



MASTHEAD E LIMITED
ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2006

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MASTHEAD E LIMITED

Company Information

Directors

D J Douetil
R A Field
P J Goddard
M Scales
M A Sibthorpe

Secretary

Brit Corporate Secretaries Limited

Registered Office

55 Bishopsgate
London
EC2N 3AS

Registered Number

2864625

Auditor

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

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 2006.

Principal activity and business review

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 profit of £29,000 (2005: loss of £58,000) before agents' expenses and tax.

Under a Group inter-availability scheme the Company made inter-available £5,191,238 for the period to 28 February 2006 (2005: £5,191,238) of its covenant from Masthead Insurance Underwriting Limited to Brit UW Limited. On 28 February 2006 the Company entered into various deeds in order to reorganise the covenant and charge arrangements between the Company, Lloyd's, Masthead Insurance Underwriting Limited and Brit UW Limited. Following the reorganisation, funds are no longer made inter-available between the ceased corporate members and Brit UW Limited

Result and dividend

The Company made a loss for the year of £18,000 (2005 £155,000).

The Directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005: £ nil)

Directors and share interests

The names of the Directors as at the date of this report are listed on page 2.

No Director held any interest in the Company on 31 December 2006. The interests of D J Douetil and M Scales and their families in the securities of other Group companies as at 31 December 2006 are dealt with in the accounts of Brit Insurance Holdings PLC, the ultimate holding company, and the interests of R A Field, P J Goddard and M A Sibthorpe and their families in the securities of other Group companies as at 31 December 2006 are dealt with in the accounts of the immediate parent company, Masthead Insurance Underwriting Limited.

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.

MASTHEAD E LIMITED

Report of the Directors continued

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 the 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 he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

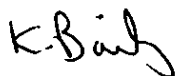
Ultimate holding company

The ultimate parent company is Brit Insurance Holdings PLC

Auditor

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
24 May 2007

MASTHEAD E LIMITED

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

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 17. 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.

Opinion

In our opinion:

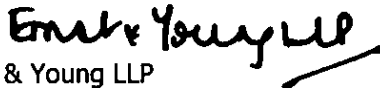
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

MASTHEAD E LIMITED

Independent Auditor's Report continued

Emphasis of matter – Uncertainty of net technical provisions on Syndicate 55 1997 Year of Account and Syndicate 205 1999 Year of Account

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made by the company in note 3(b) to the accounts, concerning the uncertainty regarding the level of net technical provisions for the Syndicate 55 1997 year of account and the ultimate cost of certain financial institutions losses for the Syndicate 205 1999 year of account.



Ernst & Young LLP
Registered Auditor
London
24 May 2007

MASTHEAD E LIMITED

Technical Account- General Business For the Year Ended 31 December 2006

		Year ended 31 December 2006		Year ended 31 December 2005	
	Note	£'000	£'000	£'000	£'000
Earned premiums, net of reinsurance:					
Gross premiums written	3 (a)	6		(5)	
Outward reinsurance premiums		63		(5)	
Net premiums written			69		(10)
Allocated investment return transferred from the non-technical account			54		32
Claims paid:					
Gross amount	3 (a)	(312)		(345)	
Reinsurers' share		153		139	
		(159)		(206)	
Change in the provisions for claims:					
Gross amount	3 (a)	225		297	
Reinsurers' share		(75)		(163)	
		150		134	
Claims incurred, net of reinsurance					
	4		(9)		(72)
Net operating expenses					
	5		(85)		(8)
Balance transferred to the non-technical account			29		(58)

MASTHEAD E LIMITED

Non-Technical Account For the Year Ended 31 December 2006

		Year ended 31 December 2006	Year ended 31 December 2005
	Note	£'000	£'000
Balance on the general business technical account		29	(58)
Investment income		51	45
Realised gains/(losses) on investments		2	(5)
Unrealised gains/(losses) on investments		2	(7)
Investment expenses and charges		(1)	(1)
Allocated investment return transferred to the general business technical account		(54)	(32)
Other charges, including value adjustments	6	(54)	(1)
(Loss) on ordinary activities before tax		(25)	(59)
Tax on (loss) on ordinary activities	7	7	(96)
(Loss) on ordinary activities after tax		(18)	(155)
Retained (deficit) for the financial period		(18)	(155)

