



# BRIT INSURANCE HOLDINGS LIMITED

## REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2012



Registered No. 3121594

# **BRIT INSURANCE HOLDINGS LIMITED**

## **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

# **BRIT INSURANCE HOLDINGS LIMITED**

## **Company Information**

### **Directors**

M J Beane  
M B Cloutier  
S Egan  
N Meyer  
A E Usher

(Resigned 31 May 2012)

(Resigned 30 March 2012)  
(Appointed 2 August 2012)

### **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 2012

### **Principal activities**

The Company is an investment holding company

### **Review of the business**

During the year, the Company received dividends amounting to £183,072,795 from Brit Insurance Limited. On 12 October 2012 the Company completed the sale of Brit Insurance Limited to RiverStone Group.

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 was made at an annual interest rate of 7.1%. On 26 November 2012, the borrowings were reduced by £30,000,000 to £103,100,000.

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 2013.

### **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 could become impaired. This is monitored by management, and impairments are made when necessary.

### **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 £25,957,756 (2011: £43,850,872).  
During the year, the Company paid interim dividends of £288,800,015 (2011: £80,000,000).  
The Directors do not recommend a final dividend in respect of 2012 (2011: £0).

### **Directors**

The names of the Directors as at the date of this report are listed on page 2. S Egan resigned as a Director on 30 March 2012. M Beane resigned as a Director on 31 May 2012. N Meyer was appointed as a Director on 2 August 2012.

### **Donations**

No contributions to political organisations were made during the year (2011: £0). The Company made no charitable donations during the year (2011: £0).

# **BRIT INSURANCE HOLDINGS LIMITED**

## **Report of the Directors (cont )**

### **Other matters**

In March 2012, the Company indemnified certain of the Directors in respect of any losses and expenses suffered by them in connection with the reduction of the share capital of Brit Insurance Limited and the statement of solvency made by the Directors of Brit Insurance Limited pursuant to section 643 of the Companies Act 2006

### **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, and
- 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 the Auditor**

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 auditor is 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 Auditor is aware of that information

By Order of the Board



A E Usher  
Director  
22 March 2013

# **BRIT INSURANCE HOLDINGS LIMITED**

## **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 2012 which comprise the profit and loss account and the balance sheet and the related notes 1 to 22. 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 member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

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 and express an opinion on 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 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 and Financial Statements 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 2012 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.

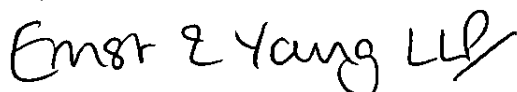
### **Opinion on other matter prescribed by the Companies Act 2006**

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.



Michael Purrington (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
22 March 2013

# BRIT INSURANCE HOLDINGS LIMITED

## Profit and Loss Account

For the Year Ended 31 December 2012

		Year ended 31 December 2012 £	Year ended 31 December 2011 £
	Notes		
Income from fixed asset investments	1 d) & 2	183,072,795	80,000,000
Administrative expenses	3	1,084,512	(1,156,005)
Return on derivative contracts	4	1,000,000	-
Other expenses	5	(662,657)	(782,081)
<b>Operating profit</b>		<b>184,494,650</b>	<b>78,061,914</b>
Interest receivable and similar income	6	1,425,237	654,875
Interest payable and similar charges	7	(9,839,807)	(15,184,952)
Impairment of subsidiary	10	-	(26,614,124)
Loss on disposal of subsidiary	11	(149,342,208)	-
<b>Profit on ordinary activities before tax</b>		<b>26,737,872</b>	<b>36,917,713</b>
Taxation on profit on ordinary activities	12	(780,016)	6,933,159
<b>Profit on ordinary activities after taxation</b>		<b>25,957,856</b>	<b>43,850,872</b>

The notes on pages 8 to 16 form part of these financial statements

All results arise from continuing operations

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 2012

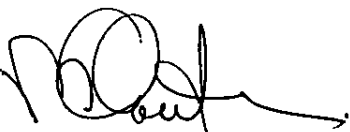
	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Investments in subsidiary undertakings	10	93,700,004	449,283,812
<b>Current assets</b>			
Debtors	13	46,003,104	20,351,461
Cash at bank and in hand		1,177,821	457,352
Deferred taxation	14	-	302,049
		<u>47,180,925</u>	<u>21,110,862</u>
<b>Creditors. Amounts falling due within one year</b>	15	(12,844,693)	(49,516,279)
<b>Net current assets/(liabilities)</b>		<u>34,336,232</u>	<u>(28,405,417)</u>
<b>Total assets less current liabilities</b>		<u>128,036,236</u>	<u>420,878,395</u>
<b>Creditors. Amounts falling due and payable after more than one year</b>	16	(103,100,000)	(133,100,000)
<b>Net assets</b>		<u>24,936,236</u>	<u>287,778,395</u>
<b>Capital and reserves</b>			
Equity share capital	17	20,820,000	20,820,000
Profit and loss account	18	4,116,236	266,958,395
<b>Equity Shareholder's funds</b>		<u>24,936,236</u>	<u>287,778,395</u>

