

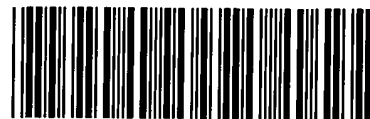
BOROUGH RUN-OFF SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2015

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London
EC3M 4BS

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BOROUGH RUN-OFF SERVICES LIMITED

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BOROUGH RUN-OFF SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2015

Principal activity

The principal activity of Borough Run-Off Services Limited ("the Company") for the year continued to be that of an insurance and reinsurance broker in run-off.

Review of business

The profit before tax for the year amounted to £532,630 (2014 - loss £1,024) and the profit after taxation for the year of £423,448 (2014 - loss £799) has been transferred to reserves.

The Company will continue to service its run-off requirements.

Business risks and uncertainty

The Company operates within the London insurance market as an intermediary specialising in servicing mainly corporate insureds with a wide range of property and casualty insurance products. The Company is thus exposed to the cyclical factors that affect the insurance market; premiums and commissions. The Company's business is sourced not only from within the UK but also from overseas. This international focus is one of the Company's most important strengths but does expose its revenues and earnings to currency fluctuations, mainly Sterling/US Dollar, Sterling/Euro and Sterling/Canadian Dollar as well as interest rate fluctuations, which affect its investment income. The Company has put in place appropriate hedging strategies to manage this risk.

The Company is also exposed to regulatory risk, the principal impact of which is to impose high levels of compliance costs on the business.

The Company uses a number of internal performance indicators to monitor and assess its business. In particular, renewal and attrition rates are carefully reviewed. In the main, however, the Company focuses on its commission earnings as a percentage of premium and the ratio of profit before tax to revenue.

This report was approved by the board on 17 December 2015 and signed on its behalf.



M Blake
Company Secretary

BOROUGH RUN-OFF SERVICES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2015

The director presents his annual report and the audited financial statements of the Company for the year ended 30 September 2015.

Director

The director who served during the year and to the date of this report was:

R Patel

The secretary who served during the year and to the date of this report was:

M Blake

Directors' indemnities

Hyperion Insurance Group Limited, the ultimate holding company, has made qualifying third party indemnity provisions for the benefit of the Company directors which were made during the year and remain in force at the date of this report.

Financial risk management

The Company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained earnings.

The Company's working capital comprises principally of insurance debtors, creditors and cash as described in note 1. These insurance balances are denominated in various currencies, predominantly Sterling, US Dollars, Canadian Dollars and Euros. To minimise the foreign exchange exposure the Company will endeavour to match foreign currency assets with liabilities of similar maturities and vice versa. Where this is not possible for material exposures the Company will endeavour occasionally to purchase an appropriate financial instrument, although none have been purchased in either the current or previous years.

The Company's exposure to the price risk of financial instruments is therefore minimal. In addition, as the counterparty to all financial instruments is the Company's bankers, the exposure to credit and liquidity risks in respect of these instruments is low.

The Company's principal financial assets are cash and trade and other receivables. With regards to insurance balances, the Company's risk is limited as the Company acts as the agent on those transactions. Further information on insurance balances receivable and the risks relating to these balances can be found in the statement of accounting policies in the financial statements. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company outsources its treasury arrangements to Hyperion Insurance Group Limited, the ultimate holding company, which uses a mixture of long-term and short-term debt finance.

BOROUGH RUN-OFF SERVICES LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

Going concern

The Company has adequate financial resources for its principle activity. As a consequence, the director believes that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, he continues to adopt the going concern basis in preparing the annual report and accounts. The Company's ultimate parent undertaking, Hyperion Insurance Group Limited, has undertaken to provide continuing financial support to the Company for at least the next 12 months.

Disclosure of information to auditor

The director at the time when this Director's report is approved has confirmed that:

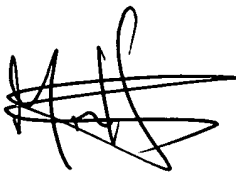
- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'M Blake', with a stylized, overlapping loop structure.

M Blake
Company Secretary
Date: 17 December 2015

BOROUGH RUN-OFF SERVICES LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2015

The director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing these financial statements, the director is 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOROUGH RUN-OFF SERVICES LIMITED

We have audited the financial statements of Borough Run-Off Services Limited for the year ended 30 September 2015, which comprise the Profit and Loss Account, Balance Sheet and the related notes set out on pages 8 to 13. 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 director and auditor

As explained more fully in the Director's responsibilities statement, the director is 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 director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Director's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 30 September 2015 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.

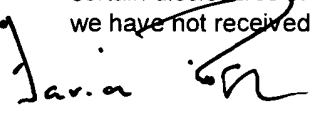
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Director's 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.


