



BRIT INSURANCE HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2011



A29 30/03/2012 #269
COMPANIES HOUSE

Registered No. 3121594

Contents

Page

2	Company Information
3	Report of Directors
5	Independent Auditor's Report
6	Profit and Loss Account
7	Balance Sheet
8	Notes to the Financial Statements

Company Information

Directors

P J Goddard	(Resigned 19 August 2011)
A E Usher	(Appointed 01 January 2011)
M J Beane	(Appointed 01 January 2011)
S Egan	(Appointed 07 January 2011)
M B Cloutier	(Appointed 27 September 2011)

Registered Office

55 Bishopsgate
London
EC2N 3AS

Auditor

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

BRIT INSURANCE HOLDINGS LIMITED

Report of the Directors

Registered number 03121594

The Directors present their report and financial statements for the year ended 31 December 2011

Principal activities

The Company is an investment holding company

Review of the business

During the year, the Company received a dividend of £80.0m from Brit Insurance Limited. Following the receipt of this dividend, the Company impaired the carrying value of Brit Insurance Limited down to its net asset value.

On 10 November 2011, the Company carried out a capital reduction whereby the £11.9m balance on the capital redemption reserve was transferred to the profit and loss account.

After the year end, the Company received a dividend from Brit Insurance Limited of £75.0m, which it used to pay an interim dividend of £24.0m and used the remainder to repay the balance outstanding on its short term borrowings from other Group companies.

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 2012.

Going concern

The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Principal risks and uncertainties

The principal risk confronting the Company is that its subsidiary investments become impaired.

Employees

All staff in the United Kingdom are employed by the Group services company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those accounts. Further information on the Group's employment policies can be found in the accounts of Brit Group Services Limited.

Result and dividend

The profit for the year, after taxation is £43,850,872 (2010: £134,139,631).

During the year, the Company paid an interim dividend of £80,000,000 (2010: £362,205,128).

The Directors do not recommend a final dividend in respect of 2011 (2010: £0).

Directors

The names of the Directors as at the date of this report are listed on page 2. M Beane was appointed as a director on 01 January 2011. A E Usher was appointed as a director on 01 January 2011. S Egan was appointed as a director on 07 January 2011. M Cloutier was appointed as a director on 27 September 2011. P Goddard resigned as a director on 19 August 2011.

Donations

No contributions to political organisations were made during the year (2010 £0) The Company made no charitable donations during the year (2010 £582,079)

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 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

The Company's Auditor is Ernst & Young LLP 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



A E Usher
Director
23 March 2012

Independent Auditor's Report

To the Member of Brit Insurance Holdings Limited

We have audited the financial statements of Brit Insurance Holdings Limited for the year ended 31 December 2011 which comprise the profit and loss account and the balance sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

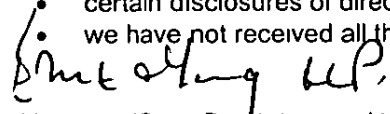
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


T J Leggett (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 March 2012

Brit Insurance Holdings Limited

Profit and Loss Account For the Year Ended 31 December 2011

		Year ended 31 December 2011 £	Year ended 31 December 2010 £
	Notes		
Income from fixed asset investments	1 d) & 2	80,000,000	136,251,406
Administrative expenses		(1,156,005)	(1,217,277)
Other income	3	-	912,625
Other expenses	4	(782,081)	-
Operating profit		78,061,914	135,946,754
Interest receivable and similar income	5	654,875	3,373,898
Interest payable and similar charges	6	(15,184,952)	(15,592,861)
Impairment of subsidiary	11	(26,614,124)	-
Loss on disposal of associated undertaking	12	-	(3,576,255)
Profit on ordinary activities before tax		36,917,713	120,151,536
Taxation on profit on ordinary activities	13	6,933,159	13,988,095
Profit on ordinary activities after taxation		43,850,872	134,139,631

The notes on pages 8 to 17 form part of these financial statements

The Company has no recognised gains and losses other than those included in the Profit and Loss account above and therefore no separate statement of total recognised gains and losses has been presented