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

Statement of Total Recognised Gains and Losses For the Year Ended 31 December 2006

		Year ended 31 December 2006	Year ended 31 December 2005
		£'000	£'000
(Loss) for the financial year		(18)	(155)
Exchange losses		(54)	-
Current UK Corporation Tax on exchange differences		16	-
Total profit recognised in the year	13	(56)	(155)

MASTHEAD E LIMITED

Balance Sheet

As at 31 December 2006

		As at 31 December 2006			As at 31 December 2005		
	Note	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Fixed Asset Investments:							
Financial Investments	8	-	651	651	-	838	838
Reinsurers' Share of Technical Provisions:							
Claims outstanding		-	360	360	-	468	468
Debtors:							
Arising out of direct insurance operations – due from intermediaries		-	95	95	-	301	301
Arising out of reinsurance operations		-	135	135	-	274	274
Amount due from corporate member		-	11	11	-	12	12
Other	9	32	29	61	55	30	85
		32	270	302	55	617	672
Other Assets:							
Cash at bank and in hand		-	306	306	-	250	250
Provision for deferred taxation	10	-	-	-	17	-	17
Other		-	88	88	-	159	159
		-	394	403	-	409	426
Prepayments and Accrued Income		-	2	2	-	2	2
Total Assets		32	1,677	1,709	72	2,334	2,406

MASTHEAD E LIMITED

Balance Sheet continued

		As at 31 December 2006			As at 31 December 2005		
	Note	Corporate £'000	Syndicate £'000	Total £'000	Corporate £'000	Syndicate £'000	Total £'000
Capital and Reserves:							
Called up share capital	12	1	-	1	1	-	1
Revenue reserve	13	(54)	-	(54)	2	-	2
Equity Shareholder's Funds	14	(53)	-	(53)	3	-	3
Technical Provisions:							
Claims outstanding – gross		-	1,599	1,599	-	1,972	1,972
Creditors:							
Arising from direct insurance operations		-	41	41	-	108	108
Arising from reinsurance operations		-	24	24	-	24	24
Other creditors	11	76	8	84	69	225	294
		76	73	149	69	357	426
Other Liabilities							
Deferred Taxation	10	9	-	9	-	-	-
Accruals and Deferred Income:							
		-	5	5	-	5	5
Total Liabilities		32	1,677	1,709	72	2,334	2,406

The financial statements on pages 7 to 20 were approved by the Board of Directors on 24 May 2007 and were signed on its behalf by:



Director



Director

MASTHEAD E LIMITED

Notes to the Financial Statements For the year ended 31 December 2006

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 December 2005 as amended in December 2006 (the "ABI SORP") have been adopted.

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

(b) 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 auditor and are based on the audited syndicate returns to Lloyd's and the audited annual reports to syndicate members.

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.

(c) Going concern

As at 31 December 2006, the Company had net liabilities of £53,000 resulting from its past underwriting activities.

The Company's underwriting activities are supported by standalone funds at Lloyd's, as set out in note 16. The Directors have prepared the financial statements on the going concern basis having taken into account all information that could reasonably be expected to be available. In doing so, they have assumed that the Company's open year underwriting results meet with the current forecasts and that the inter-available funds, guarantees and deed of charge can be called down upon if required. The financial statements, therefore, do not include any adjustments that would result if the underwriting results do not meet expectations and the inter-available funds, guarantees and deed of charge do not respond.

2. Accounting policies

(a) Underwriting activities

The results for all classes of business have been determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium, net of reinsurance as follows.

(i) Premiums

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. Premiums are accreted to the income statement on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are accreted to the income statement on a pro rata basis over the term of the original policy to which it relates.

Premiums are shown net of premium taxes and other levies on premiums.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

2. Accounting policies - continued

(ii) **Deferred acquisition costs**

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised on a straight line basis over the life of the contract.

(iii) **Claims incurred**

Claims incurred comprise claims and claims handling costs paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and related expenses, together with any adjustments to claims from prior years. Claims handling costs are mainly those external costs related to the negotiation and settlement of claims.

