



Brit GROUP SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007

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Brit GROUP SERVICES LIMITED

Company Information

Directors

D J Douetil
P J Goddard
K M Lisson
M Scales
M A Sibthorpe

Secretary

Brit Corporate Secretaries Limited

Registered Office

55 Bishopsgate
London
EC2N 3AS

Registered Number

2245562

Auditor

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

Brit GROUP SERVICES LIMITED

Report of the Directors

The Directors present their report and financial statements for the year ended 31 December 2007

Principal activities and review of the business

The Company is a holding and services company

During the year the Company has continued to settle expenses of the Group and in return received management fees and recharges of those expenses from Group companies. Some of these expenses are recharged with a 1% mark-up and hence the Company generally makes a small operating profit. However, during 2007 a part of the fixed asset depreciation charge was retained in the Company and not recharged to other group companies. As a result of this the Company made an operating loss of £2,896,401 (2006: profit of 69,280)

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

Principal risks and uncertainties

The Company is responsible for settling expenses for the Group and is therefore exposed to liquidity risk where it does not have sufficient financial resources to enable it to meet its obligations as they fall due. The Company manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements and by receiving funds from Group companies prior to expense settlement.

Employee and environmental matters

The organisation has a remuneration strategy that aims to attract and retain quality staff and to provide reward for performance and achievement. The continual review of the benefits package includes a benchmarking element whereby Brit is able to compare against its competitors and take advice from organisations which collect specific data across industry and regional sectors.

In addition the Group operates a bonus scheme, a Performance Share Plan and an Employee Share Ownership Plan which help to align employee objectives with those of shareholders of the Group and to allow reward for outstanding contribution or displaying exceptional performance

The Brit Development Programme provides all employees with the opportunity to increase their technical, personal and management skills, in line with their personal aspirations, the development of business objectives, regulatory compliance of business objectives, regulatory compliance and best practice. During 2007 1,588 employee training days were completed (2006 2,446 days). In addition, professional qualifications are actively encouraged by the Group and are considered a compulsory element of development for those employees who work in underwriting roles

The Group has a staff turnover of 10.4% (excluding retirements and redundancies) of the current workforce, compared to the UK labour turnover rate of 18.1%

Succession planning is satisfied by the continual development, assessment and support of human resources with the appropriate talent, skills and training which allows Brit to support the organisation in the event of a key individual leaving.

The Group does not have a major direct impact environmental impact as it is essentially office-based and non-manufacturing. However, the Group is very aware of its environmental responsibilities

Brit has made a three year commitment to report, reduce and offset the carbon dioxide emissions due to the energy use in its buildings and business travel. Brit intends that carbon credits equivalent to its emissions be bought and donated to a charitable trust that funds projects to reduce emissions.

Brit GROUP SERVICES LIMITED

Report of the Directors continued

Result and dividend

The loss for the year attributable to shareholders amounts to £4,311,227 (2006: loss of £1,029,440) and is dealt with as shown in the profit and loss account.

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

Directors

The names of the Directors of the Company at the date of this report are listed on page 2. K M Lisson was appointed as a Director on 30 August 2007 and R A Field resigned as a Director on 31 December 2007

Payment of Creditors

It is the policy of the Company to settle all expenses on a timely basis in the ordinary course of business. At 31 December 2007, trade creditors of the Company had an average of approximately five days outstanding (31 December 2006: five days). It is the Group's policy to agree appropriate terms and conditions in advance with its suppliers and to make payment in accordance with those terms and conditions, provided that the supplier has complied with them.

Disabled persons

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

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

Employee involvement

The Company is committed to involving 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.

Donations

No contributions to political organisations were made during the year (2006 £nil) The Company did not make any charitable donations during the year (2006 £nil).

Re-appointment of Auditors

Elective resolutions passed on 11 July 2000 to dispense with the annual appointment of Auditors, presentation of the Accounts at the Annual General Meeting and the holding of Annual General Meetings, remain in force

Brit GROUP SERVICES LIMITED

Report of the Directors continued

Statement of Directors' responsibilities

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

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

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

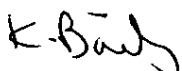
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Statement of Disclosure of Information to Auditors

Each person who is a Director at the date of approval of this Report confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- Each Director has taken all the steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information

By Order of the Board



For Brit Corporate Secretaries Limited
Secretary
3 March 2008

Brit GROUP SERVICES LIMITED

Independent Auditor's Report To the Member of Brit Group Services Limited

We have audited the Company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

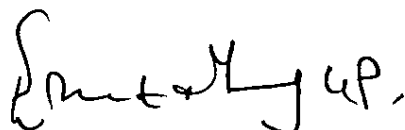
Brit GROUP SERVICES LIMITED

Independent Auditor's Report continued

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP
Registered Auditors
London
3 March 2008

Brit GROUP SERVICES LIMITED

Profit and Loss Account For the Year Ended 31 December 2007

		Year ended 31 December 2007 £	Year ended 31 December 2006 £
	Notes		
Turnover	1 (d) & 2	131,440,765	116,573,685
Administrative expenses		(134,337,166)	(116,504,405)
Operating (loss)/profit	4	(2,896,401)	69,280
Interest receivable and similar income	5	234	-
(Loss)/profit on ordinary activities before taxation		(2,896,167)	69,280
Taxation on (loss)/profit on ordinary activities	9a	(1,415,060)	(1,098,720)
Loss on ordinary activities after taxation		(4,311,227)	(1,029,440)

The Company's turnover and expenses for the year all relate to continuing operations.

