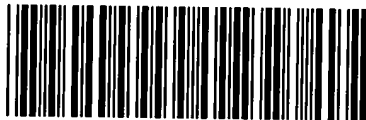


BRIT GROUP FINANCE LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2016

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COMPANIES HOUSE

Registered Number: 06201255

BRIT GROUP FINANCE LIMITED

Page	Contents
3	Company information
4	Strategic Report
5	Report of the Directors
7	Independent Auditor's Report
9	Income statement
10	Statement of financial position
11	Statement of changes in equity
12	Notes to the financial statements

BRIT GROUP FINANCE LIMITED

Company Information

Directors

Brit Corporate Services Limited
A E Usher
M Allan
D Dixon (appointed 7 November 2016)

Secretary

Brit Corporate Secretaries Limited

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditor

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

BRIT GROUP FINANCE LIMITED

Strategic Report

Review of the business

During the year, the Company has been the central finance company of the UK Group and has, therefore, been responsible for lending to, and borrowing from, other UK subsidiaries.

In the opinion of the Directors, the state of affairs of the Company at the end of the year was satisfactory.

The Directors do not envisage any changes to the current business model in 2017.

Principal risks and uncertainties

The Company's principal risk is that third parties or group companies to which loans have been made may default on their loan obligations. To mitigate this risk the Company engages in due diligence procedures, obtaining evidence of the borrower's ability to take on and service debt commitments.

Result

The profit for the financial year, after taxation is £6,198,505 (2015: £2,243,197).

By Order of the Board

S Dartford

On behalf of Brit Corporate Secretaries Limited

Secretary

7 June 2017

BRIT GROUP FINANCE LIMITED

Report of the Directors

Registered Number: 06201255

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is the provision of finance to Group companies.

The Directors do not envisage any changes to the current business model in 2017.

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 financial statements.

Result and dividend

The profit for the financial year is £6,198,505 (2015: £2,243,197). The Directors do not recommend a dividend for the year ended 31 December 2016 (2015: £nil).

Directors

The names of the Directors of the Company who held office during the financial year and up to the date of signing the financial statements are listed on page 3.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102), and applicable law (United Kingdom Generally Accepted Accounting Practice).

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BRIT GROUP FINANCE LIMITED

Report of the Directors (continued)

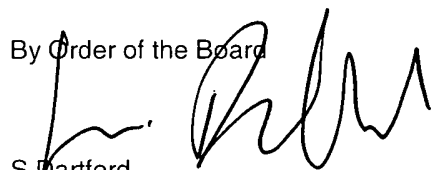
Statement of Disclosure of Information to the Auditor

The Company's Auditor is PricewaterhouseCoopers 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.

On 16 May 2016, Ernst & Young LLP (EY) tendered its resignation as auditor of Brit Group Finance Limited and confirmed there were no circumstances relating to their resignation to bring to the Board's attention. On 14 June 2016, PricewaterhouseCoopers LLP was appointed as EY's successor.

By Order of the Board



S Martford
On behalf of Brit Corporate Secretaries Limited
Secretary
7 June 2017

BRIT GROUP FINANCE LIMITED

Independent Auditor's Report to the Member of Brit Group Finance Limited

Report on the financial statements

Our opinion

In our opinion, Brit Group Finance Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

What we have audited

The financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

BRIT GROUP FINANCE LIMITED

Independent Auditor's Report to the Member of Brit Group Finance Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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) ("ISAs (UK & 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 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual 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. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Richard Nicholas

Richard Nicholas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2017

BRIT GROUP FINANCE LIMITED

Income statement

For the year ended 31 December 2016

		Year ended 31 December 2016 £	Year ended 31 December 2015 £
	Note		
Turnover	2	18,835,826	14,513,106
Foreign exchange losses		(789,197)	(110,954)
Investment income	3	554	1,495
Unrealised gains on investments	4	451,108	619,510
Interest payable and similar expenses	7	(11,010,492)	(11,497,518)
Other expenses		(14,171)	(1,495)
Profit before tax		7,473,628	3,524,144
Tax on profit	8	(1,275,123)	(1,280,947)
Profit for the financial year		6,198,505	2,243,197

No other comprehensive income has been recognised and therefore no statement of other comprehensive income has been presented.

The notes on pages 12 to 16 form part of these financial statements.

