



MASTHEAD E LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2004



Registered No. 2864625

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MASTHEAD E LIMITED

Company Information

Directors

D J Douetil
R A Field
P J Goddard
M Scales

Secretary

Brit Corporate Secretaries Limited

Registered Office

55 Bishopsgate
London
EC2N 3AS

Registered Number

2864625

Auditor

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

MASTHEAD E LIMITED

Report of the Directors

The Directors present their report and the financial statements of the Company for the year ended 31 December 2004.

Principal activity and business review

During 2000, the Company's ultimate parent company, Brit Insurance Holdings PLC, reorganised its underwriting activities for the 2000 and subsequent years of account and as a result of this reorganisation the Company ceased underwriting at the end of the 1999 year of account.

The 1999 Underwriting Year of Account closed on 31 December 2001. The 1997 year of account of Syndicate 55, and the 1999 year of account of syndicates 205 and 1173 have remained open. The Company has made an underwriting loss of £9,000 (2003: £375,000) before agents' expenses and tax but after aggregate provisions of £nil (2003: £nil).

A Group "Inter-availability scheme" was set up to support underwriting activities for the 1999 and prior underwriting years of account of the Company, and the 2000 and subsequent year underwriting years of account of Brit UW Limited. Under the scheme, the Company has made inter-available £5,191,238 (2003: £5,193,875) of its covenant from Masthead Insurance Underwriting Limited to Brit UW Limited.

Result and dividend

The Company made a profit for the year of £3,770,000 (2003: loss of £323,000).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2004 (2003: £nil).

Directors and share interests

The names of the Directors as at the date of this report are listed on page 2. D J Douetil, R A Field and M Scales were appointed as Directors on 22 October 2004 and J M P Welman resigned as a Director with effect from 12 November 2004. N D Eckert resigned as a Director on 17 May 2005.

No Director held any interest in the Company on 31 December 2004. The interests of N D Eckert and his family as at 31 December 2004 in the securities of other Group companies are dealt with in the accounts of Brit Insurance Holdings PLC, the ultimate holding company, and the interests of P J Goddard and his family as at 31 December 2004 in the securities of other Group companies are dealt with in the accounts of the immediate parent company, Masthead Insurance Underwriting Limited. The interests of the remaining Directors and their families as at 31 December 2004 were as follows:

	Brit Insurance Holdings PLC - Ordinary shares of 25p each					
	Shares		Options		LTIP/PSP**	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003	31 December 2004	31 December 2003
D J Douetil*	922,983	922,983	2,220,767	2,220,767	668,301	668,301
R A Field*	131,513	131,513	1,521,988	1,521,988	564,598	564,598
M Scales*	243,852	243,852	1,612,332	1,612,332	644,588	644,588

* Interests disclosed from date of appointment, 22 October 2004.

** Awards made under the Brit Long Term Incentive Plan 1999 or Brit Performance Share Plan 2003, details of which are provided in the Report and Accounts of the ultimate parent company, Brit Insurance Holdings PLC.

MASTHEAD E LIMITED

Report of the Directors continued

The interests of N D Eckert as at 31 December 2004 in the Brit Employee Share Ownership Plan 2001 ("ESOP") are dealt with in the accounts of Brit Insurance Holdings PLC, the ultimate holding company and the interests of P J Goddard as at 31 December 2004 in the ESOP are dealt with in the accounts of Masthead Insurance Underwriting Limited, the immediate holding company.

The interests of the remaining Directors as at 31 December 2004 in the ESOP are as follows:

	Free Shares awarded during year	Partnership Shares purchased during year	Matching Shares awarded during year	Subsisting at 31 December 2004	Subsisting at 31 December 2003
D J Douetil*	0	337	168	11,751	11,246
R A Field*	0	337	168	11,751	11,246
M Scales*	0	337	168	11,751	11,246

* Interests disclosed from date of appointment, 22 October 2004.

An award of 500 free shares was made to all participants on 20 October 2004. Participating Directors are able to acquire further shares on a monthly basis. Details of the ESOP and its operation are given in the accounts of Brit Insurance Holdings PLC, copies of which can be obtained from 55 Bishopsgate, London EC2N 3AS.