The notes on pages 10 to 32 form part of these accounts

Statement of Total Recognised Gains and Losses For the Year Ended 31 December 2007

		Year ended 31 December 2007 £	Year ended 31 December 2006 £
Loss for the financial year		(4,311,227)	(1,029,440)
Actuarial gains on defined benefit pension scheme	15	1,974,000	8,869,000
Tax on actuarial gains on defined benefit pension scheme	9b	(592,200)	(2,660,700)
Total (losses)/gains recognised in the year		(2,929,427)	5,178,860

Brit GROUP SERVICES LIMITED

Balance Sheet

As at 31 December 2007

		2007 £	2006 £
	Notes		
Fixed assets			
Tangible assets	10	26,879,889	27,963,043
Investments in Group undertakings	11	2,072,904	2,072,904
		<u>28,952,793</u>	<u>30,035,947</u>
Current assets			
Debtors	12	9,803,056	15,457,798
Deferred tax	13	421,565	473,415
Prepayments and accrued income		2,719,099	2,449,161
Cash at bank and in hand		58,834	23,069
		<u>13,002,554</u>	<u>18,403,443</u>
Creditors: Amounts falling due within one year	14	(33,479,843)	(30,185,019)
Net current liabilities		<u>(20,477,289)</u>	<u>(11,781,576)</u>
Total assets less current liabilities		8,475,504	18,254,371
Employee benefits	15	(3,688,685)	(8,695,400)
Net assets		<u>4,786,819</u>	<u>9,558,971</u>
Capital and reserves			
Called up equity share capital	16	700,000	700,000
Employee share reserve	17	(10,560,874)	(5,563,411)
Profit and loss account	18	14,647,693	14,422,382
Equity Shareholder's funds	19	<u>4,786,819</u>	<u>9,558,971</u>

The financial statements on pages 8 to 32 were approved by the Board of Directors on 3 March 2008 and signed on their behalf by:-

Director



Director



The notes on pages 10 to 32 form part of these accounts

Brit GROUP SERVICES LIMITED

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

1. Accounting policies

(a) Basis of preparation

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

(b) Consolidated accounts

The financial statements present information relating to Brit Group Services Limited, not to the group of which it is the parent company. Brit Group Services Limited is exempt from preparing consolidated financial statements of the group under Section 228 of the Companies Act 1985. Brit Insurance Holdings PLC, which is registered in England and Wales and is the ultimate holding company, prepares Group accounts.

(c) Investments

Investments in subsidiary undertakings are stated at cost less provisions for any permanent diminution.

(d) Turnover

Turnover consists of management fees and recharged expenses receivable from Group companies.

(e) Share-based payments

The fair value of an equity instrument awarded to employees of the Company is recognised as an expense, spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards existing at the grant date, excluding the impact of any non-market vesting conditions. At each balance sheet date, the Company revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

On vesting or exercise, the difference between the expense charged to the profit and loss account and the actual cost to the Company is transferred to retained earnings.

(f) Expenses

All expenses are accounted for on an accruals basis.

(g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Brit GROUP SERVICES LIMITED

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

(h) 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

(i) 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 -

Office refurbishment costs, computers (except personal computers), software, office machinery, furniture and equipment	20% per annum
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Personal computers	33% per annum
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(j) Post-retirement employee benefits

The Company operates a defined contribution stakeholder pension scheme and a defined contribution funded unapproved retirement benefits scheme. It also makes payments into a number of personal money purchase pension plans. Contributions in respect of these schemes are charged to the profit and loss account in the period to which they relate.

The Company also operates a defined benefit pension scheme. The liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows. The discount rate is based on market yields of high-quality corporate bonds that have terms to maturity which approximate to those of the related pension liability.

Actuarial gains and losses are recognised immediately in equity through the statement of total recognised gains and losses.

Past service costs arising in the period are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(k) Cash flow statement

Brit Group Services Limited is exempt from preparing a cash flow statement under FRS1. Brit Insurance Holdings PLC, the ultimate parent company, prepares a consolidated cash flow statement.

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

2. Turnover

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Management fees and recharged expenses	131,440,765	116,573,685
	<u>131,440,765</u>	<u>116,573,685</u>

3. Auditors' remuneration

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Statutory audit fees	437,000	734,000
Other services pursuant to legislation	155,000	219,000
Other services relating to taxation	108,000	17,000
Valuation and actuarial services	260,000	155,000
Other	53,000	-
	<u>1,013,000</u>	<u>1,125,000</u>

4. Operating (loss)/profit

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
This is arrived at after charging:-		
Depreciation of tangible fixed assets	11,611,353	6,324,780
Leasehold property rents paid	<u>3,757,064</u>	<u>3,512,845</u>

5. Interest receivable and similar income

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Bank deposit interest	<u>234</u>	<u>-</u>

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

6. Staff costs

	Year ended 31 December 2007	Year ended 31 December 2006
	No	No.
(a) The average number of persons employed in the activities of the Company and syndicates managed by it during the year, including Directors, was as follows -		
Management	29	26
Administration	290	220
Underwriting	424	384
	<u>743</u>	<u>630</u>
	Year ended 31 December 2007 £	Year ended 31 December 2006 £
(b) Their aggregate employment costs were:-		
Salaries	55,268,902	48,152,902
Social security costs	6,531,947	5,213,864
Other pension costs	7,001,152	6,193,667
	<u>68,802,001</u>	<u>59,560,433</u>

7. Directors' remuneration and transactions involving Directors

The remuneration of M Scales, D J Douetil and K Lisson is disclosed in the Report and Accounts of Brit Insurance Holdings PLC

The remuneration of the remaining Directors is as follows;

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Directors' remuneration		
Emoluments	820,141	1,345,486
Pension contributions under money purchase scheme	<u>118,017</u>	<u>130,775</u>
Number of directors for whom benefits are accruing under:		
A defined benefit scheme	0	0
A money purchase scheme	<u>2</u>	<u>2</u>
Highest paid Director.		
Emoluments	314,362	465,205
Pension contribution under money purchase scheme	<u>0</u>	<u>25,000</u>