The financial statements on pages 6 to 16 were approved by the Board of Directors on 22 March 2013 and signed on their behalf by

A E Usher  
Director



M B Cloutier  
Director



The notes on pages 8 to 16 form part of these financial statements



# **BRIT INSURANCE HOLDINGS LIMITED**

## **Notes to the Financial Statements** **For the Year Ended 31 December 2012**

### **1. Accounting policies**

#### **a) Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards (United Kingdom Accounting Generally Accepted Accounting Practice)

#### **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 S à r l, which is registered in Luxembourg and is the ultimate holding company, has prepared Group accounts

#### **c) Fixed assets**

Subsidiary undertakings are valued at cost less provision for impairment

#### **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

# **BRIT INSURANCE HOLDINGS LIMITED**

## **Notes to the Financial Statements** **For the Year Ended 31 December 2012**

### **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.

### **i) Derivatives**

Derivative financial instruments comprise options, credit swap agreements, forward contract agreements and catastrophe swap contracts. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in the income statement. Fair values are obtained from quoted market prices, discounted cash flow models, risk models and option pricing models as appropriate.

### **j) Cash flow statement**

The Company is exempt from preparing a cash flow statement under FRS 1 (revised 1996). Achilles Holdings 1 S à r l, the ultimate parent company, whose accounts are publicly available, has prepared a consolidated cash flow statement, which includes the Company.

# BRIT INSURANCE HOLDINGS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2012

### 2 Income from fixed asset investments

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Dividend income	183,072,795	80,000,000
	<u>183,072,795</u>	<u>80,000,000</u>

Dividend income relates to dividends received from subsidiaries

### 3. Administrative expenses

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Administrative costs	1,084,512	(1,156,005)
	<u>1,084,512</u>	<u>(1,156,005)</u>

In 2011 an accrual for £1,000,000 was made in respect of legal and professional costs, which has subsequently been reversed in 2012, resulting in a credit to administrative expenses

### 4 Return on derivative contracts

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Return on derivative contracts	1,000,000	-
	<u>1,000,000</u>	<u>-</u>

The return on derivative contracts represents the profit on a put option to purchase shares in an insurance intermediary

### 5. Other expenses

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Foreign exchange losses	(662,657)	(782,081)
	<u>(662,657)</u>	<u>(782,081)</u>

### 6 Interest receivable and similar income

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Interest on cash at bank, deposits and cash in hand	651,387	530,656
Intragroup interest receivable	773,850	124,219
	<u>1,425,237</u>	<u>654,875</u>

# BRIT INSURANCE HOLDINGS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2012

### 7. Interest payable and similar charges

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Intragroup interest payable	(9,839,807)	(15,184,952)
	<u>(9,839,807)</u>	<u>(15,184,952)</u>

### 8. Auditor's remuneration

The auditor's remuneration for the current year has been paid by a fellow Group company and amounted to £26,000 (2011 £26,000)

### 9. Directors' remuneration

The Directors did not receive any remuneration for their services to the Company during the year ended 31 December 2012 (2011 £0)

### 10 Investments in subsidiary undertakings

Details of the Company's direct 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

Movements during the year were as follows

	2012 £	2011 £
Cost at 1 January	449,283,812	475,897,936
Impairment of investment in Brit Insurance Limited	-	(26,614,124)
Disposal of Brit Insurance Limited	(355,583,808)	-
Cost at 31 December	<u>93,700,004</u>	<u>449,283,812</u>

During 2011, the Company received a dividend of £80,000,000 from Brit Insurance Limited. Following the receipt of this dividend, the Company impaired the carrying value of Brit Insurance Limited by £26,614,124, down to its net asset value.

On 12 October 2012, the Company completed the sale of Brit Insurance Limited to RiverStone Holdings Limited. Brit Insurance Limited was subsequently renamed RiverStone Insurance Limited.

Brit Insurance Holdings Limited owns 100% of the ordinary share capital of its subsidiary companies listed above. All subsidiaries were incorporated in England.

The Directors have provided confirmation to both Brit Corporate Holdings Limited and Brit Investment Holdings Limited that it will meet their liabilities for at least the next year from the date of approval of those accounts.