R A Field is also interested in 2,308 units (22 October 2004: 2,308 units) of 8.5% convertible unsecured subordinated loan stock 2008 issued by Brit Insurance Holdings PLC.

Secretary

Brit Corporate Secretaries Limited was appointed as Secretary and Brit Group Services Limited resigned as Secretary on 22 November 2004.

Statement of Directors' responsibilities

Company Law requires Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit/loss of the Company for the year. The financial statements must be prepared in compliance with the required format and disclosures of the Companies Act 1985 and with applicable accounting standards.

In addition, the Directors are required to:

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

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

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

MASTHEAD E LIMITED

Report of the Directors continued

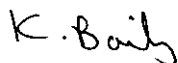
Ultimate holding company

The ultimate parent company is Brit Insurance Holdings PLC.

Auditor

Following the conversion of Mazars to a Limited Liability Partnership, Mazars resigned as the Company's Auditors on 6 September 2004 and the Directors appointed Mazars LLP to fill the casual vacancy created by the resignation. Elective resolutions passed on 16 March 1995 to dispense with the annual appointment of Auditors, presentation of the Accounts at the Annual General Meeting and the holding of Annual General Meetings, remain in force.

By Order of the Board



Brit Corporate Secretaries Limited
Secretary
19 May 2005

MASTHEAD E LIMITED

Independent Auditor's Report To the Member of Masthead E Limited

We have audited the financial statements for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain investments and the accounting policies set out therein.

This report is made solely to the Company's Member in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Member those matters we are required to state to it in an 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 Member for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

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

Basis of opinion

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

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

MASTHEAD E LIMITED

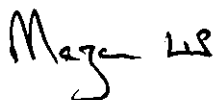
Independent Auditor's Report continued

Fundamental uncertainty: net technical reserves

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the level of net technical reserves in respect of the Company's open year participation on the 1997 year of account of Syndicate 55. The level of net technical reserves arising from this syndicate participation is subject to fundamental uncertainty in respect of the resolution of certain reinsurance contracts on the 1997 and prior years. The net technical provisions of the 1997 year of account of Syndicate 55 represent a significant part of the technical provisions of the Company and therefore the value of these is also fundamentally uncertain. The ultimate cost of settling the net liabilities may therefore be significantly different to that recognised in the Company's balance sheet as at 31 December 2004. Details of the circumstances relating to this fundamental uncertainty are described in note 3(b). Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS LLP
Chartered Accountants & Registered Auditor
24 Bevis Marks
London
EC3A 7NR
19 May 2005

MASTHEAD E LIMITED

Technical Account- General Business For the Year Ended 31 December 2004

	Note	Year ended 31 December 2004		Year ended 31 December 2003	
		£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance:					
Gross premiums written	3(a)	11		78	
Outward reinsurance premiums		(39)		(45)	
Net premiums written			(28)		33
Allocated investment return transferred from the non-technical account			23		46
Claims paid:					
Gross amount	3(a)	(677)		(1,553)	
Reinsurers' share		173		720	
		(504)		(833)	
Change in the provisions for claims:					
Gross amount	3(a)	770		1,303	
Reinsurers' share		(140)		(743)	
		630		560	
Claims incurred, net of reinsurance	4		126		(273)
Net operating expenses	5		(130)		(181)
Balance transferred to the non-technical account			(9)		(375)

MASTHEAD E LIMITED

Non-Technical Account For the Year Ended 31 December 2004

		Year ended 31 December 2004	Year ended 31 December 2003
	Note	£'000	£'000
Balance on the general business technical account		(9)	(375)
Investment income		39	61
Realised gains on investments		(15)	(13)
Investment expenses and charges		(1)	(2)
Allocated investment return transferred to the general business technical account		(23)	(46)
Other income	6	3,709	2
Other charges, including value adjustments	7	(1)	(61)
Profit/(loss) on ordinary activities before tax		3,699	(434)
Tax on profit/(loss) on ordinary activities	8	71	111
Profit/(loss) on ordinary activities after tax		3,770	(323)
Dividends		-	-
Retained surplus/(deficit) for the financial period	14	3,770	(323)