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

8. Share-based payments

During the year, the parent company Brit Insurance Holdings PLC ("BIH"), has made awards of its own shares direct to employees of the Company under a number of long-term employee incentive schemes. These awards represent equity settled share-based payment transactions. The schemes are described below

The compensation cost recognised in the profit and loss account under Financial Reporting Standard 20 "Share-based payments" ("FRS 20") for the share-based compensation plans is shown below

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
Brit All Employee Share Ownership Plan	219,000	157,000
Brit Executive Share Option Scheme 2003	201,000	404,000
Brit Performance Share Plan	1,995,000	1,108,000
Brit 1998 Executive Share Option Schemes	-	1,000
Bonus Share Matching Plan 2007	1,276,000	-
	<u>3,691,000</u>	<u>1,670,000</u>

In accordance with the transitional provisions of FRS 20, the Company has only calculated and disclosed the fair value of shares and share options that were granted after 7th November 2002 and had not yet vested at 1st January 2005.

Option valuation model

The fair value of share options and performance shares is estimated on the date of grant using a lattice-based option valuation model. The model allows the particular features of the employee share awards to be modelled, including performance conditions linked to Total Shareholder Return ("TSR") where relevant. For awards granted in 2006 and 2007, the impact of the TSR conditions on fair value was modelled using Monte Carlo simulations of the TSR performance of the Group and the companies in the comparator index, based on historical data. For awards granted in earlier years, the fair value incorporates an adjustment for the TSR condition based on the observed correlation of the Group's share price returns against the comparator indices over recent periods of history.

Expected volatilities are based on the historical volatility of the Group's share returns over the most recent period that is commensurate with the expected term of the share options and performance shares and also the long-term trend observed. Under the Brit Executive Share Option Scheme 2003 and the Brit 1998 Executive Share Option Schemes it is assumed that after options have vested, one-third of participants will exercise their options as soon as the market price is at least 20% above the exercise price of the option, one-third of participants will exercise their options at a rate of 10% per annum when the market price is at least 20% above the exercise price of the option and the remaining one-third of members will exercise their options when it is financially optimal. Under the Brit Performance Share Plan it is assumed that employees exercise their right to acquire shares at nil cost as soon as they vest.

The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate used in the valuation model is equal to the yield available on zero-coupon UK government bonds at the date of grant with a term equal to the expected term of the options. The dividend yield has been based on the most recent dividend declarations and after considering the Group's stated dividend policy.

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

More details of the assumptions used are disclosed under each relevant section below

Active Schemes

(i) Brit All Employee Share Ownership Plan ("the ESOP")

Approved by members at the Annual General Meeting on 20 June 2001, the ESOP comprises a Trust Deed and Rules establishing an All Employee Share Ownership Scheme which was approved by HM Revenue & Customs, pursuant to the Finance Act 2000. All eligible employees of the Group are entitled to participate subject to various detailed provisions. An independent Trustee holds all shares purchased under the plan and dividends are payable on shares held in the Trust.

Since the launch of the ESOP, all participating employees have had the opportunity to make contributions from their pre-tax salary each month (to a maximum of £125 per month), to buy shares in the Group at the prevailing market price ("partnership shares"). The Group provides one share for each two shares purchased by the employee ("matching shares"). Free shares are awarded depending on Group performance over the previous year (to a maximum value of £3,000). If the participant leaves within 3 years of the award of free shares and within 5 years of the award of matching shares, except under specified circumstances, the rights to these shares are forfeited. There are no performance criteria that must be satisfied before the Plan shares may be sold or transferred.

In October 2007, 200 free shares were awarded to each of 541 members of staff, including certain executive directors. At the date of award, these 108,200 shares had a market value of 334 8p each.

As at 31 December 2007, the Trust held 354,649 (2006: 282,116) free shares, 206,980 (2006: 186,760) matching shares and 418,245 (2006: 378,615) partnership shares with a total nominal value of £734,906 (2006: £635,618) and a market value of £2,243,911 (2006: £2,681,249), based on the mid-market value of the Group's shares at close of business on 31 December 2007, as shown in the Official List of the London Stock Exchange. This equates to 0.30% of the Group's issued share capital as at 31 December 2007 (2006: 0.26%).

A reconciliation of the free and matching shares held in the Trust which had not yet vested unconditionally is shown in the table below. All of these shares have been conditionally gifted to employees, subject to reaching the relevant qualifying period.

	31 December 2007		31 December 2006	
	Number of shares	Weighted average grant-date fair value (pence)	Number of shares	Weighted average grant-date fair value (pence)
Outstanding and unvested at start of year	373,843	260.1	317,096	228.4
Granted	157,094	331.2	133,670	314.8
Forfeited	(45,923)	268.3	(36,034)	237.2
Vested	(67,153)	208.3	(40,889)	213.2
Outstanding and unvested at end of year	417,861	294.4	373,843	260.1

The weighted average share price at date of vesting during 2007 was 334 1p (2006: 307 0p)

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

The fair values of the awards are taken to be the market value of the shares on the date of grant. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 10% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

(ii) Brit Executive Share Option Scheme 2003 ("the ESOS")

The ESOS was approved by shareholders on 18 June 2003 and comprises two parts, namely the "Approved" part, which has been approved by HM Revenue & Customs, and the "Unapproved" part, which is intended to be used primarily where executives have more than £30,000 worth of outstanding Approved options. Following shareholder approval of the BSMP in 2007, no further grants of options will be made under these schemes.