# BRIT INSURANCE HOLDINGS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2012

### 11 Loss on disposal of subsidiary

On 12 October 2012, the Company sold its 100% holding of ordinary shares in Brit Insurance Limited

Assets disposed of and related sales proceeds during 2012 were as follows

	Year ended 31 December 2012 £
Proceeds	207,031,000
Costs of sale	(789,400)
Carrying value of investment in Brit Insurance Limited	(355,583,808)
Loss on disposal	(149,342,208)

### 12. Taxation

#### (a) Tax on profit on ordinary activities

	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Current tax		
Overseas Tax (charge)/credit	(189,165)	-
Group relief receivable	975,507	2,079,957
Adjustments in respect of prior years	(1,264,309)	4,805,202
Total current tax (charge)/credit (Note 12b))	(477,967)	6,885,159
Deferred tax		
Reversal of timing differences	(245,000)	-
Effect of future tax rate changes	15,000	(24,164)
Adjustments in respect of prior years	(72,049)	72,164
Total deferred tax (Note 14)	(302,049)	48,000
Tax (charge)/credit on profit on ordinary activities	(780,016)	6,933,159

# BRIT INSURANCE HOLDINGS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2012

(b) Factors affecting current tax charge for period	Year ended 31 December 2012 £	Year ended 31 December 2011 £
Profit on ordinary activities before tax	26,737,872	36,917,713
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	(6,550,778)	(9,783,194)
Effects of		
Expenses not deductible for tax purposes	(982,709)	-
Share disposals	(36,588,841)	-
Equity dividends not subject to corporation tax	44,852,835	21,200,000
Unrelieved foreign tax	(189,165)	(12,730)
Impairment of subsidiary	-	(7,052,743)
Group relief not paid for at the full rate	-	(2,271,376)
Other timing differences	245,000	
Other adjustments to tax charge in respect of prior years	(1,264,309)	4,805,202
Current tax (charge)/credit for the period Note 12 (a) above	(477,967)	6,885,159

### 13 Debtors

	2012 £	2011 £
Amounts falling due within one year		
Current taxation	11,906,861	20,351,461
Amounts due from Group companies	33,739,243	-
Other debtors	357,000	-
	46,003,104	20,351,461

### 14 Deferred taxation

	2012 £	2011 £
Undiscounted asset for deferred taxation at the start of the period	302,049	254,049
Deferred tax for the period	(302,049)	48,000
Deferred tax asset at the end of the period	-	302,049

The deferred tax asset has been transferred to another company within the group

# BRIT INSURANCE HOLDINGS LIMITED

## Notes to the Financial Statements For the Year Ended 31 December 2012

### 15 Creditors Amounts falling due within one year

	2012 £	2011 £
Amounts falling due within one year		
Amounts due to Group companies	12,241,757	46,389,638
Accruals and deferred income	602,936	3,126,641
	<u>12,844,693</u>	<u>49,516,279</u>

Accruals and deferred income includes £441,212 (2011 £569,595) relating to the interest payable on the long term loan referred to in note 16

### 16 Creditors Amounts falling due and payable after more than one year

	2012 £	2011 £
Amounts falling due after more than one year		
Amounts due to Group companies	103,100,000	133,100,000
	<u>103,100,000</u>	<u>133,100,000</u>

On 9 August 2011, the Company borrowed £133,100,000 from Brit Group Finance Limited, an indirect subsidiary company, under a long term loan agreement expiring on 9 December 2020. The loan was made at an annual interest rate of 7.1%.

On 26 November 2012, the borrowings were reduced by £30,000,000 to £103,100,000.

### 17. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
1 ordinary share of 75p	1	1
260,249,999 ordinary shares of 8p each	20,819,999	20,819,999
	<u>20,820,000</u>	<u>20,820,000</u>

All shares rank pari passu

## BRIT INSURANCE HOLDINGS LIMITED

### Notes to the Financial Statements

For the Year Ended 31 December 2012

#### 18. Reserves

Year ended 31 December 2012

	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January	-	266,958,395	266,958,395
Dividends paid	-	(288,800,015)	(288,800,015)
Retained profit for the year	-	25,957,856	25,957,856
At 31 December	-	4,116,236	4,116,236

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

#### 19 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.

#### 20 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 2012, the ultimate holding company was Achilles Holdings 1 S à r l, a company registered in Luxembourg. Copies of Achilles Holdings 1 S à r l accounts can be obtained by writing to 5, rue Guillaume Kroll, L – 1882, Luxembourg.

#### 21 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 wholly owned subsidiaries of the Group.

#### 22 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.



## **BRIT INSURANCE HOLDINGS LIMITED**

### **Notes to the Financial Statements**

**For the Year Ended 31 December 2012**

In March 2012, the Company provided certain of the Directors of the Company's then subsidiary Brit Insurance Limited with indemnities in respect of any losses and expenses suffered by them in connection with the reduction of Brit Insurance Limited's share capital and the statement of solvency made by the Directors pursuant to section 643 of the Companies Act 2006

The Company has provided a guarantee to Brit Pension Trustee Limited, whereby it guaranteed certain payment obligations of Brit Group Services Ltd. This guarantee is in respect of payments of £4.5m pa to 31 July 2016 and then a minimum of £2.0m pa from 1 January 2017 to 31 July 2024