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

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

MASTHEAD E LIMITED

Balance Sheet

As at 31 December 2004

		As at 31 December 2004			As at 31 December 2003		
	Note	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Fixed Asset Investments:							
Financial Investments	9	-	749	749	-	1,394	1,394
Reinsurers' Share of Technical Provisions:							
Claims outstanding		-	515	515	-	655	655
Debtors:							
Arising out of direct insurance operations - due from intermediaries		-	6	6	-	-	-
Arising out of reinsurance operations		-	396	396	-	589	589
Other	10	55	158	213	76	223	299
		55	560	615	76	812	888
Other Assets:							
Cash at bank and in hand		-	89	89	-	50	50
Provision for deferred taxation	11	112	-	112	112	-	112
Other		-	157	157	-	204	204
		112	246	358	112	254	366
Prepayments and Accrued Income							
		-	1	1	-	4	4
Total Assets		167	2,071	2,238	188	3,119	3,307

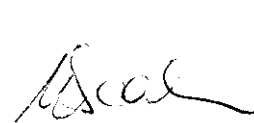
MASTHEAD E LIMITED

Balance Sheet continued

		As at 31 December 2004			As at 31 December 2003		
	Note	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Capital and Reserves:							
Called up share capital	13	1	-	1	1	-	1
Revenue reserve	14	157	-	157	(3,613)	-	(3,613)
Equity Shareholder's Funds							
	15	158	-	158	(3,612)	-	(3,612)
Technical Provisions:							
Claims outstanding - gross		-	1,882	1,882	-	2,826	2,826
Creditors:							
Arising from direct insurance operations		-	45	45	-	106	106
Arising from reinsurance operations		-	33	33	-	82	82
Other creditors	12	9	107	116	3,800	98	3,898
		9	185	194	3,800	286	4,086
Accruals and Deferred Income:							
		-	4	4	-	7	7
Total Liabilities							
		167	2,071	2,238	188	3,119	3,307

The financial statements on pages 8 to 23 were approved by the Board of Directors on 19 May 2005 and were signed on its behalf by

Director




MASTHEAD E LIMITED

Notes to the Financial Statements For the year ended 31 December 2004

1. Basis of preparation of financial statements

(a) Basis of preparation

The financial statements are prepared in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985 ('the Act'). The recommendations of the Statements of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in November 2003 (the "ABI SORP") have been adopted.

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

(b) Recognition of insurance transactions

Preparing financial statements in accordance with Section 255 of, and Schedule 9A to, the Act has meant the Company recognises its proportion of all the transactions undertaken by the Lloyd's syndicates in which it participates ('the syndicates').

For each such syndicate, the Company's proportion of the underwriting transactions, investment return and operating expenses has been reflected within the Company's technical profit and loss account. Similarly, its proportion of each syndicate's assets and liabilities has been reflected in its balance sheet (under the column heading 'syndicate'). Syndicate assets are held subject to trust deeds for the benefit of the Company's insurance creditors.

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

The Company has delegated sole management and control of its underwriting through each syndicate to its Members' Agent, who deals with the Managing Agent of the syndicate ('the Managing Agent'). The Managing Agents of the syndicates are therefore responsible for determining the insurance transactions to be recognised by the Company. The only exception to this rule is the level of provision for outstanding claims on open or run-off years of account of syndicates. These provisions are determined by the Directors of the Company.

(c) Sources of data

The information used to compile the technical account and the 'syndicate' balance sheet is based on returns prepared for this purpose by the Managing Agents of each syndicate ('the Returns'). These Returns have been subject to audit by the syndicate Auditors and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members. This base data has been adjusted as necessary to reflect the differences in preparation between syndicate annual reports and financial statements in accordance with Schedule 9A to the Act.

The format of the Returns has been established by Lloyd's and Lloyd's has also been responsible for collating the data at a syndicate level and analysing it into corporate member level results.