Under the terms of the ESOS, selected employees are offered a defined number of options each year at an exercise price no less than the average market price of the shares on the three dealing days preceding date of grant. Subject to a prescribed performance criterion, the options may be exercised in a period commencing three years after the date of grant and ending ten years after the date of grant. The current performance criterion is for the Group's TSR to exceed the median TSR of the companies in the FTSE Mid 250 over a period of at least three years from grant. The proportion of options that will become exercisable depends on the level of outperformance (for full details refer to the Directors' Remuneration Report). If an employee leaves the Group before the beginning of the exercise period, he forfeits his options. All outstanding options expire at the end of the exercise period.

Outstanding options granted at nil cost were as follows as at 31 December 2007:

Date of grant	Number of shares under option	Exercise price per 75p share (pence)	Date from which exercisable	Expiry date	Fair value at grant (pence)	Implied lifetime at grant (years)
18 October 2004	880,026	235.5	18 October 2007	17 October 2014	18.2	4.8
21 June 2005	54,166	264.0	21 June 2008	20 June 2015	25.7	4.5
12 October 2005	1,711,764	249.8	12 October 2008	11 October 2015	23.9	4.5
	2,645,956					

A summary of the status of the Executive Share Option Scheme 2003 as at 31 December 2007, changes during the year and details of awards granted during the year is presented below:

	31 December 2007		31 December 2006	
	Number of options	Weighted Average Exercise Price (pence)	Number of options	
Outstanding at start of year	6,275,464	238.0	6,488,432	238.0
Forfeited	(316,699)	239.5	(212,968)	237.0
Lapsed	(3,307,714)	232.0	-	n/a
Exercised	(5,095)	235.5	-	n/a
Outstanding at end of year	2,645,956	245.3	6,275,464	238.0

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

There were 912,171 shares exercisable at the end of the year (2006 59,243)

The weighted average exercise price of options exercisable at the end of the year was 236.0p (2006: 235.9p)

The weighted average share price at date of exercise was 330 0p (2006 n/a)

A summary of the range of exercise prices of the outstanding options and their remaining contractual lifetimes is presented below:

	31 December 2007			31 December 2006		
Range of exercise prices for outstanding options	Number of options	Weighted average exercise price (pence)	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price (pence)	Weighted average remaining contractual life (years)
235 5p to 264 0p (2006 230 8 – 264 0p)	2,645,956	245 3	-	6,275,464	238 0	7 7

The fair value of each option granted after 7 November 2002 was estimated at the date of grant using a lattice-based option valuation model and the assumptions shown below. The calculation of the compensation cost recognised in the income statement in respect of these options assumes forfeitures due to employee turnover of 5% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

Date of grant	Risk-free interest rate (pa)	Expected volatility (pa)	Dividend yield (pa)	Forfeitures after vesting (pa)
18 October 2004	4.7%	35 0%	6.0%	5.0%
21 June 2005	4 3%	35.0%	6.0%	5.0%
12 October 2005	4.2%	35 0%	6 0%	5.0%

(iii) Brit Performance Share Plan 2003 ("the PSP")

The PSP was approved by shareholders on 18 June 2003 and details of its operation are disclosed in the Directors' Remuneration Report of BIH.

Awards will be satisfied by the transfer of shares from the Group's Employee Benefit Trust which may acquire shares for this purpose either by subscribing for new shares or by buying shares in the market. The trustees have waived their entitlement to dividends on any shares acquired.

Selected employees are awarded the right to acquire a defined number of shares in the Group at no cost to the employee. Subject to the satisfaction of prescribed criteria, the right to acquire shares may be exercised on or after the third anniversary of the grant date. The performance condition that applied prior to 24th April 2007 was that the Group's TSR had to exceed the median TSR of the other FTSE Actuaries Insurance sector companies on the grant date over a period of three years from that date. After 24th April 2007 the performance condition was changed so that 50% of awards vest if the Group's TSR exceeds the median TSR of a comparator group over the three calendar years beginning with the year in which the awards are granted. The other 50% of awards vest if the Return on Equity exceeds the UK Bank of England Base rate by at least 6% over the performance period. The right must be exercised within six months of the award becoming exercisable. Participants do not receive any dividends until after the shares have been received. However, the remuneration committee may decide to award the value of accrued dividends in the vesting period, for options granted after 24th April 2007.

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

As at 31 December 2007, the Employee Benefit Trust held 4,203,707 (2006: 2,344,216) ordinary 75p shares which represented 1.3% (2006: 0.7%) of the issued share capital of the Group as at 31 December 2007. The shares had a total nominal value of £3,152,780 (2006: £1,758,162) and a market value of £9,626,489 (2006: £7,416,513), based on the mid-market value of the Group's shares at close of business on 31 December 2007, as shown in the Official List of the London Stock Exchange.

Outstanding PSP awards granted at nil cost as follows as at 31 December 2007.

Date of grant	Number of shares	Market Value of shares at date of grant (£)	Latest vesting date	Weighted average fair value at grant (pence)
18 October 2004	104,411	222,879	17 April 2008	62.0
4 November 2004	5,436	11,986	3 May 2008	62.0
21 June 2005	54,166	142,998	20 December 2008	79.2
12 October 2005	1,386,927	3,474,928	11 April 2009	75.2
10 October 2006	2,424,216	7,572,412	9 April 2010	134.5
22 May 2007	100,000	364,750	21 November 2010	262.0
16 October 2007	2,752,538	9,303,578	15 April 2011	223.4
22 October 2007	8,655	28,562	21 April 2011	223.4
21 December 2007	57,607	127,888	20 June 2011	141.4
	6,893,956			

A reconciliation of the PSP share awards which had not yet exercised is presented below. All of these shares have been conditionally gifted to employees, subject to reaching the relevant qualifying period and meeting the relevant performance criteria.