BRIT GROUP FINANCE LIMITED

Statement of financial position

As at 31 December 2016

		2016 £	2015 £
	Notes		
Fixed assets			
Loans to group undertakings	9	104,475,895	104,914,906
Other investments other than loans	10	3,500,000	3,046,042
		107,975,895	107,960,948
Current assets			
Debtors	11	131,276,672	103,904,214
Deferred tax asset	12	1,244,417	3,952,854
Cash at bank and in hand		356,961	476,076
		132,878,050	108,333,144
Creditors: Amounts falling due within one year	13	(125,217,194)	(106,855,846)
Net current assets		7,660,856	1,477,298
Total assets less current liabilities		115,636,751	109,438,246
Creditors: Amounts falling due after more than one year	14	(103,100,000)	(103,100,000)
Net assets		12,536,751	6,338,246
Capital and reserves			
Called up share capital	15	4,000,000	4,000,000
Profit and loss account		8,536,751	2,338,246
Total equity		12,536,751	6,338,246

The financial statements on pages 9 to 16 were approved by the Board of Directors on 7 June 2017 and signed on their behalf by:-

A E Usher
Director



M Allan
Director



The notes on pages 12 to 16 form part of these financial statements.

BRIT GROUP FINANCE LIMITED

Statement of changes in equity

For the year ended 31 December 2016

Year ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January	4,000,000	2,338,246	6,338,246
Profit for the financial year	-	6,198,505	6,198,505
At 31 December	4,000,000	8,536,751	12,536,751

Year ended 31 December 2015

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January	4,000,000	95,049	4,095,049
Profit for the financial year	-	2,243,197	2,243,197
At 31 December	4,000,000	2,338,246	6,338,246

The notes on pages 12 to 16 form part of these financial statements.

BRIT GROUP FINANCE LIMITED

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with United Kingdom Accounting Standards and the Companies Act 2006 (United Kingdom Generally Accepted Accounting Practice).

The Company is a private company, limited by shares and is incorporated in England. The address of its registered office is The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

The financial statements for the year ended 31 December 2016 were approved for issue by the Board on 7 June 2017.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Turnover

Turnover consists of finance income from the provision of loans and is recognised on an accruals basis.

(c) Expenses

All expenses are accounted for on an accruals basis.

(d) Fixed asset loans to group undertakings

Loans to group undertakings included in fixed assets are due after more than one year and are measured at amortised cost.

(e) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

(f) Derivative contracts

Derivative contracts include the right to receive equity share warrants. All derivatives are initially and subsequently measured at their fair value with movements in the fair value being recognised in the income statement. Fair values are obtained from discounted cash flow models and other pricing models as appropriate.

Where the risks and characteristics of derivatives embedded in financial instruments are not closely related to those of the host contract and the combined instrument is not measured at fair value with changes in fair value recognised in the income statement, the derivative is separated from that host contract and measured at fair value.

(g) Foreign Currencies

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 income statement.

BRIT GROUP FINANCE LIMITED

Notes to the Financial Statements

For the year ended 31 December 2016

1. Accounting policies (continued)

(h) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Fair value is normally determined by reference to the fair value of the proceeds received. Any difference between the initial carrying amount and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

2. Turnover

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Intragroup interest receivable	<u>18,835,826</u>	<u>14,513,106</u>

Turnover is attributable to the Company's principal activity as a provider of loan finance.

3. Investment income

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Interest receivable on investments	<u>554</u>	<u>1,495</u>

4. Unrealised gains on investments

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Unrealised gains on derivative contracts	-	619,510
Unrealised gains on equity investments	<u>451,108</u>	<u>-</u>
	<u>451,108</u>	<u>619,510</u>

5. Auditor's remuneration

The auditor's and its associate's remuneration for the current year has been paid by a fellow Group company and amounted to £12,000 (2015: £12,000).

6. Directors' remuneration

None of the Directors received any remuneration for their services to the Company during the year ended 31 December 2016 (2015: £nil).