The Returns cover the 12 months to 31 December.

MASTHEAD E LIMITED

Notes to the Financial Statements For the year ended 31 December 2004

2. Accounting policies

(a) Basis of accounting for underwriting results

All classes of insurance business written are accounted for on a three year funded basis because it is the basis most similar to that followed by the syndicates. The nature of the information Managing Agents can make available is insufficient for the Company to make reliable estimates of the necessary technical provisions on an annual basis of accounting. Under the three year funded basis followed by the Company, the excess of premiums written and attributable net investment return over claims and expenses paid in respect of contracts beginning in an accounting period ('the underwriting year') is carried forward as a technical provision until the end of the third year from the inception of the underwriting year. Consequently, no profit is recorded in respect of an underwriting year until that time at the earliest. Profit is only recognised if a syndicate has been able to effect a 'reinsurance to close' (see (e) below) in respect of that underwriting year.

If in an underwriting year a loss is expected to be made, the loss is recognised as soon as it is foreseen by increasing the technical provision to make it sufficient to meet present liabilities and anticipated future claims and expenses.

(b) Premiums

Premiums written comprise the total premiums receivable for the whole period of cover provided by contracts incepting during the financial year, together with any adjustments arising in the year to such premiums receivable in respect of business written in previous years.

Premiums are shown gross of commission payable to intermediaries and exclude insurance premium tax.

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

Premiums written by a syndicate may also include the reinsurance of other syndicates in which the Company participates. No adjustments have been made to gross premiums written or outward reinsurance premiums (or to gross and reinsurers' claims) to remove this intersyndicate reinsurance.

(c) Claims incurred

Claims incurred include the costs of claims handling expenses. Recoverable amounts arising out of subrogation or salvage are deducted from the cost of claims. Claims incurred comprise amounts paid or provided in respect of claims occurring during the year to 31 December, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year. For further details of 'reinsurance to close' payable, which is included in claims incurred, see (e) below.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

2 Accounting policies continued

(d) Provision for claims

Provision is made for claims incurred but not paid in respect of events during the year to 31 December. The provision includes the amounts required to ensure neither a profit nor a loss is recognised before the end of the third year under the three year funded basis of accounting, see 1(b).

The provision has been increased as appropriate by the Directors to the extent that deficits are anticipated on underwriting years at the 12 and 24 months stage or on underwriting years not closed at the 36 month stage at the balance sheet date.

In deciding whether any such additional provision is necessary syndicate participations have been considered in aggregate as each year's Lloyd's underwriting is managed together.

Any additional provision is determined by Directors.

(e) Reinsurance to close

A reinsurance to close is a particular type of reinsurance contract entered into by Lloyd's syndicates. Under it, underwriting members (the reinsured members) who are members of a syndicate for a year of account (the closed year), agree with underwriting members who comprise that or another syndicate for a later year of account (the reinsuring members) that the reinsuring members will indemnify, discharge or procure the discharge, of the reinsured members against all known and unknown liabilities of the reinsured members arising out of insurance business undertaken through that syndicate and allocated to the closed year in consideration of:

- a) a premium; and
- b) either
 - i) the assignment, or agreement to assign, to the reinsuring members of all the rights of the reinsured members arising out of, or in connection with, that insurance business (including without limitation the right to receive all future premiums, reinsurances and other monies receivable in connection with that insurance business); or
 - ii) an agreement by the reinsured members that the reinsuring members shall collect on behalf of the reinsured members the proceeds of all such rights and retain them for their own benefit so far as they are not applied in discharge of the liabilities of the reinsured members.

Where the reinsurance to close is between members on successive years of account of the same syndicate, the Managing Agent has a duty to ensure both groups of members are treated equitably and to set the reinsurance to close with the intention that neither a profit nor a loss accrues to either group.