	31 December 2007		31 December 2006	
	Number of shares	Weighted average grant-date fair value (pence)	Number of shares	Weighted average grant-date fair value (pence)
Outstanding and unexercised at start of year	5,331,313	100.3	4,373,200	68.4
Granted	2,918,800	223.1	2,537,489	134.5
Forfeited	(223,348)	98.5	(847,050)	66.9
Lapsed	(957,093)	62.0	-	n/a
Exercised	(175,716)	68.0	(732,326)	66.8
Outstanding and unexercised at end of year	6,893,956	158.4	5,331,313	100.3

The weighted average share price at date of exercise during 2007 was 265.6p (2006: 325.5p).

The fair value of each award granted after 7 November 2002 was estimated at the date of grant using a lattice-based option valuation model and the assumptions shown below. For options granted after 24th April 2007 it has been assumed that the participants will receive the value of any dividends accrued between date of grant and date of vest at the date of vesting of the awards and in proportion to the number of awards that vest. The calculation of the compensation cost recognised in the income statement in respect of these awards assumes forfeitures due to employee turnover of 5% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

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Notes to the Financial Statements continued

Date of grant	Risk-free interest rate (pa)	Expected volatility (pa)	Dividend yield (pa)	Forfeitures after vesting (pa)
18 October 2004	4.6%	35.0%	6.0%	5.0%
4 November 2004	4.6%	35.0%	6.0%	5.0%
21 June 2005	4.3%	35.0%	6.0%	5.0%
12 October 2005	4.2%	35.0%	6.0%	5.0%
10 October 2006	4.9%	35.0%	6.0%	5.0%
22 May 2007	5.6%	30.0%	n/a	5.0%
16 October 2007	5.2%	30.0%	n/a	5.0%
22 October 2007	5.2%	30.0%	n/a	5.0%
21 December 2007	4.6%	30.0%	n/a	5.0%

(iv) Bonus Share Matching Plan 2007 ("the BSMP")

The BSMP was approved by shareholders on 24th April 2007 and details of its operation are disclosed in the Directors Remuneration Report of BIH

Selected employees are invited to purchase a number of Investment Shares in the Group using up to 50% of their post tax bonus. Each participant is awarded free Matching Shares to match the investment. Subject to retaining the Investment Shares for 3 years and subject to the satisfaction of performance conditions, the Matching Shares will vest on the third anniversary of the grant date. The rights must be exercised within six months of the award becoming exercisable. The performance conditions include targets for Brit's Return on Equity, growth in Gross Written Premiums and volatility of ROE. The Remuneration Committee of BIH may decide to award the participants the value of the accrued dividends in the vesting period. It has been assumed that the participants will receive the value of any dividends accrued between date of grant and date of vest at the date of vesting of the awards and in proportion to the number of awards that vest.

Outstanding BSMP awards granted at nil cost were as follows as at 31 December 2007:

Date of Grant	Number of Matching shares	Market Value of shares at date of grant (£)	Latest vesting date	Weighted average fair value at grant (pence)
31 May 07	2,144,833	7,399,674	30 November 2010	345.0
	2,144,833			

A reconciliation of the BSMP share awards which had not yet vested unconditionally is presented below. All of these shares have been conditionally gifted to employees, subject to reaching the relevant qualifying period and meeting the relevant performance criteria.

31 December 2007			31 December 2006	
	Number of matching shares	Weighted average grant-date fair value (pence)	Number of shares	Weighted average grant- date fair value (pence)
Outstanding and unexercised at start of year	-	n/a	-	n/a
Granted	2,144,833	345.0	-	n/a
Outstanding and unexercised at end of year	2,144,833	345.0	-	n/a

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

Closed Schemes

(v) Brit 1998 Approved Executive Share Option Scheme ("the Approved Scheme") and Brit 1998 Unapproved Executive Share Option Scheme ("the Unapproved Scheme")

The Approved Scheme is a discretionary share option scheme approved by HM Revenue & Customs and the Unapproved Scheme is a discretionary share option scheme not approved by HM Revenue & Customs. Following shareholder approval of the ESOS in 2003, no further grants of options will be made under these Schemes. Options granted under these Schemes were subject to performance criteria at the discretion of the Board and are generally exercisable between three and ten years from the date of grant.

Outstanding options granted at nil cost were as follows as at 31 December 2007.

Date of grant	Approved / Unapproved Scheme	Number of shares under option	Exercise price per 75p share (pence)	Date from which exercisable	Expiry date	Weighted average fair value at grant (pence)	Implied lifetime (years)
10 September 1998	Unapproved	196,491	427.50	10 September 2001	9 September 2008	N/A	N/A
20 November 2000	Approved	15,764	222.00	20 November 2003	19 November 2010	N/A	N/A
7 June 2001	Approved	91,040	340.50	7 June 2004	6 June 2011	N/A	N/A
7 June 2001	Unapproved	41,666	340.50	7 June 2004	6 June 2011	N/A	N/A
27 May 2002	Approved	9,456	211.50	27 May 2005	26 May 2012	N/A	N/A
31 May 2002	Unapproved	220,912	211.50	31 May 2005	30 May 2012	N/A	N/A
31 May 2002	Unapproved	96,666	212.49	31 May 2005	30 May 2012	N/A	N/A
5 June 2002	Unapproved	20,000	211.50	5 June 2005	4 June 2012	N/A	N/A
6 February 2003	Approved	15,149	226.50	6 February 2006	5 February 2013	55.1	4.1
		707,144					

A summary of the status of the 1998 Executive Share Option Approved and Unapproved Schemes as at 31 December 2007 and changes during the year is presented below.

	31 December 2007		31 December 2006 (restated)	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at start of year	2,387,414	241.8	3,615,554	233.0
Exercised	(1,610,095)	209.7	(1,161,798)	215.0
Expired or lapsed after vesting	(70,175)	427.5	(66,342)	228.6
Outstanding at end of year	707,144	296.4	2,387,414	241.8

The number of options exercisable at the end of the year was 707,144 (2006: 2,387,414).

