

Reports & Financial Statements

For the year ended 31 October 2011

**Harbour Assurance
Company (UK) Limited**

Company Registration No: 1425144



HARBOUR ASSURANCE COMPANY (UK) LIMITED

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HARBOUR ASSURANCE COMPANY (UK) LIMITED

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DIRECTORS' REPORT Company Registration No: 1425144

The directors present their report and the audited financial statements for the year ended 31 October 2011

RESULTS FOR THE YEAR AND DIVIDENDS

The (loss)/profit for the year after taxation is shown on page 5. No dividend has been proposed for the year.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company is an insurance company authorised and regulated by the Financial Services Authority (FSA). The company ceased its underwriting function on 31 October 1993 and since that date it has been in run-off. The run-off of the company is managed by Chilton International Limited.

There have been very few transactions in the year and the business is running-off in-line with expectations.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Due to the maturity of the run-off, no new claims have been notified for many years and there are no notified outstanding claims remaining. The Directors therefore believe that the possibility of any new liabilities emerging is remote and have not provided for claims incurred but not reported.

FUTURE DEVELOPMENTS

The directors consider that the run-off of the insurance business has concluded and are proposing to carry out a Members Voluntary Liquidation of the company. For this reason, the company cannot be regarded as a going concern. The shareholder's accounts have been prepared on a going concern basis as the directors are of the opinion that there would be no material adjustments to be made to the accounts should they be prepared on a break-up basis.

DIRECTORS

The following directors have held office during the whole of the period from 1 November 2010 to the date of this report:

I Kiverstein
L Kiverstein

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- comply with applicable accounting standards 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.

DIRECTORS' REPORT

Company Registration No: 1425144

DIRECTORS' RESPONSIBILITIES (Continued)

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

FINANCIAL INSTRUMENTS

The company's principal financial instrument is cash. Cash is held with UK high street banks and therefore the exposure to interest rate risk is limited.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

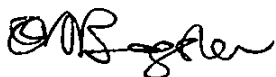
The Directors have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware.

AUDITORS

A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



E A Bagshaw
For Chilton International Ltd
Secretary

10 January 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF HARBOUR ASSURANCE COMPANY (UK) LIMITED

We have audited the financial statements of Harbour Assurance (UK) Limited for the year ended 31 October 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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 Directors' Responsibilities Statement set out on page 1, 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. This report, including our opinion, has been prepared for and only for the company's member as a body in accordance with Sections 495 and 496 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 as a body for our audit work, for this report, or for the opinions we have formed.

OPINION ON THE 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 October 2011 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.

EMPHASIS OF MATTER – PROVISION FOR CLAIMS INCURRED BUT NOT REPORTED

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the company's provision for claims incurred but not reported. The ultimate outcome of any future claims cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

OPINION ON THE 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



Raymond Tidbury (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditor)
Tower Bridge House
St Katharine's Way
London
E1W 1DD

10 January 2012

PROFIT AND LOSS ACCOUNT
For the year ended 31 October 2011

	Notes	2011 £'000	2010 £'000
TECHNICAL ACCOUNT - GENERAL BUSINESS			
CLAIMS INCURRED, NET OF REINSURANCE			
Claims paid - gross amount	4a	<u>0</u>	<u>3</u>
		0	3
Change in the provision for claims - gross amount	4a	<u>-</u>	<u>153</u>
NET CLAIMS INCURRED		-	156
Net operating expenses	4b	<u>(1)</u>	<u>(12)</u>
Total technical charges		<u>(1)</u>	<u>144</u>
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS	3	<u>(1)</u>	<u>144</u>
NON-TECHNICAL ACCOUNT			
BALANCE ON THE GENERAL BUSINESS TECHNICAL ACCOUNT		(1)	144
Investment income	8	<u>-</u>	<u>-</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	9	(1)	144
Tax on (loss)/profit on ordinary activities	11	<u>-</u>	<u>-</u>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(1)</u>	<u>144</u>