Brit Insurance Holdings Limited

Balance Sheet

As at 31 December 2011

		2011 £	2010 £ (restated)
	Notes		
Fixed assets			
Investments in subsidiary undertakings	11	449,283,812	475,897,936
Current assets			
Debtors	14	20,351,461	10,047,303
Cash at bank, deposits and cash in hand		457,352	39,764
Deferred taxation	15	302,049	254,049
		21,110,862	10,341,116
Creditors Amounts falling due within one year	16	(49,516,279)	(29,339,529)
Net current liabilities		(28,405,417)	(18,998,413)
Total assets less current liabilities		420,878,395	456,899,523
Creditors Amounts falling due and payable after more than one year	17	(133,100,000)	(132,972,000)
Net assets		287,778,395	323,927,523
Capital and reserves			
Equity share capital	18	20,820,000	20,820,000
Capital redemption reserve	19	-	11,875,809
Profit and loss account	19	266,958,395	291,231,714
Equity Shareholder's funds		287,778,395	323,927,523

The financial statements on pages 6 to 17 were approved by the Board of Directors on 23 March 2012 and signed on their behalf by

A E Usher
Director



M Beane
Director



The notes on pages 8 to 17 form part of these financial statements

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

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

The comparative balance sheet has been restated to present a loan of £133.0m from a Group company within 'Creditors: Amounts falling due and payable after more than one year' which was presented in 'Creditors: Amounts falling due within one year' in the 2010 financial statements. This presentation more accurately reflects the terms of that loan. This revised presentation increases both Net current liabilities and Total assets less current liabilities by £133.0m but has no effect on net assets or the profit and loss account.

b) Consolidated accounts

The financial statements present information relating to Brit Insurance Holdings Limited, not to the group of which it is the parent company. Brit Insurance Holdings Limited is exempt from preparing consolidated financial statements of the group, under Section 400 of the Companies Act 2006. Achilles Holdings 1 Sarl, which is registered in Luxembourg and is the ultimate holding company, has prepared Group accounts.

c) Fixed assets

The Company has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). This is in accordance with the Company's documented investment strategy and consistent with investment risk being assessed on a portfolio basis. Information relating to investments is provided internally to the Company's directors and key managers on a fair value basis.

The fair values of quoted financial investments are based on current bid prices. If the market for an investment is not active, the Company establishes fair value by using valuation techniques such as recent arm's length transactions, reference to similar listed investments, discounted cash flow models or option pricing models.

Unquoted equity investments are initially carried at fair value where this can be reliably determined. Where fair value can not be reliably determined, cost is used as the best estimate of fair value. This is subsequently adjusted whenever events or changes in circumstances indicate that cost may not approximate to fair value. The fair value of an unquoted equity is calculated using the most appropriate valuation technique, such as reference to current fair values of another instrument that is substantially the same, discounted cash flow analysis or option pricing models.

Gains and losses on investments designated as FVTPL are recognised through the profit and loss account. Investments are held on the balance sheet at fair value.

Subsidiary undertakings and associated undertakings are valued at cost less provision for permanent diminution in value.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

d) Income from fixed asset investments

Interest income is recognised on an accruals basis. Dividend income is recognised when the shareholders' right to receive the payment is established.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and original cost.

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

e) Current Income Tax

Current income tax is the expected tax payable on the taxable profit for the period using tax rates (and laws) enacted or substantively enacted at the balance sheet date and any adjustment to the tax payable in respect of previous periods. The Company calculates current income tax using the current income tax rate.

f) Deferred tax

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 the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets and liabilities are not discounted.

g) Expenses

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

h) Foreign currency translation

Transactions in foreign currencies other than Sterling, United States dollars, Canadian dollars and Euros are translated at the rate of exchange ruling at the date the transaction is processed. Unless otherwise stated, transactions in United States dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Assets and liabilities in currencies other than Sterling are translated at the rate of exchange ruling at 31 December of each year. Exchange differences arising on translation are dealt with in the profit and loss account.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

i) Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the contract

A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred and the transfer qualifies for derecognition under a combination of risks and rewards and control tests

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled or expired

All "regular way purchases and sales" of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace

k) Pension scheme contributions

The Company receives recharges in respect of defined benefit and defined contribution Group schemes which are charged to the profit and loss in the period the recharge is made

l) Cash flow statement

The Company is exempt from preparing a cash flow statement under FRS 1. Achilles Holdings 1 Sarl, the ultimate parent company, has prepared a consolidated cash flow statement

