that one or more of the covenants might need to be called and, if called, might not be honoured in full.

The parent company, BRiT Insurance Holdings PLC, has given an indemnity to Lloyd's, of up to £63,333,500, in the event that Masthead fails to meet its obligations. The directors do not consider this to be likely.

(ii) Bank borrowings

As detailed in note 20, BRiT Insurance Holdings PLC had a Term Facility Agreement with National Westminster Bank PLC and Barclays Bank PLC at 31 December 2000. Under the terms of this facility, the lenders have a fixed and floating charge over certain investments owned by the Company. The lenders have priority over the charges held by Lloyd's.

34 Post balance sheet events

On 21 February 2001, the Company exercised an option to increase its holding of 'A' ordinary shares in Peoples Choice (Europe) Limited to 99.6% giving an overall share of the ordinary share capital of 82.3%. The cost of exercising this option was £1. On this date, the Company also increased its holding of preference shares to 96.2%. From this date Peoples Choice (Europe) Limited became a subsidiary of the Company.

Independent Auditors' Report to the Shareholders of BRiT Insurance Holdings PLC

We have audited the financial statements of BRiT Insurance Holdings PLC for the year ended 31 December 2000 on pages 32 to 73. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Chief Executive's Statement, the Financial Review, the Report of the Directors, the Corporate Governance Report and the Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2000 and of the Group's result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MAZARS NEVILLE RUSSELL

Chartered Accountants and Registered Auditors

24 Bevis Marks, London EC3A 7NR

24 April 2001

Executive Board

The executive directors are members of the Executive Management Committee and the Asset Allocation Committee.

Jo Marc Pole Welman, Executive Chairman

Andrew Shone, Deputy Executive Chairman

Neil David Eckert, Chief Executive Officer

Andrew Holland, Chief Operating Officer

Matthew Scales, Finance Director

Simon Dudley Clapham, Executive Director

Dane Jonathan Douetil, Executive Director



Jo Mark Pole Welman

Born in 1958, graduated in economics from Exeter University in 1979. He joined Baring Brothers where he was involved with the management of several large segregated UK and US public company pension funds and two authorised unit trusts. In 1989 he was recruited by Rea Brothers to become the Managing Director of the investment management subsidiary. He resigned as a director of Rea Brothers Group PLC on 6 May 1999. He is a non-executive director of Finsbury Income and Growth Investment Trust Plc, London Town Plc, Cathedral Capital Plc and non-executive chairman of the Close FTSE 100 Investment Trust PLC. He has been a director of the company since its flotation in 1995 and was appointed Chairman on 6 January 2000.



Neil David Eckert

Born 1962, came into reinsurance broking in 1980, joining Benfield Ellinger Limited in 1986. In 1991, he joined the board of the Benfield Group PLC and joined the board of Benfield Greig PLC when Benfield merged with Greig Fester in 1997. He resigned as a director of all companies in the Benfield Greig Group on 14 January 2000. He has been a director of the company since its flotation in 1995. He was appointed a non-executive director of BRIT Insurance Limited in November 1999. He is Chairman (non-executive) of Design Technology and Innovation Limited, a patenting and intellectual property company.



Andrew Holland

Born 1954, is a qualified accountant and has worked in the Lloyd's market for 25 years. He joined the Wren Group as managing director of Wren Syndicates Management Limited in 1996 and was appointed a director of Wren Holdings Group PLC in 1996. He was formerly managing director of Ockham Worldwide, Sturge Non-Marine, and Sturge Reinsurance over the period 1991 to 1996. He was appointed a director and Chief Operating Officer of the company in August 1999.

Andrew Shone

Born 1948, has worked on Syndicate 735 since 1965. He was appointed deputy underwriter in 1977 and active underwriter in 1993 and is one of the longest serving Lloyd's underwriters in the market. He has underwritten in all areas in which his syndicate currently trades and now concentrates on reinsurance business in which he is a leading underwriter in the London market. He was appointed a director of a predecessor agency to Wren Syndicates Management Limited in 1978, of BRiT Group Services Limited in 1993, of Wren Holdings Group PLC in 1995 and of Wren Limited in 1996. He was appointed deputy Chairman of the company on 2 August 1999.



