

Registered number. 05327434

CATLIN FINANCE (UK) LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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CATLIN FINANCE (UK) LTD

COMPANY INFORMATION

DIRECTORS

D Primer
P Jardine
D Ibeson
N Freshwater

COMPANY SECRETARY

E Guyatt

COMPANY NUMBER

05327434

REGISTERED OFFICE

20 Gracechurch Street
London
EC3V 0BG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

CATLIN FINANCE (UK) LTD

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CATLIN FINANCE (UK) LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their report and the audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activity of the company is to act as a financing company

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements were

D Primer
P Jardine
D Ibeson
N Freshwater

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

CATLIN FINANCE (UK) LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

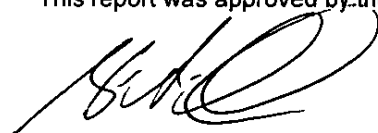
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf



N. Freshwater
Director

Date 27 June 2011

CATLIN FINANCE (UK) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATLIN FINANCE (UK) LTD

We have audited the financial statements of Catlin Finance (UK) Ltd for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, set out on page 2, 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.

This report, including the opinions, has been prepared for and only for the company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

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 2010 and of its loss 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.

CATLIN FINANCE (UK) LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF CATLIN FINANCE (UK) LTD

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, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report

N J D Terry

Nigel Terry (Senior statutory auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 June 2011

CATLIN FINANCE (UK) LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Administrative expenses		<u>(818,699)</u>	<u>1,711,168</u>
OPERATING (LOSS)/PROFIT	2	(818,699)	1,711,168
Interest receivable and similar income	4	23,520,142	21,883,592
Interest payable and similar charges	5	<u>(23,639,347)</u>	<u>(22,003,675)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(937,904)	1,591,085
Tax on (loss)/profit on ordinary activities	6	<u>250,289</u>	<u>(445,339)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	12	<u><u>(687,615)</u></u>	<u><u>1,145,746</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss Account, hence a separate Statement of Total Recognised Gains and Losses is not presented

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

The notes on pages 7 to 12 form part of these financial statements

CATLIN FINANCE (UK) LTD
REGISTERED NUMBER: 05327434

BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Investments	7		349,061,677		333,829,996
CURRENT ASSETS					
Debtors	8	2,053,301		2,239,519	
Cash at bank		115,743		111,046	
		<u>2,169,044</u>		<u>2,350,565</u>	
CREDITORS amounts falling due within one year	9	(17,015,660)		(16,509,566)	
NET CURRENT LIABILITIES			(14,846,616)		(14,159,001)
TOTAL ASSETS LESS CURRENT LIABILITIES			334,215,061		319,670,995
CREDITORS amounts falling due after more than one year	10		(308,441,558)		(293,209,877)
NET ASSETS			<u>25,773,503</u>		<u>26,461,118</u>
CAPITAL AND RESERVES					
Called up share capital	11		306		306
Share premium account	12		30,464,695		30,464,695
Profit and loss account	12		(4,691,498)		(4,003,883)
SHAREHOLDERS' FUNDS	13		<u>25,773,503</u>		<u>26,461,118</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by



N. Freshwater
Director

Date 27 June 2011

The notes on pages 7 to 12 form part of these financial statements

CATLIN FINANCE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

The financial statements have been prepared on a going concern basis despite the company holding net current liabilities of £14,846,616 (2009 £14,159,001). The immediate parent company, Catlin Insurance Company Ltd, intends to continue to provide support to the company to ensure that it is able to meet its liabilities as they fall due.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Investments

Investments held in group undertakings are stated at cost less any provision for impairment.

1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.5 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

CATLIN FINANCE (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

2 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging/(crediting)

	2010 £	2009 £
Difference on foreign exchange	817,012	(1,711,568)

The auditor's remuneration for the year of £2,500 (2009 £2,500) has been borne by another group company

3. STAFF COSTS

The company has no employees

The directors did not receive any emoluments in respect of their services to the company (2009 £NIL)

4 INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Intercompany loan interest receivable	23,520,142	21,883,592

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £	2009 £
Intercompany loan interest payable	23,639,347	22,003,675

Interest payable consists of £23,520,142 (2009 £21,883,592) relating to interest payable on loan notes issued to Catlin Insurance Company Ltd and £119,205 (2009 £120,083) issued to Catlin Holdings (UK) Limited

CATLIN FINANCE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

6 TAX ON PROFITS ON ORDINARY ACTIVITIES

	2010 £	2009 £
Analysis of tax (credit)/charge in the year		
UK corporation tax (credit)/charge on (loss)/profit for the year	(262,613)	445,504
Adjustments in respect of prior periods	12,324	(165)
	<u>(250,289)</u>	<u>445,339</u>
Tax on (loss)/profit on ordinary activities	<u>(250,289)</u>	<u>445,339</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £	2009 £
(Loss)/profit on ordinary activities before tax	(937,904)	1,591,085
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	(262,613)	445,504
Effects of.		
Adjustments to tax charge in respect of prior periods	12,324	(165)
Current tax (credit)/charge for the year (see note above)	<u>(250,289)</u>	<u>445,339</u>