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

MASTHEAD E LIMITED

Notes to the Financial Statements continued

2 Accounting policies continued

(e) Reinsurance to close continued

If the Company has increased its participation from one year of account to the next, the reinsurance to close paid is eliminated, as a result of this offset, leaving an element of the reinsurance to close received. This reflects the fact that the Company has assumed a greater proportion of the business of the syndicate. If the Company has reduced its participation from one year of account to the next, the reinsurance to close received is eliminated, leaving an element of reinsurance to close paid. This reflects the reduction in the Company's exposure to risks previously written by the syndicate.

The reinsurance to close is technically a reinsurance contract and, as such, the payment of a reinsurance to close does not remove from members of that year of account ultimate responsibility for claims payable on risks they have written. If the reinsuring members under the reinsurance to close become insolvent and the other elements of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the settlement of any outstanding claims.

In the opinion of the Directors, the chances of the reinsurance security failing are remote and, since payment of a reinsurance to close is conventionally considered as terminating a reinsured member's participation on a syndicate year of account, it is treated for accounts purposes as settling the Company's gross liabilities arising out of the corresponding participation on the year of account closed.

(f) Investments

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

(g) Investment income

Investment income comprises interest receivable and dividends received plus realised gains on the disposal of investments. Realised gains and losses arise from the difference between proceeds and cost.

The realised gains reported by Syndicates are net of any realised losses.

All investment income net of realised losses arising on syndicate participations is allocated to the technical account. Other investment income is attributable to the non-technical account.

(h) Investment expenses and charges

Investment expenses and charges comprise investment management expenses.

(i) Net operating expenses

Operating expenses have been charged to the underwriting year for which they were incurred. These include the Company's share of syndicate operating expenses, the remuneration payable to Managing Agents, the Company's Members' Agent and the direct costs of membership of Lloyd's.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

2 Accounting policies continued

(j) Foreign currencies

Transactions in foreign currencies other than sterling, United States dollars and Canadian dollars are translated at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars and Canadian dollars and assets and liabilities in currencies other than sterling are translated at the rate of exchange ruling at 31 December. Exchange differences arising on translation are dealt with in the profit and loss account.

(k) Syndicate participation rights

Where the Company has purchased the right to participate on syndicates, the cost is capitalised and amortised in equal annual instalments over 3 years. Amortisation commences at the end of the third year from the start of the Company's first underwriting year on the syndicate.

If, at any time, the Directors become aware of a permanent diminution in the value of the Company's right to participate on a syndicate, the asset will be written down accordingly. If a syndicate right is sold then any related costs are offset against the disposal proceeds and any gain/loss is taken to the non-technical profit and loss account, in the same period.

(l) Taxation

The Company is taxed on its share of the underwriting results declared by syndicates and for tax purposes these are deemed to accrue evenly over the calendar year in which they are declared. The syndicate results included in these financial statements (excluding any additional provisions made by Directors) relate to the 1999 Year of Account and are declared for tax purposes in the calendar year 2002.

The Inland Revenue determines the taxable results of individual syndicates on the basis of computations submitted by the Managing Agent. At the date of approval of these financial statements, none of the syndicate taxable results have been agreed. Any adjustments that may be necessary to the tax provisions established by the Company as a result of Inland Revenue agreement of the taxable results of individual syndicates will be reflected in the financial statements of subsequent periods.

Other profits are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

(m) Deferred taxation

Deferred tax is provided in 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.

(n) Cash flow statement

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

MASTHEAD E LIMITED

Notes to the Financial Statements continued

3. (a) Segmental Information - year ended 31 December 2004

	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	(126)	36	7	(64)	(147)
Motor - third party liability	-	1	-	(2)	(1)
Motor - other classes	7	15	(7)	(4)	11
Marine, Aviation & Transport	9	18	(7)	(2)	18
Fire and other Damage to Property	71	237	(49)	(144)	115
Third Party Liability	39	(19)	(65)	76	31
Credit and Suretyship	12	18	(6)	(3)	21
Legal Expenses	-	9	-	(1)	8
Total Direct	<u>12</u>	<u>315</u>	<u>(127)</u>	<u>(144)</u>	<u>56</u>
Reinsurance Business:					
Reinsurances Acceptances	(1)	14	(3)	255	265
Reinsurance to Close	-	(236)	-	(117)	(353)
Total Reinsurance	<u>(1)</u>	<u>(222)</u>	<u>(3)</u>	<u>138</u>	<u>(88)</u>
Total	<u>11</u>	<u>93</u>	<u>(130)</u>	<u>(6)</u>	<u>(32)</u>