David Rush (Senior statutory auditor)
for and on behalf of

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

17 December 2015

BOROUGH RUN-OFF SERVICES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

	Note	2015 £	2014 £
Administrative expenses		32,163	(2,824)
Other operating income	2	500,467	1,800
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		532,630	(1,024)
Tax on profit/(loss) on ordinary activities	5	(109,182)	225
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	10	423,448	(799)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2015 or 2014 other than those included in the profit and loss account. Accordingly a statement of total recognised gains and losses has not been prepared.

The Company has not traded during the year. During this period, the Company received no income and incurred no expenditure other than exempted payments under the provisions of section 1169 (3)(b) of the Companies Act 2006.

BOROUGH RUN-OFF SERVICES LIMITED
REGISTERED NUMBER: 0931550

BALANCE SHEET
AS AT 30 SEPTEMBER 2015

	Note	£	2015 £	£	2014 £
CURRENT ASSETS					
Debtors	6	1,018,323		847,641	
CREDITORS: amounts falling due within one year	7	<u>(619,850)</u>		<u>(872,616)</u>	
NET CURRENT ASSETS/(LIABILITIES)			398,473		(24,975)
TOTAL ASSETS LESS CURRENT LIABILITIES			398,473		(24,975)
CREDITORS: amounts falling due after more than one year	8		<u>(49,999)</u>		<u>(49,999)</u>
NET ASSETS/(LIABILITIES)			348,474		(74,974)
CAPITAL AND RESERVES					
Called up share capital	9		50,501		50,501
Share premium account	10		9,645		9,645
Capital redemption reserve	10		3,572		3,572
Profit and loss account	10		<u>284,756</u>		<u>(138,692)</u>
SHAREHOLDERS' FUNDS/(DEFICIT)	11		348,474		(74,974)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 December 2015.



R Patel
Director

The notes on pages 8 to 13 form part of these financial statements.

BOROUGH RUN-OFF SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently throughout the year and preceding year in dealing with items that are considered material in relation to the financial statements:

a Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with applicable UK Accounting Standards.

The Company's business activities, future outlook, business risks and uncertainties and risk management are set out in the Director's Report and Strategic Report. Despite the current uncertain economic outlook and after making enquiries, 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 financial statements.

b Fiduciary investment income

Fiduciary investment income consists of interests on the cash flows arising from the collection and settlement of insurance transactions (see note d) and is recognised when earned.

c 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.

BOROUGH RUN-OFF SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

d Insurance intermediary assets and liabilities

Insurance brokers usually act as agents in placing the insurable risks of their clients with insurers and as such, generally, are not liable as principals for the amounts arising from such transactions. Notwithstanding these legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities. This recognises that the insurance broker is entitled to retain the investment income on any cash flows arising from these transactions and is included as fiduciary investment income in the profit and loss account.

Debtors and creditors arising from a transaction between a client and insurers (e.g. a premium or a claim) are recorded simultaneously. Consequently, there is a high level of correlation between the totals reported in respect of insurance broking debtors and insurance broking creditors.

The position of the insurance broker as an agent means that generally the credit risk is borne by the principals. There can be circumstances where the insurance broker acquires credit risk – through statute, or through the act or omission of the insurance broker or one of the principals. There is much legal uncertainty surrounding the circumstances and the extent of such exposure and consequently they cannot be evaluated. Therefore, the total of insurance broking debtors appearing in the balance sheet is not an indication of credit risk.

It is normal practice for insurance brokers to settle accounts with other intermediaries, clients, insurers and market settlement bureaux on a net basis. Thus, large changes in both insurance broking debtors and creditors can result from comparatively small cash settlements. For this reason, the totals of insurance broking debtors give no indication of future cash flows.

The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Financial Reporting Standard No. 5 "Reporting the substance of transactions" requires that the offset of assets and liabilities should be recognised in the financial statements where, and only where, the offset would survive the insolvency of the other party. Accordingly, only such offsets have been recognised in calculating insurance broking debtors and creditors.

e Cashflow

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

f Non-equity shares

Non-equity shares are shown as debt and any dividends on non-equity shares are treated as interest.

BOROUGH RUN-OFF SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

2. OTHER INCOME

	2015 £	2014 £
Fiduciary investment income	917	1,800
Credit write-backs and sundry income	499,550	-
	<u>500,467</u>	<u>1,800</u>

On 23 February 2015, the board of Howden Insurance Brokers Limited signed a credit write-back (CWB) policy, which details the definition, identification and treatment of potential credit write-backs, by which the Company may reduce or eliminate a creditor balance, which may or may not be followed by a cash transfer out of client money accounts. During the year the Company identified £499,550 (2014: Nil) which is included in credit write-backs and sundry income.