To the extent available, corporation tax receivable/payable will be group relieved at full value The assessment of group relief will be completed at the time of filing the appropriate tax returns

The company has an unrecognised deferred tax asset of £4,169 as at 31 December 2010 (based on a corporation tax rate of 27%) in respect of carried forward tax losses This asset has not been recognised due to the uncertainty of the company having suitable taxable profits in the foreseeable future against which these losses can be utilised

CATLIN FINANCE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

7 FIXED ASSET INVESTMENTS

	Investment in group undertaking £	Loan to group undertaking £	Total £
Cost or valuation			
At 1 January 2010	40,620,119	293,209,877	333,829,996
Foreign exchange movement	-	15,231,681	15,231,681
At 31 December 2010	<u>40,620,119</u>	<u>308,441,558</u>	<u>349,061,677</u>

Investment in group undertaking

This represents 30,465 "A" Cumulative Preference Shares and 10,155 "B" Non Cumulative Preference Shares in Catlin Insurance Company (UK) Holdings Ltd, which has the same parent undertaking

Loan to group undertaking

This represents amounts owed by Catlin (North American) Holdings Ltd, a fellow group undertaking. The loan arises from a US\$475m Eurobond issued to Catlin Insurance Company Limited in June 2007 which is listed in the Cayman Islands. The notes bear interest at 7.6% payable semi-annually in arrears and may be redeemed, in whole or in part, at the option of the issuer at any time after 10 years, subject to a maximum term of 49 years.

8. DEBTORS

	2010 £	2009 £
Amounts owed by group undertakings	1,790,688	185,821
Corporation Tax	262,613	-
Group relief	-	2,053,081
Prepayments	-	617
	<u>2,053,301</u>	<u>2,239,519</u>

Included in amounts owed by group undertakings is £195,346 (2009 £185,700) relating to accrued interest on the US\$475m loan to Catlin (North American) Holdings Ltd which is payable within one year.

Group relief surrendered/claimed in respect of prior years has been transferred to amounts due to/from group undertakings as these claims are deemed to have been finalised between the entities concerned.

CATLIN FINANCE (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

9. CREDITORS

Amounts falling due within one year

	2010 £	2009 £
Loan from group undertakings	16,820,314	15,878,330
Amounts owed to group undertakings	195,346	185,700
Corporation tax	-	445,536
	<u>17,015,660</u>	<u>16,509,566</u>

The loan from group undertakings represents amounts owed to Catlin Holdings (UK) Limited, a fellow group undertaking. The principal of the loan is US\$25m issued on 30 April 2008. Interest accrues on a monthly basis at the London Interbank Offered Rate (LIBOR) plus 45 basis points. The principal of the loan and the interest accrued is repayable on demand.

The amounts owed to group undertakings of £195,346 (2009 £185,700) relates to accrued interest on the US\$475m loan to Catlin Insurance Company Ltd which is payable within one year.

10. CREDITORS

Amounts falling due after more than one year

	2010 £	2009 £
Loan from group undertakings	<u>308,441,558</u>	<u>293,209,877</u>

The loan from group undertakings represents amounts owed to Catlin Insurance Company Ltd, the company's immediate parent undertaking. The loan arises from a US\$475m Eurobond issued to Catlin Insurance Company Limited in June 2007 which is listed in the Cayman Islands. The notes bear interest at 7.6% payable semi-annually in arrears and may be redeemed, in whole or in part, at the option of the issuer at any time after 10 years, subject to a maximum term of 49 years.

11. CALLED UP SHARE CAPITAL

	2010 £	2009 £
Allotted, called up and fully paid		
30,565 Ordinary shares of £0.01 each	<u>306</u>	<u>306</u>

12. RESERVES

	Share premium account £	Profit and loss account £
At 1 January 2010	30,464,695	(4,003,883)
Loss for the year		(687,615)
At 31 December 2010	<u>30,464,695</u>	<u>(4,691,498)</u>

CATLIN FINANCE (UK) LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010	2009
	£	£
Opening shareholders' funds	26,461,118	25,315,372
(Loss)/profit for the year	(687,615)	1,145,746
Closing shareholders' funds	25,773,503	26,461,118

14. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption within FRS 8 not to disclose transactions with group entities on the grounds that 100% of the company's voting shares are controlled within the group and consolidated financial statements are publicly available

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Catlin Insurance Company Ltd, a company registered in Bermuda

The ultimate parent undertaking and controlling party is Catlin Group Limited, a company registered in Bermuda, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Catlin Group Limited consolidated financial statements can be obtained from The Secretary, Catlin Group Limited, Washington House, 5th Floor, 16 Church Street, Hamilton, Bermuda, HM11