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

2 Income from fixed asset investments

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Dividend income	80,000,000	136,255,091
Interest income	-	2,515
Realised losses	-	(24,801)
Unrealised gains	-	18,601
	<u>80,000,000</u>	<u>136,251,406</u>

Dividend income relates to dividends received from subsidiaries

3 Other income

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Foreign exchange gains	-	898,348
Sundry income	-	14,277
	<u>-</u>	<u>912,625</u>

4 Other expenses

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Foreign exchange losses	(782,081)	-
	<u>(782,081)</u>	<u>-</u>

5 Interest receivable and similar income

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Interest on cash at bank, deposits and cash in hand	530,656	329,156
Intragroup interest receivable	124,219	3,044,742
	<u>654,875</u>	<u>3,373,898</u>

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

6 Interest payable and similar charges

	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Intragroup interest payable	(15,184,952)	(15,592,831)
Interest payable on borrowings	-	(30)
	<u>(15,184,952)</u>	<u>(15,592,861)</u>

7. Auditor's remuneration

The auditor's remuneration for the current year has been paid by a fellow Group company and amounted to £26,000. In 2010 the company paid an audit fee which amounted to £35,000.

8 Staff Costs

All staff in the United Kingdom are employed by the Group services company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those accounts. The Company is recharged an appropriate amount by Brit Group Services Limited for the services it receives from those staff.

9 Pensions

Brit Group Services Limited provides pension benefits to Group staff. These benefits are provided by a defined benefit scheme which closed to future accrual of benefits on 31 December 2011 and a defined contribution group personal pension plan. The Company is recharged an appropriate amount by Brit Group Services Limited for the cost of providing these pension benefits. Each separate company within the Group is however unable to identify its share of the underlying assets and liabilities of the defined benefit scheme and therefore the scheme has been accounted for as a defined contribution scheme in these separate financial statements. Disclosure relating to the defined benefit scheme is included in the notes to the accounts of Brit Group Services Limited.

10 Directors' remuneration

The Directors did not receive any remuneration for their services to the Company during the year ended 31 December 2011 (2010: £0).

11 Investments in subsidiary undertakings

Details of the Company's subsidiaries are as follows:

Name of company	Nature of business
Brit Investment Holdings Limited	Holding company
Brit Corporate Holdings Limited	Holding company
Brit Underwriting Holdings Limited	Holding company
Brit Insurance Limited	Insurance company

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

Movements during the year were as follows

	£
Cost at 1 January 2011	475,897,936
Impairment of investment in Brit Insurance Limited	(26,614,124)
Cost at 31 December 2011	449,283,812

During the year, the Company received a dividend of £80 0m from Brit Insurance Limited. Following the receipt of this dividend, the Company impaired the carrying value of Brit Insurance Limited down to its net asset value.

Brit Insurance Holdings Limited owns 100% of the ordinary share capital of its subsidiary companies listed above.

12 Loss on disposal of associated undertaking

On 7 December 2010, the Company sold its 20.3% holding of ordinary shares and 21.6% holding of preference shares in RI3K Limited.

Assets disposed of and related sales proceeds during 2010 were as follows

	Year ended 31 December 2010 £
Proceeds	691,916
Carrying value of investment in RI3K Limited	(4,268,171)
Loss on disposal	(3,576,255)

There were no associated undertakings disposed of during 2011.

13 Taxation

(a) Tax on profit on ordinary activities	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Current tax		
UK corporation tax at 26.5%/28.0%	2,079,957	3,480,845
Adjustments in respect of prior years	4,805,202	10,442,666
Total current tax (Note 13b))	6,885,159	13,923,511
Deferred tax		
Originating and reversal of timing differences		-
Effect of future tax rate changes	(24,164)	(9,409)
Adjustments in respect of prior years	72,164	73,994
Total deferred tax (Note 15)	48,000	64,584
Tax on profit on ordinary activities	6,933,159	13,988,095