The company has no gains or losses other than the (loss)/ profit for the year

The transactions in the technical account relate to the run-off of the business written prior to 31 October 1993, the date on which the company ceased its underwriting activities

BALANCE SHEET as at 31 October 2011

	Notes	2011 £'000	2010 £'000
ASSETS			
INVESTMENTS			
Other financial investments	5	-	220
OTHER ASSETS			
Cash at bank and in hand		222	1
PREPAYMENTS AND ACCRUED INCOME			
		-	-
TOTAL ASSETS		<u>222</u>	<u>221</u>
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	6	1,786	1,786
Profit and loss account		<u>(1,623)</u>	<u>(1,622)</u>
Total shareholder's funds	13	<u>163</u>	<u>164</u>
TECHNICAL PROVISIONS			
Claims outstanding			
- gross amount		50	53
CREDITORS			
Balances due to ceding companies and brokers		-	-
ACCRUALS AND DEFERRED INCOME			
Accruals		<u>9</u>	<u>7</u>
TOTAL LIABILITIES		<u>222</u>	<u>221</u>

Approved by the Board of Directors on
and signed on its behalf by



I Kiverstein
Director

10 January 2012

CASH FLOW STATEMENT**For the year ended 31 October 2011**

	Notes	2011 £'000	2010 £'000
Net cash inflow/(outflow) from general business	14a	<u>1</u>	<u>(14)</u>
Net cash inflow/(outflow) from operating activities		<u><u>1</u></u>	<u><u>(14)</u></u>
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		221	(4)
Decrease in other financial investments		<u>(220)</u>	<u>(10)</u>
Net investment of cash flows		<u><u>1</u></u>	<u><u>(14)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2011

1. ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in compliance with The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410), and with Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers as updated in December 2006. The financial statements have also been prepared in accordance with applicable Accounting Standards.

(b) Basis of accounting

An annual basis of accounting has been applied to all business. Under the annual basis of accounting, a result is determined at the end of each financial year reflecting adjustments to the result of providing insurance cover in previous financial years.

The financial statements are prepared on the historical cost basis of accounting except for financial investments which are stated at market value.

(c) Claims

Claims incurred include the costs of direct claims handling expenses. Indirect handling expenses are inseparable from administrative expenses, included within net operating expenses, and are not a significant element of them.

(d) Claims outstanding

Provision is made for the anticipated ultimate cost of settlement, including claims handling expenses, of all claims incurred but not paid in respect of events up to the end of the financial year. The expected cost, including direct handling expenses, of reported claims outstanding is estimated separately for each notified claim on the basis of available information. The provision for claims incurred but not reported is estimated using statistical methods based on past experience of frequency and severity of claims. No provision is made for indirect handling expenses as they are inseparable from administrative expenses, and not a significant element of them.

(e) Investments

Financial investments are stated at current market value.

(f) Investment income

Investment income comprises interest and dividends received, plus realised gains less realised losses on the disposal of investments. Realised gains and losses arise from the difference between proceeds and valuation at the previous year end, or cost if there has been no previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2011 (continued)

1. ACCOUNTING POLICIES (continued)

(g) Foreign currencies

Assets, liabilities and revenue transactions in foreign currencies are translated at the rates of exchange ruling at the end of the financial year. Differences arising on the translation of such items are dealt with in the profit and loss account.

Foreign exchange gains and losses arising from investment transactions are included in investment income. Foreign exchange gains and losses arising from the revaluation of insurance funds are included in the technical account. All other foreign exchange gains and losses are included in other income or in administrative expenses as appropriate.

(h) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

2. MATERIAL UNCERTAINTY

Due to the maturity of the run-off the Directors believe that the possibility of any new liabilities emerging is remote and have not provided for claims incurred but not reported. Although no future claims are expected, the additional liability arising from a new claims notification could be material in amount compared with the net assets of the company.