The weighted average exercise price of options exercisable at the end of the year was 296.4p (2006: 241.8p).

The weighted average share price at date of exercise during the year was 352.4p (2006: 302.5p).

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Notes to the Financial Statements continued

A summary of the range of exercise prices of the outstanding options and their remaining contractual lifetimes is presented below:

	31 December 2007			31 December 2006 (restated)		
Range of exercise prices for outstanding options	Number of options	Weighted average exercise price (pence)	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price (pence)	Weighted average remaining contractual life (years)
211 5p to 226 5p (2006 187 5 – 240 75p)	377,947	212 8	4 4	1,985,105	210 1	4 9
340 5p to 427 5p (2006 340 5 – 427 5p)	329,197	392 4	1 8	402,309	398 2	2 6
211 5p to 427 5p (2006 187 5 – 427 5p)	707,144	296 4	3 2	2,387,414	241 8	4 5

The fair value of each option granted after 7 November 2002 was estimated at the date of grant using a lattice-based option valuation model and the assumptions shown below. The calculation of the compensation cost recognised in the income statement in respect of these options assumes forfeitures due to employee turnover of 5% per annum prior to vesting, with subsequent adjustments to reflect actual experience.

Date of grant	Risk-free interest rate (pa)	Expected volatility (pa)	Dividend yield (pa)	Forfeitures after vesting (pa)
6 February 2003	3 9%	35.0%	6.0%	5.0%

(vi) Brit 1998 Approved Executive Share Option Scheme - Part B ("the Part B Approved Scheme") (formerly Wren Approved Share Option Scheme 1998) and Brit 1998 Unapproved Executive Share Option Scheme - Part B ("the Part B Unapproved Scheme") (formerly Wren Unapproved Share Option Scheme 1998)

The Part B Approved Scheme is a discretionary share option scheme approved by the HM Revenue & Customs and the Part B Unapproved Scheme is a discretionary share option scheme not approved by HM Revenue & Customs. Options granted under the Part B Approved Scheme were not subject to performance criteria. Options granted under the Part B Unapproved Scheme were subject to performance criteria determined by the board of Wren Limited. Options are generally exercisable between three and ten years from the date of grant. All option holders accepted rollover terms granting them options over shares in the Group on 21 September 1999. It is not expected that any future options will be granted under these schemes.

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

Outstanding options granted at nil cost were as follows as at 31 December 2007

Date of grant	Approved / Unapproved Scheme	Number of shares under option	Exercise price per 75p share (pence)	Date from which exercisable	Expiry date
14 August 1998	Unapproved	39,166	391.5	14 August 2001	13 August 2008
10 September 1998	Approved	50,631	336.0	10 September 2001	9 September 2008
		89,797			

A summary of the status of the Part B Approved and Unapproved Schemes as at 31 December 2007 and changes during the year is presented below:

	31 December 2007		31 December 2006 (restated)	
	Number of options	Weighted average exercise price (pence)	Number of options	Weighted average exercise price (pence)
Outstanding at start of year	135,960	352.0	153,816	350.1
Exercised	(22,337)	336.0	-	n/a
Expired or lapsed after vesting	(23,826)	336.0	(17,856)	336.0
Outstanding at end of year	89,797	360.2	135,960	352.0

The number of options exercisable at the end of the year was 89,797 (2006 135,960)

The weighted average exercise price of options exercisable at the end of the year was 360.2p (2006 352.0p)

The weighted average share price at date of exercise during the year was 349.7p (2006: nil).

A summary of the range of exercise prices of the outstanding options and their remaining contractual lifetimes is presented below

	31 December 2007			31 December 2006 (restated)		
Range of exercise prices for outstanding options	Number of options	Weighted average exercise price (pence)	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price (pence)	Weighted average remaining contractual life (years)
336.0p to 391.5p	89,797	360.2	0.7	135,960	352.0	1.7

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

9. Taxation

	Year ended 31 December 2007 £	Year ended 31 December 2006 £
(a) Tax on profit on ordinary activities		
Current taxation		
UK corporation tax on (losses)/profits of the year	300,876	365,932
Adjustments in respect of prior years	-	50,000
Total current taxation (Note 9(c))	<u>300,876</u>	<u>415,932</u>
Deferred taxation.		
Origination and reversal of timing differences	(336,188)	(1,153,601)
Effect of future tax rate changes	(99,572)	-
Adjustments in respect of prior years	(1,280,176)	(361,051)
Total deferred taxation	<u>(1,715,936)</u>	<u>(1,514,652)</u>
Tax charge on (loss)/profit on ordinary activities	<u>(1,415,060)</u>	<u>(1,098,720)</u>
	Year ended 31 December 2007 £	Year ended 31 December 2006 £
(b) Tax charged to equity	(592,200)	(2,660,700)
	Year ended 31 December 2007 £	Year ended 31 December 2006 £
(c) Factors affecting the current tax charge		
(Loss)/Profit on ordinary activities before tax	(2,896,167)	69,280
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	868,850	(20,784)
Effects of:		
Expenses not deductible for tax purposes (primarily depreciation)	(567,974)	(766,885)
Utilisation of previously unrecognised tax assets on capital	-	1,153,601
Other adjustments to tax charge in respect of prior years	-	50,000
Current tax credit for the period (Note 9 (a))	<u>300,876</u>	<u>415,932</u>

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

(d) Factors that may affect future tax charges

The future tax charge of the Company is dependent on the ability of the Company to utilise tax losses as they become available

10. Tangible fixed assets

	Office Refurbishment	Computers, Software, Office Machinery, Furniture and Equipment	Total
	£	£	£
Cost at:			
1 January 2007	9,910,257	34,950,855	44,861,112
Additions	2,520,127	8,881,553	11,401,680
Disposals	(968,316)	(991,929)	(1,960,245)
31 December 2007	11,462,068	42,840,479	54,302,547
Depreciation at:			
1 January 2007	3,850,655	13,047,414	16,898,069
Charge for year	1,580,330	10,031,023	11,611,353
Disposals	(376,432)	(710,332)	(1,086,764)
31 December 2007	5,054,553	22,368,105	27,422,658
Net book values at:			
31 December 2007	6,407,514	20,472,375	26,879,889
31 December 2006	6,059,602	21,903,441	27,963,043

11. Fixed asset investments in group undertakings

	2007 £	2006 £
Cost and net book value at 31 December	2,072,904	2,072,904

Details of subsidiary companies are given in note 21.