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

(b) Factors affecting current tax charge for period	Year ended 31 December 2011 £	Year ended 31 December 2010 £
Profit on ordinary activities before tax	36,917,713	120,151,536
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5%/28.0%	(9,783,194)	(33,642,429)
Effects of		
Permanent differences	-	(11,200)
Share disposals	-	(900,358)
Equity dividends not subject to corporation tax	21,200,000	38,151,425
Unrelieved foreign tax	(12,730)	-
Impairment of subsidiary	(7,052,743)	-
Group relief losses surrendered without payment	-	(116,593)
Group relief not paid for at the full rate	(2,271,376)	-
Other adjustments to tax charge in respect of prior years	4,805,202	10,442,666
Current tax credit for the period Note 13 (a) above	6,885,159	13,923,511

14 Debtors

	2011 £	2010 £
Amounts falling due within one year		
Current taxation	20,351,461	10,011,980
Other debtors	-	35,323
	20,351,461	10,047,303

15 Deferred taxation

	2011 £	2010 £
Undiscounted asset for deferred taxation at the start of the period	254,049	189,465
Deferred tax for the period	48,000	64,584
Deferred tax asset at the end of period	302,049	254,049

In determining the deferred tax position, group relief has been taken into account

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

16 Creditors Amounts falling due within one year

	2011 £	2010 £ (restated)
Amounts falling due within one year		
Amounts due to Group companies	46,389,638	29,175,706
Accruals and deferred income	3,126,641	163,823
	<u>49,516,279</u>	<u>29,339,529</u>

Accruals and deferred income includes £569,595 relating to the interest payable on the long term loan referred to in note 17

17 Creditors Amounts falling due and payable after more than one year

	2011 £	2010 £ (restated)
Amounts falling due within one year		
Amounts due to Group companies	133,100,000	132,972,000
	<u>133,100,000</u>	<u>132,972,000</u>

As at 31 December 2010, the Company had borrowed £133 0m from Brit Insurance Holdings B V , an indirect parent company, under a long term loan agreement expiring on 9 December 2020 The loan had been made at an annual interest rate of 7 1%

On 9 August 2011, the Company borrowed £133 1m from Brit Group Finance Limited, an indirect subsidiary company, under a long term loan agreement expiring on 9 December 2020 The loan has been made at an annual interest rate of 7 1%

18 Equity share capital

	2011 £	2010 £
Allotted, called up and fully paid		
260,249,999 ordinary shares of 8p each	<u>20,820,000</u>	<u>20,820,000</u>

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

19 Reserves

Year ended 31 December 2011

	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January	11,875,809	291,231,714	303,107,523
Capital reduction	(11,875,809)	11,875,809	-
Dividends paid	-	(80,000,000)	(80,000,000)
Retained profit for the year	-	43,850,872	43,850,872
At 31 December	-	266,958,395	266,958,395

Year ended 31 December 2010

	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January	11,875,809	519,297,211	531,173,020
Dividends paid	-	(362,205,128)	(362,205,128)
Retained profit for the year	-	134,139,631	134,139,631
At 31 December	11,875,809	291,231,714	303,107,523

20 Financial instruments

The Company has taken advantage of the exemption in Financial Reporting Standard 29 'Financial Instruments Disclosures' not to provide the disclosures required by this standard. This is by virtue of the entity being included in publicly available consolidated financial statements which include disclosures that comply with this standard.

21. Controlling party

The Company is a wholly owned subsidiary of Brit Overseas Holdings S à r l , a company registered in Luxembourg. As at 31 December 2011, the ultimate holding company was Achilles Holdings 1 Sarl, a company registered in Luxembourg. Copies of Achilles Holdings 1 Sarl accounts can be obtained by writing to 5, rue Guillaume Kroll, L – 1882, Luxembourg.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements For the Year Ended 31 December 2011

22 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with other members of the Group. This is by virtue of the entity being fully controlled within a group whose consolidated financial statements are publicly available.

23 Guarantees and contingent liabilities

The Company has provided a guarantee to the lenders of a £200m revolving credit facility entered into by a parent company. In addition, the Company has granted a charge over the ordinary shares of Brit Insurance Limited.

24 Post balance sheet events

After the year end, the Company received a dividend from Brit Insurance Limited of £75.0m, which it used to pay an interim dividend of £24.0m and used the remainder to repay the balance outstanding on its short term borrowings from other Group companies.