MASTHEAD E LIMITED

Notes to the Financial Statements continued

3 (a) Segmental Information continued

	Year ended 31 December 2003				
	Gross Premiums Written £'000	Gross Claims Incurred £'000	Gross Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	186	(26)	(83)	(10)	67
Motor - third party liability	-	1	(1)	-	-
Motor - other classes	(10)	-	(4)	1	(13)
Marine, Aviation & Transport	(12)	(11)	(1)	(1)	(25)
Fire and other Damage to Property	(103)	(25)	(5)	(17)	(150)
Third Party Liability	22	(35)	(87)	(21)	(121)
Credit and Suretyship	(17)	(3)	5	(4)	(19)
Legal Expenses	-	(13)	(1)	2	(12)
Total Direct	66	(112)	(177)	(50)	(273)
Reinsurance Business:					
Reinsurances Acceptances	12	(2)	(4)	27	33
Reinsurance to Close	-	(136)	-	(45)	(181)
Total Reinsurance	12	(138)	(4)	(18)	(148)
Total	78	(250)	(181)	(68)	(421)

Gross premiums in respect of direct business written in:

United Kingdom

31 December 2004 £'000	31 December 2003 £'000
------------------------------	------------------------------

12	66
12	66

3 (b) Fundamental uncertainty: net technical reserves

As at 31 December 2004, the Company had an open year participation on the 1997 year of account of Syndicate 55. The level of net technical reserves arising from this syndicate participation is subject to fundamental uncertainty in respect of the resolution of certain reinsurance contracts on the 1997 and prior years. The net technical provisions of the 1997 year of account of Syndicate 55 represent a significant part of the technical provisions of the Company and therefore the value of these is also fundamentally uncertain. The ultimate cost of settling the net liabilities may therefore be significantly different to that recognised in the Company's balance sheet as at 31 December 2004.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

4. Claims Incurred, Net of Reinsurance

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Gross		
1997 Year of Account	34	(16)
1999 Year of Account	59	(234)
	<u>93</u>	<u>(250)</u>
Reinsurance		
1997 Year of Account	9	(5)
1999 Year of Account	24	(18)
	<u>33</u>	<u>(23)</u>
Net claims incurred	<u>126</u>	<u>(273)</u>

5. Net Operating Expenses

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Acquisition costs	2	44
Administrative expenses	21	11
Loss on exchange	107	125
Names' personal expenses on Lloyd's syndicates	-	1
	<u>130</u>	<u>181</u>

6. Other income

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Inter-company balance write down	3,697	-
Interest on Premium Trust Fund releases	12	2
	<u>3,709</u>	<u>2</u>

MASTHEAD E LIMITED

Notes to the Financial Statements continued

7. Other charges

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Loss on exchange	-	60
Other	1	1
	<u>1</u>	<u>61</u>

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

8. Taxation

(i) Analysis of tax credit in year

	Year ended 31 December 2004 £'000	Year ended 31 December 2003 £'000
Current taxation:		
Adjustment in respect of previous years	71	(1)
Tax credit/(charge) on profit/(loss) on ordinary activities	<u>71</u>	<u>(1)</u>
Deferred taxation (see note 11)		
Origination and reversal of timing differences	-	112
	<u>-</u>	<u>112</u>
	<u>71</u>	<u>111</u>

(ii) Factors affecting tax credit for year

Profit/(loss) on ordinary activities before tax	<u>3,699</u>	<u>(434)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of tax in the UK of 30% (2003:30%)	(1,109)	130
Effects of:		
Expenses not deductible for tax purposes and other permanent differences	1,104	(18)
Group relief received for no consideration	86	(127)
Short term timing differences:		
Syndicate results	(81)	15
Adjustment to tax in respect of previous years	71	(1)
Current tax credit for the year per (i) above	<u>71</u>	<u>(1)</u>