3. GROSS TECHNICAL ACCOUNT

		2011	2010
		£'000	£'000
Gross claims incurred	Note 4(a)	-	156
Gross operating expenses	Note 4(b)	-	(12)
		<hr/>	<hr/>
Gross technical balance		-	144
		<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2011 (continued)

4. SEGMENTAL INFORMATION

	2011	2010
	£'000	£'000
(a) Gross claims incurred		
Other – direct	-	156
	<u> </u>	<u> </u>
(b) Gross operating expenses		
Other - direct	1	12
	<u> </u>	<u> </u>

5. OTHER FINANCIAL INVESTMENTS

	2011	2010
	£'000	£'000
Deposits with credit institutions	222	70
Restricted asset	-	150
	<u> </u>	<u> </u>
	222	220
	<u> </u>	<u> </u>

The restricted asset related to amounts held in a designated bank account to meet liabilities of certain of the company's potential creditors and arose as a result of the court granting permission for a capital reduction in 1991. There are no creditors remaining that could benefit from this account and the balance was transferred out during the year and the account closed.

6. SHARE CAPITAL

	2011	2010
	£'000	£'000
Allotted, called up and fully paid		
1,786,000 ordinary shares of £1 each	1,786	1,786
	<u> </u>	<u> </u>

7. NET OPERATING EXPENSES

	2011	2010
	£'000	£'000
Administrative expenses	1	12
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2011 (continued)

8. INVESTMENT INCOME

	2011 £'000	2010 £'000
Income from investments	-	-
	<u> </u>	<u> </u>

9. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2011 £'000	2010 £'000
The (loss)/profit on ordinary activities before tax is stated after charging		
Auditors' remuneration		
- audit fee	5	5
- fees for non-audit services	-	-
	<u> </u>	<u> </u>

10. DIRECTORS' EMOLUMENTS

The directors received the following remuneration during the year

	2011 £'000	2010 £'000
Directors' fees	-	-
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2011 (continued)

11. TAX

	2011	2010
	£'000	£'000
(a) Analysis of charge in year		
UK corporation tax on (loss)/profit for the year	-	40-
Tax losses utilised	-	(40)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	-	-
	<u> </u>	<u> </u>
(b) Factors affecting tax charge for year		
(Loss)/ profit on ordinary activities before tax	(1)	144
	<u> </u>	<u> </u>
Profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 26% (2010 28%)	-	40
Effects of		
Tax losses carried forward	-	(40)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

12. PARENT UNDERTAKING

The directors regard Brackendale Investments NV, a company incorporated in the Netherlands Antilles, as the company's ultimate holding company

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011	2010
	£'000	£'000
(Loss)/profit for the financial year	(1)	144
	<u> </u>	<u> </u>
Net (decrease)/increase to shareholder's funds	(1)	144
Opening shareholder's funds	164	20
	<u> </u>	<u> </u>
Closing shareholder's funds	163	164
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 October 2011 (continued)

14. CASH FLOW STATEMENT

(a) Reconciliation of loss on ordinary activities before tax to net cash outflow from operating activities

	2011 £'000	2010 £'000
Operating (loss)/profit before taxation	(1)	144
Decrease in general insurance technical provisions	-	(153)
Increase/(decrease) in creditors	2	(5)
	<u>1</u>	<u>(14)</u>
Net cash inflow/(outflow) from operating activities	<u>1</u>	<u>(14)</u>

(b) Movement in cash, portfolio investments and financing

	At 1 November 2010 £'000	Cash flow £'000	At 31 October 2011 £'000
Cash in hand and at bank	1	221	222
Other financial investments	220	(220)	-
	<u>221</u>	<u>1</u>	<u>222</u>

15. GOING CONCERN

The directors consider that the run off of the insurance business has concluded and are proposing to carry out a Members Voluntary Liquidation of the company. For this reason, the company cannot be regarded as a going concern. The shareholder's accounts have been prepared on a going concern basis as the directors are of the opinion that there would be no material adjustments to be made to the accounts should they be prepared on a break up basis.