(iv) **Outstanding claims provisions**

Claims outstanding represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not reported, less any amounts paid in respect of those claims. The Company does not discount its liabilities for unpaid claims the ultimate cost of which cannot be known with certainty at the balance sheet date.

(v) **Provision for unearned premiums**

The proportion of written premiums that relate to unexpired terms of policies in force at the balance sheet date is deferred as a provision for unearned premiums, generally calculated on a time apportioned basis. The movement in the provision is taken to the income statement in order that revenue is recognised over the period of the risk.

(vi) **Syndicate balance sheet**

For each syndicate on which the Company participates, the Company's proportion of the syndicate's assets and liabilities has been reflected in its Balance Sheet (included in the column headed 'Syndicate'). Syndicate assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

(b) **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.

(c) **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.

(d) **Investment expenses and charges**

Investment expenses and charges comprise investment management expenses.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

2. Accounting policies - continued

(e) 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

(f) 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. Exchange differences arising on the retranslation of opening balances at the closing rate are dealt with in the statement of total recognised gains and losses. All other translation differences are dealt with in the profit and loss account.

(g) 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.

(h) 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.

HM Revenue & Customs 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 HM Revenue & Customs' 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

(i) Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

(j) 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 2006				
	Gross Premiums Written £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	-	(10)	(2)	84	72
Motor – third party liability	-	(1)	-	-	(1)
Motor – other classes	-	-	(1)	(1)	(2)
Marine, Aviation & Transport	-	(19)	(1)	44	24
Fire and other Damage to Property	(5)	22	(1)	(25)	(9)
Third Party Liability	6	(82)	(15)	(14)	(105)
Credit and Suretyship	1	4	(2)	(4)	(1)
Other	-	(1)	(52)	-	(53)
Total Direct	2	(87)	(74)	84	(75)
Reinsurance Business:					
Reinsurances Acceptances	4	-	(11)	57	50
Total Reinsurance	4	-	(11)	57	50
Total	6	(87)	(85)	141	(25)

MASTHEAD E LIMITED

Notes to the Financial Statements continued

3. (a) Segmental Information continued

	Year ended 31 December 2005				
	Gross Premiums Written £'000	Gross Claims Incurred £'000	Net Operating Expenses £'000	Reinsurance Balance £'000	Total £'000
Direct Business:					
Accident & Health	(5)	25	(1)	(90)	(71)
Motor – third party liability	-	-	-	-	-
Motor – other classes	-	(1)	-	6	5
Marine, Aviation & Transport	(2)	(16)	-	1	(17)
Fire and other Damage to Property	1	(5)	-	26	22
Third Party Liability	(1)	104	(4)	(15)	84
Credit and Suretyship	4	12	-	4	20
Other	-	(2)	-	-	(2)
Total Direct	(3)	117	(5)	(68)	41
Reinsurance Business:					
Reinsurances Acceptances	(2)	(165)	(3)	39	(131)
Total Reinsurance	(2)	(165)	(3)	39	(131)
Total	(5)	(48)	(8)	(29)	(90)

Gross premiums in respect of direct business written
in:
United Kingdom

31 December 2006
£'000

31 December 2005
£'000

2 (3)

3 (b) Emphasis of matter : net technical reserves

As at 31 December 2006, the Company had open year participations on the 1997 and 1999 years of account on Syndicates 55 and 205 respectively.

In respect of Syndicate 55, the Syndicate has successfully negotiated a RITC for its 1997 year of account. The RITC, which has been approved by the Syndicate's capital providers, is effective from 1 January 2007 and is subject to regulatory approval. As such, the Syndicate's 1997 year of account remained open as at 31 December 2006

In respect of Syndicate 205, fundamental uncertainty arises from factors outside the control of the Syndicate. Syndicate 205 has uncertainty around its technical provisions that are dependent upon the outcome of US Court decisions of losses suffered by US financial markets from 1999.