12. Debtors

	2007 £	2006 £
Due within one year		
Amount due from Group companies	7,879,806	15,059,092
Other debtors	1,923,250	398,706
	9,803,056	15,457,798

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

13. Deferred tax

	2007 £	2006 £
Unrealised losses on investments	35,406	37,269
Other timing differences – share schemes	444,517	563,036
Other timing differences – capital allowances	(58,358)	(126,890)
Other timing differences – pension scheme	1,470,315	3,726,600
	<u>1,891,880</u>	<u>4,200,015</u>
Undiscounted asset for deferred taxation at the start of the year	4,200,015	8,375,367
Other adjustments in respect of prior years	(1,280,175)	(361,051)
Deferred tax (charge)/credit in profit and loss account for year (Note 9)	(435,760)	(1,153,601)
Deferred tax (charge)/credit in equity	(592,200)	(2,660,700)
Asset at end of year	<u>1,891,880</u>	<u>4,200,015</u>
The deferred tax balance is shown in the balance sheet as follows:		
Deferred tax balance	421,565	473,415
Netted off employee benefits balance (see note 15)	1,470,315	3,726,600
	<u>1,891,880</u>	<u>4,200,015</u>

In determining the deferred tax position, it has been assumed that group relief will be available between companies within the Group. At 31 December 2007 there were no amounts on which deferred tax was not provided.

14. Creditors

	2007 £	2006 £
Amounts falling due within one year:		
Trade creditors	78,326	19,872
Bank overdrafts	-	1,399,686
Amounts due to Group companies	9,602,644	9,769,619
Other taxes and social security	1,596,696	1,342,805
Other creditors	1,291,302	-
Accruals and deferred income	20,910,875	17,653,037
	<u>33,479,843</u>	<u>30,185,019</u>

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

15. Employee benefits

(i) Brit Group Services Limited – defined benefit pension scheme

For some employees, the Company operates a funded pension scheme providing benefits based on final pensionable emoluments

The assets of the Scheme are held in a separate trustee administered fund. The Scheme closed to new entrants with effect from 4 October 2001

The scheme is subject to a formal actuarial valuation every three years and the results of the actuarial valuation carried out as at 31 July 2006 have been updated to the accounting date by an independent qualified actuary in accordance with FRS 17. As required by FRS 17, the value of the defined benefit obligation and current service cost has been measured using the projected unit method

The following table sets out the key FRS 17 assumptions used for the scheme

Assumptions	31 December 2007	31 December 2006	31 December 2005
	%	%	%
Price inflation	3.3pa	2.90pa	2.80pa
Discount rate	5.8pa	5.20pa	4.80pa
Pension increases in payment	3.2pa	2.90pa	2.80pa
General salary increases	5.3pa	4.90pa	4.80pa
Life expectancy of a pensioner aged 60 at balance sheet date			
Male	26.8 years	24.7 years	24.6 years
Female	29.2 years	27.6 years	27.5 years
Life expectancy of a member retiring at age 60 in 20 years time			
Male	28.0 years	25.9 years	25.8 years
Female	30.2 years	28.7 years	28.6 years

The expected rate of return on assets has been derived by taking the weighted average of the long term expected rate of return on each of the asset classes. The expected return for the individual asset classes at the start of each year was as follows:

Assumptions	2007	2006	2005
	%	%	%
Equities	7.5	7.3	7.5
Corporate bonds	4.8	4.4	4.8
Gilts	4.1	4.0	4.6
Cash	4.3	4.0	4.5
Weighted average expected return	6.6	6.4	6.7

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

The amount included in the balance sheet arising from the Group's obligations in respect of the scheme is as follows:

Balance sheet

	31 December 2007 £	31 December 2006 £	31 December 2005
Present value of defined benefit obligation	(93,543,000)	(89,719,000)	(95,049,000)
Fair value of scheme assets	88,384,000	77,297,000	72,231,000
Deficit	(5,159,000)	(12,422,000)	(22,818,000)
Related deferred tax asset at 28 5%/ 30%/30%	1,470,315	3,726,600	6,845,400
Net liability	<u>(3,688,685)</u>	<u>(8,695,400)</u>	<u>(15,972,600)</u>

The amounts recognised in the profit and loss account are as follows:

	31 December 2007 £	31 December 2006 £
Employer's part of current service cost	1,940,000	2,456,000
Past service cost	22,000	25,000
Interest cost	4,624,000	4,546,000
Expected return on scheme assets	(5,044,000)	(4,680,000)
Total operating charge	<u>1,542,000</u>	<u>2,347,000</u>

The actual return on the scheme's assets over the year was £7,795,000 (2006: £4,354,000)

The allocation of the scheme's assets was as follows

	31 December 2007	31 December 2006	31 December 2005
Equity instruments	68%	70%	71%
Debt instruments	31%	29%	28%
Other	1%	1%	1%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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Notes to the Financial Statements continued

A reconciliation of the present value of the defined benefit obligation is as follows