3. OPERATING PROFIT/(LOSS)

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

	2015 £	2014 £
Difference on foreign exchange	<u>(30,767)</u>	<u>2,824</u>

Auditor's remuneration in relation to audit services of £4,250 for the Company are borne by Howden Insurance Brokers Limited, a fellow subsidiary. Remuneration in the prior year of £4,000 for audit services were borne by Howden Insurance Brokers Limited, a fellow subsidiary.

4. DIRECTOR'S REMUNERATION

The director was employed by another group company and was not remunerated for services in respect of this company.

5. TAXATION

	2015 £	2014 £
UK corporation tax charge/(credit) on profit/loss for the year	<u>109,182</u>	<u>(225)</u>

BOROUGH RUN-OFF SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

5. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 20.5% (2014 - 22%). The differences are explained below:

	2015 £	2014 £
Profit/loss on ordinary activities before tax	<u>532,630</u>	<u>(1,024)</u>
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2014 - 22%)	109,189	(225)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(7)	-
Current tax charge/(credit) for the year (see note above)	<u><u>109,182</u></u>	<u><u>(225)</u></u>

Factors that may affect future tax charges

Following the enactment of the Finance Act 2014 on 17 July 2014, the main rate of corporation tax reduced from 21% to 20% from 1 April 2015. The company's UK deferred balances have been recognised at 20%.

6. DEBTORS

	2015 £	2014 £
Amounts owed by group undertakings	719,681	725,513
Insurance debtors	298,642	121,903
Other debtors	-	225
	<u><u>1,018,323</u></u>	<u><u>847,641</u></u>

7. CREDITORS: Amounts falling due within one year

	2015 £	2014 £
Insurance creditors	458,908	819,257
Other creditors	111,631	2,652
Amounts owed to group undertakings	49,311	49,311
Accruals and deferred income	-	1,396
	<u><u>619,850</u></u>	<u><u>872,616</u></u>

BOROUGH RUN-OFF SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

8. CREDITORS: **Amounts falling due after more than one year**

	2015 £	2014 £
Share capital treated as debt (Note 9)	<u>49,999</u>	<u>49,999</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 9.

9. SHARE CAPITAL

	2015 £	2014 £
Shares classified as capital		
Allotted, called up and fully paid		
500 Ordinary shares of £1 each	500	500
50,001 Deferred shares of £1 each	50,001	50,001
	<u>50,501</u>	<u>50,501</u>
Shares classified as debt		
Allotted, called up and fully paid		
49,999 5% cumulative redeemable preference shares of £1 each	49,999	49,999

Preference shareholders have waived all rights to all dividends.

The cumulative redeemable preference shares have the right to a fixed cumulative preferential dividend at the rate of five per cent. The voting rights on the shares are limited and only apply in one of the following events:

- (i) if the preferential dividend shall be 12 months in arrears
- (ii) on a resolution directly affecting the rights attached to the preference shares
- (iii) on a resolution to wind up the company (and then only on such resolution).

On the winding up of the company the cumulative redeemable preference shares are repayable at par value together with any arrears of the cumulative preferential dividend up to the date of the commencement of the winding up, in priority to any payment of capital or dividend on the ordinary shares.

BOROUGH RUN-OFF SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2015

10. RESERVES

	Share premium account £	Capital redempt'n reserve £	Profit and loss account £
At 1 October 2014	9,645	3,572	(138,692)
Profit for the financial year	-	-	423,448
At 30 September 2015	<u>9,645</u>	<u>3,572</u>	<u>284,756</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2015 £	2014 £
Opening shareholders' deficit	(74,974)	(74,175)
Profit/(loss) for the financial year	423,448	(799)
Closing shareholders' funds/(deficit)	<u>348,474</u>	<u>(74,974)</u>

12. CAPITAL COMMITMENTS

At 30 September 2015 there were no commitments for contracted capital expenditure (2014 - £NIL).

13. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned and controlled subsidiary of the ultimate holding company Hyperion Insurance Group Limited, the Company has taken advantage of the exemption in FRS 8 and has therefore not disclosed transactions or balances with entities which are 100% members of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Hyperion Insurance Group Limited, within which this Company is included, can be obtained from the address given in note 14.

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent company is Ostrakon Capital (2) Limited, which is registered in England and Wales. The ultimate holding company and controlling party is Hyperion Insurance Group Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The largest and smallest group of which the Company is a member for which group accounts are drawn up is that of Hyperion Insurance Group Limited. Copies of the financial statements of this Company can be obtained from The Group Finance Department, 16 Eastcheap, London, EC3M 1BD.