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 2006

MASTHEAD E LIMITED

Notes to the Financial Statements continued

4. Claims Incurred, Net of Reinsurance

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Gross		
1997 Year of Account	18	50
1999 Year of Account	(105)	(98)
	<u>(87)</u>	<u>(48)</u>
Reinsurance		
1997 Year of Account	18	(28)
1999 Year of Account	60	4
	<u>78</u>	<u>(24)</u>
Net claims incurred	<u>(9)</u>	<u>(72)</u>

5. Net Operating Expenses

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Acquisition costs	(1)	(1)
Administrative expenses	19	18
Loss on exchange	67	(9)
	<u>85</u>	<u>8</u>

6. Other charges

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
Other	<u>54</u>	<u>1</u>

Audit fees for the Company have been borne by Brit Insurance Holdings PLC, the ultimate holding company and amounted to £1,000.

MASTHEAD E LIMITED

Notes to the Financial Statements continued

7. Taxation

	Year ended 31 December 2006 £'000	Year ended 31 December 2005 £'000
(i) Analysis of tax credit/(charge) in year		
Current taxation:		
Adjustment in respect of previous years	-	(1)
UK Corporation tax on the (loss) for the year	33	-
Tax credit/(charge) on (loss) on ordinary activities	33	(1)
Deferred taxation (see note 10)		
Origination and reversal of timing differences	(26)	(95)
	(26)	(95)
	7	(96)
(ii) Factors affecting tax credit/(charge) for year		
(Loss) on ordinary activities before tax	(25)	(59)
(Loss)/profit on ordinary activities multiplied by standard rate of tax in the UK of 30% (2005:30%)	7	18
Effects of:		
Group relief surrendered for no consideration	-	(3)
Short term timing differences:		
Syndicate results	26	(15)
Adjustment to tax in respect of previous years	-	(1)
Current tax credit/(charge) for the year per (i) above	33	(1)

8. Financial investments

	31 December 2006 £'000	31 December 2005 £'000
Shares and other variable yield securities	178	11
Debt securities and other fixed interest securities	391	751
Deposits with credit institutions	43	49
Other	39	27
	651	838

MASTHEAD E LIMITED

Notes to the Financial Statements continued

9. Other debtors

	31 December 2006 £'000	31 December 2005 £'000
Sundry debtors	-	53
Taxation	32	2
Share of Syndicate's other debtor balances	29	30
	<u>61</u>	<u>85</u>

10. Deferred taxation

	31 December 2006 £'000	31 December 2005 £'000
Provision for future underwriting losses	9	(17)
	<u>9</u>	<u>(17)</u>
Undiscounted provision for deferred taxation at the start of the year	(17)	(112)
Deferred tax charge in profit and loss account for year (Note 7)	26	95
Provision at end of year	<u>9</u>	<u>(17)</u>

At 31 December 2006, there was an unprovided deferred tax asset of £nil (31 December 2005:£nil).

11. Other creditors

	31 December 2006 £'000	31 December 2005 £'000
Amounts due to Group undertakings	32	50
Amounts due in respect of syndicate losses	44	19
Share of Syndicate's other creditor balances	8	225
	<u>84</u>	<u>294</u>

12. Share capital

	31 December 2006 £	31 December 2005 £
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>

MASTHEAD E LIMITED

Notes to the Financial Statements continued

13. Revenue reserve

	31 December 2006 £'000	31 December 2005 £'000
Balance as at 1 January	2	157
(Loss) retained for the financial period	(56)	(155)
Balance as at 31 December	(54)	2

14. Movement in Shareholder's funds

	31 December 2006 £'000	31 December 2005 £'000
Opening Shareholder's funds	3	158
Total recognised (losses) for the financial period	(56)	(155)
Closing Shareholder's funds	(53)	3

15. 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.

16. Guarantees

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

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

MASTHEAD E LIMITED

Notes to the Financial Statements continued

16. Guarantees - continued

Under a Group inter-availability scheme the Company made inter-available £5,191,238 for the period to 28 February 2006 (2005. £5,191,238) of its covenant from Masthead Insurance Underwriting Limited to Brit UW Limited. On 28 February 2006 the Company entered into various deeds in order to reorganise the covenant and charge arrangements between the Company, Lloyd's, Masthead Insurance Underwriting Limited and Brit UW Limited. Following the reorganisation, funds are no longer made inter-available between the ceased corporate members and Brit UW Limited. As at 28 February 2006 the Company has standalone Funds at Lloyd's of £300,768 and as at 31 December 2006 £213,711.

17. Ultimate holding company

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