	31 December 2007 £	31 December 2006 £
Opening defined obligation	89,719,000	95,049,000
Employer's part of current service cost	1,940,000	2,456,000
Interest cost	4,624,000	4,546,000
Past service costs	22,000	25,000
Actuarial losses / (gains)	777,000	(9,195,000)
Benefits paid	(3,539,000)	(3,162,000)
Closing defined benefit obligation	93,543,000	89,719,000

A reconciliation of the fair value of the scheme assets is as follows

	31 December 2007 £	31 December 2006 £
Opening fair value of the scheme assets	77,297,000	72,231,000
Expected return on scheme assets	5,044,000	4,680,000
Actuarial gains and (losses)	2,751,000	(326,000)
Contributions by the employer	6,831,000	3,874,000
Benefits paid	(3,539,000)	(3,162,000)
Closing fair value of scheme assets	88,384,000	77,297,000

Up until the end of October 2007, the Group had been making regular contributions of 24.7% of eligible salaries. The group has paid regular contributions of 33.7% of eligible salaries from November 2007 onwards and has made a back payment to cover the contributions that would have been paid had the 33.7% contribution rate been in effect from 31st July 2006. In addition during the year, the Group made lump sum contributions totalling £4,790,000.

During 2008 the Group expects to continue to pay similar regular contributions plus a lump sum contribution of £5,000,000 as set out in the schedule of contributions established following the actuarial valuation as at 31st July 2006.

The amount recognised outside the profit or loss in the statement of total recognised gains and loss (STRGL) for 2007 is a gain of £1,974,000 (2006. £8,869,000). The cumulative amount recognised outside profit or loss at 31st December 2007 is a loss of £18,090,000 (2006 Loss of £20,064,000).

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Notes to the Financial Statements continued

A summary of the scheme's experience is as follows:

	31 December 2007 £000	31 December 2006 £000	31 December 2005 £000	31 December 2004 £000	31 December 2003 £000
Present value of defined benefit obligation	93,543,000	89,719,000	95,049,000	79,216,000	72,171,000
Fair value of plan assets	88,384,000	(77,297,000)	(72,231,000)	(60,746,000)	(56,555,000)
Deficit	5,159,000	12,422,000	22,818,000	18,470,000	15,616,000

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Experience adjustments on scheme assets					
Amount of loss/(gain)	(2,751,000)	326,000	(7,992,000)	(571,000)	(6,428,000)
Percentage of scheme assets	(3%)	0%	(11%)	(1%)	(1%)
Experience adjustments on scheme liabilities					
Amount of (gain)/loss	740,000	(4,137,000)	686,000	843,000	2,499,000
Percentage of the present value of the scheme liabilities	1%	(4%)	1%	1%	3%
Total amount recognised outside income statement					
Amount of gain/(loss)	1,974,000	8,869,000	(3,901,000)	(2,938,000)	(5,036,000)
Percentage of present value of the obligations	2%	10%	(4%)	(4%)	(7%)

(ii) Brit Group Services Limited - Defined Contribution Stakeholder Scheme

From 5 October 2001, Brit Group Services Limited has operated a defined contribution stakeholder 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 £5,341,000 (2006 £3,815,000). At 31 December 2007 no contributions were payable to the fund (2006 £nil)

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

16. Authorised and issued share capital

	2007 £	2006 £
Authorised		
4,000,000 ordinary shares 25p each	1,000,000	1,000,000
Allotted and called up:		
2,800,000 ordinary shares 25p each	700,000	700,000

17. Employee share reserve

	2007 £	2006 £
Balance at 1 January	5,563,411	7,032,744
Additional shares purchased	5,533,998	288,009
Vesting of shares	(536,535)	(1,757,342)
At 31 December	10,560,874	5,563,411

18. Profit and loss account

	2007 £	2006 £
Balance at 1 January	14,422,382	9,330,864
Share-based payments	3,691,273	1,670,000
Vesting of shares	(536,535)	(1,757,342)
Total (loss)/profit recognised in the year	(2,929,427)	5,178,860
At 31 December	14,647,693	14,422,382

19. Reconciliation of movements in Shareholder's funds

	2007 £	2006 £
Shareholder's funds at 1 January	9,558,971	2,998,120
Share-based payments	3,691,273	1,670,000
Movement on employee share reserve	(4,997,463)	1,469,333
Vesting of shares	(536,535)	(1,757,342)
Total profit recognised in the year	(2,929,427)	5,178,860
Shareholder's funds at 31 December	4,786,819	9,558,971

Bfit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

20. Capital commitments

	2007 £	2006 £
Capital expenditure contracted but not provided for in the Financial statements	-	393,000

The annual commitment under non-cancellable operating leases was as follows:-

	2007 £	2006 £
Land and Buildings		
Leases expiring within one year	252,672	191,230
Leases expiring within two to five years	388,633	555,384
Thereafter	2,635,975	2,503,804
	<u>3,277,280</u>	<u>3,250,418</u>
Other		
Leases expiring within one year	13,725	3,496
Leases expiring within two to five years	203,886	79,338
	<u>217,611</u>	<u>82,834</u>

21. Subsidiary companies

Name of company	Nature of business	Proportion of ordinary shares held by the Company %	Proportion of ordinary shares held by subsidiary %
Wren Underwriting Agencies Limited	Non-trading entity	100	
Brit Syndicates Limited	Lloyd's managing agent	100	
Brit Corporate Secretaries Limited	Dormant	100	
Wren Lloyd's Advisers Limited	Non-trading entity	100	
Wren Group Services Limited	Dormant	100	
Wren Legal Expenses Limited	Dormant		100
Brit Insurance Services Limited (formerly Wren Insurance Services Limited)	Lloyd's syndicate service company		100
Marham Consortium Management Limited	Non-trading entity		100

Brit GROUP SERVICES LIMITED

Notes to the Financial Statements continued

All the above companies are registered in England and Wales.

22. Related party transactions

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

23. Controlling parties

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