MASTHEAD E LIMITED

Notes to the Financial Statements continued

9. Financial investments

	31 December 2004 £'000	31 December 2003 £'000
Shares and other variable yield securities	9	95
Debt securities and other fixed interest securities	711	1,171
Deposits with credit institutions	29	128
	<u>749</u>	<u>1,394</u>

10. Other debtors

	31 December 2004 £'000	31 December 2003 £'000
Sundry debtors	53	75
Taxation	<u>2</u>	<u>1</u>
	<u>55</u>	<u>76</u>

11. Provision for deferred taxation

	31 December 2004 £'000	31 December 2003 £'000
Provision for future underwriting losses	<u>(112)</u>	<u>(112)</u>
		<u>(112)</u>
Undiscounted provision for deferred taxation at the start of the year	(112)	-
Deferred tax credit in profit and loss account for year (Note 8)	<u>-</u>	<u>(112)</u>
Provision at end of year	<u>(112)</u>	<u>(112)</u>

At 31 December 2004, there was an unprovided deferred tax asset of £nil (31 December 2003:£nil)

12. Other creditors

	31 December 2004 £'000	31 December 2003 £'000
Amounts due to group undertakings	-	3,778
Amounts due in respect of syndicate losses	9	22
	<u>9</u>	<u>3,800</u>

MASTHEAD E LIMITED

Notes to the Financial Statements continued

13. Share capital

	31 December 2004 £	31 December 2003 £
Authorised:		
1,000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:		
1,000 ordinary shares of £1	<u>1,000</u>	<u>1,000</u>

14. Revenue reserve

	31 December 2004 £'000	31 December 2003 £'000
Balance as at 1 January	(3,613)	(3,290)
Profit/(loss) retained for the financial period	<u>3,770</u>	<u>(323)</u>
Balance as at 31 December	<u>157</u>	<u>(3,613)</u>

15. Movement in shareholder's funds

	31 December 2004 £'000	31 December 2003 £'000
Opening shareholder's funds	(3,612)	(3,289)
Total recognised gains/(losses) for the financial period	<u>3,770</u>	<u>(323)</u>
Closing shareholder's funds	<u>158</u>	<u>(3,612)</u>

16. 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.

17. Contingent liabilities

- (i) Lloyd's
If any of the other corporate member subsidiaries of the Brit Insurance Holdings PLC Group ("the Group") fail to meet any of their obligations, after having called on Wren Limited (formerly Wren PLC) under its guarantees, then:
 - (a) Lloyd's will be entitled to require any of the Group's subsidiaries to cease or reduce their underwriting; and/or
 - (b) having regard to the fact that the Central Fund may be applied to discharge the obligations of the defaulting corporate member subsidiary, Lloyd's will be entitled to require each of the other corporate member subsidiaries of the Group to make contributions to the Central Fund up to the amount of their respective net profits held from time to time in Premiums Trust Funds, sufficient to reimburse the Central Fund in full for any payment made on behalf of the defaulting member.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

17. Contingent liabilities - continued

At the date of these financial statements the Company is not aware of any of the other corporate member subsidiaries of the Group failing to meet any of their Lloyd's obligations.

The Company's underwriting activities were supported by a covenant from Wren Limited to pay up to £5,191,238 (31 December 2003: £5,193,875) where the Company's assets are insufficient to meet its liabilities at Lloyd's.

At the end of 1999, the Company was placed into run-off with all the underwriting capacity transferred to Brit UW Limited, a related Group company. As part of the reorganisation of the Group's underwriting activities, a Group "Inter-availability scheme" to support underwriting activities for the 2000 and prior underwriting years of account has been set up. To this end the Company has made inter-available £5,191,238 (2003: £5,193,875) of its covenant to Brit UW Limited, a fellow Group company, to support its 2000 year of account underwriting activities. The covenant is provided by Masthead Insurance Underwriting Limited.

18. Ultimate holding company

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