Dane Jonathan Douetil

Born 1960, has been chief executive of BRiT Insurance Limited since December 1998. He graduated in 1982 from Birmingham University with an Honours Degree in commerce, joined the Willis Faber Group in 1982 and was appointed executive director of the Political and Financial Risk Division in 1988. He was a founding shareholder and director of Special Risk Services Limited from January 1989 to 1994. Between 1994 and 1998 he acted as a consultant on the sale of a number of mortgage operations, as well as acting as a risk consultant for several financial institutions. He was appointed a full time consultant to the Benfield Greig group in July 1997 prior to joining BRiT Insurance Limited in August 1998. He was appointed a director of the company in November 1999.



Matthew Scales

Born 1954, has been finance director and company secretary of BRiT Insurance Limited since its establishment in 1993. He qualified as a chartered accountant in 1978 and joined the C T Bowring Group in 1979, transferring within that group to English & American Group in 1982. He was the finance director of English & American Group plc from 1991 to 1993. He also acted as group financial controller of The Benfield Group Limited (which became Benfield Greig Group PLC in November 1997) from February 1996 to March 1999. He was appointed Finance Director of the company in November 1999.



Simon Dudley Clapham

Born 1960, has worked in the Lloyd's market for 21 years. After 12 years as a Lloyd's broker he joined Syndicate 282 in 1990 as the space and aviation underwriter. In 1994 he set up the Marham space consortium of which he is the managing director. He was elected to the Committee of the Lloyd's Aviation Underwriters Association in 1994 and in 1998 was elected to be its deputy chairman. In October 1994, he joined Syndicate 800 as underwriter designate, becoming the active underwriter on 1 January 1996. He was appointed a director of Wren Syndicates Management Limited in January 1996 and was appointed a director of the company on 2 August 1999. He is a member of the Lloyd's Market Board.

Non-Executive Board

Donald Cecil McCrickard,
Non-Executive Director * # ‡

Paul Gaunt,
Non-Executive Director †

George (Glyn) Franklin MacAulay,
Non-Executive Director * #

John Anthony Victor Townsend,
Non-Executive Director *
(appointed 2 August 1999)

Phillip Richard (Dick) Withers Green,
Non-Executive Director #
(appointed 2 August 1999)

John Anthony Victor Townsend
Born 1948, is Chairman of Adam & Harvey Group plc and a director of a number of investment trusts. He is Chairman of Wren Holdings Group PLC and was appointed Chairman of Wren Syndicates Management Limited in December 1999. He has been a Name at Lloyd's since 1974 and is a member of the Lloyd's Regulatory Board. He was appointed a director of the company in August 1999.

Paul Gaunt

Born 1949, from 1987, was a senior investment manager of The Equitable Life Assurance Society, a position he resigned in June 1997 in order to pursue a number of private interests. He is a non-executive director of a number of companies, including Prelude Trust plc, Enviro Limited, Numis Corporation PLC, Aurora Investment Trust PLC and Finsbury Worldwide Pharmaceutical Trust plc. He has been a director of the company since its flotation in 1995.



Donald Cecil McCrickard
Born 1936, previously a director of American Express International Inc (1978-83), chief executive of TSB Group Plc (1990-92), TSB Bank Plc (1989-1992) and Chairman of Hill Samuel Bank (1991-92). He was also a member of the executive committee of the British Bankers Association (1988-1992) and a member of the Bank of England's Deposit Protection Board (1989-92). He is a fellow of the Chartered Institute of Bankers. He has been a director of BRIT since its flotation in 1995. He is Senior Independent Director and Chairman of both the Nomination and Remuneration Committees.



Phillip Richard (Dick) Withers Green
Born 1942, is a director of Jupiter Asset Management Limited. He was formerly a partner of de Zoete & Bevan and was, respectively, a director and vice chairman of BZW Asset Management Limited and BZW Investment Management Limited. He was appointed a director of the company in August 1999.

George Franklin (Glyn) MacAulay
Born 1937, formerly the senior partner of Neville Russell (now Mazars Neville Russell). He joined Neville Russell, UK chartered accountants, in 1964, becoming a partner in the London office in 1966 and senior partner of the national firm in 1991. He retired from Neville Russell in December 1995. Whilst at Neville Russell, he was a leading accountant in the insurance industry having audit clients that included Lloyd's syndicates and UK insurance and reinsurance companies. He has also acted as representative and adviser in the UK to many overseas insurance companies. He has been a director of the company since January 1996 and is Chairman of the Audit Committee.

- * Member of the Audit Committee
- † Member of the Asset Allocation Committee
- # Member of the Remuneration and Nomination Committees
- ‡ Senior Independent Director

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