7. Interest payable and similar expenses

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
Intragroup interest payable	<u>11,010,492</u>	<u>11,497,518</u>

BRIT GROUP FINANCE LIMITED

Notes to the Financial Statements

For the year ended 31 December 2016

8. Tax on profit

	Year ended 31 December 2016	Year ended 31 December 2015
	£	£
(a) Tax on profit		
Current taxation:		
UK corporation tax at 20.0% (2015: 20.25%)	1,433,314	(2,195,960)
Adjustment in respect of prior years	-	(1,573,822)
Total current tax	1,433,314	(3,769,782)
Deferred taxation:		
Origination and reversal of timing differences	(2,928,040)	1,482,320
Effect of future tax rate changes	219,603	(457,506)
Adjustment in respect of prior years	-	1,464,021
Total deferred taxation (Note 12)	(2,708,437)	2,488,835
UK corporation tax on profit	(1,275,123)	(1,280,947)
(b) Factors affecting the total tax charge for the year		
Profit before tax	7,473,628	3,524,144
Profit multiplied by standard rate of corporation tax in UK of 20.0% (2015: 20.25%)	(1,494,726)	(713,639)
Adjustment in respect of prior years	-	(109,802)
Effect of tax rate changes	219,603	(457,506)
Total corporation tax (Note 8(a))	(1,275,123)	(1,280,947)

(c) Effect of post balance sheet rate changes:

UK legislation was substantively enacted on 26 October 2015 to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020.

As legislated in the Finance Act 2016, which was substantively enacted on 9 September 2016, the UK corporation tax rate will reduce further to 17% from 1 April 2020. The reductions in rate from 20% to 19% and then to 17% have been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2016.

9. Loans to group undertakings

	2016	2015
	£	£
Loans due after more than one year	104,475,895	104,914,906

At 31 December 2016, the Company had lent £103,100,000 (2015: £103,100,000) to Brit Insurance Holdings Limited, its immediate parent 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%.

At 31 December 2016, the Company had also lent US\$800,000 (2015: US\$800,000) to BGS Services (Bermuda) Limited under a long term loan agreement expiring on 14 November 2023. The loan has been made at an annual interest rate of 7.5%.

BRIT GROUP FINANCE LIMITED

Notes to the Financial Statements

For the year ended 31 December 2016

9. Loans to group undertakings (continued)

In addition, the Company had lent to Brit Insurance Services USA, Inc. at 31 December 2016, US\$900,126 (2015: US\$1,875,000) under a medium term loan agreement which expires on 14 September 2022. The loan has been made at the rate of 130% of the monthly Applicable Federal Rate.

10. Other investments other than loans

	2016 £	2015 £
Derivative contracts	-	3,046,042
Equity investments	3,500,000	-
	3,500,000	3,046,042

On 10 August 2012, the Company entered into transactions with the other owners of Verex Limited and Jardine Estates Limited. These transactions converted a loan to Verex Limited and accumulated interest previously held by the Company into 250,000 B shares and 10,000 C shares. The C shares were subsequently sold for £2 and a put option whereby Jardine Estates Limited could be required to buy the B shares for the higher of 10% of the aggregate value of Verex and £3,500,000 (i) at any time after the fourth anniversary of the completion date, or (ii) on a sale, winding-up or flotation of Verex. The put option was originally valued at a discounted value of £1,933,019 (£3,500,000 non-discounted) and this was subsequently revalued in 2015 to £3,046,042 due to the unwinding of the discounting.

In October 2016, the put option was exercised. At 31 December 2016, the shares were held by Brit, pending a sale to Jardine Estates Limited and were therefore classed as an investment in equity shares, valued at the amount receivable under the exercised option.

11. Debtors

	2016 £	2015 £
Due within one year:		
Amounts owed by group undertakings	130,829,340	103,457,871
Prepayments and accrued income	447,332	446,343
Total debtors	131,276,672	103,904,214

Included within amounts owed by group undertakings is a loan the Company had made to Brit Insurance Services USA, Inc. of US\$nil (2015: US\$1,750,000) under a short term loan agreement which expired on 10 September 2016. The loan was made at the rate of 130% of the monthly Applicable Federal Rate.

12. Deferred tax asset

	2016 £	2015 £
Balance at 1 January	3,952,854	1,464,020
Charge for the year	(2,708,437)	1,024,813
Prior year adjustment	-	1,464,021
Balance at 31 December	1,244,417	3,952,854

Following changes enacted to UK tax rates in respect of future years the deferred tax asset has been calculated at 17% (2015: 18%) being the tax rate which will apply from April 2020.

In 2016, the deferred tax asset arises from intercompany interest accrued but not paid.

BRIT GROUP FINANCE LIMITED

Notes to the Financial Statements

For the year ended 31 December 2016

13. Creditors: Amounts falling due within one year

	2016	2015
	£	£
Amounts owed to group undertakings	<u>125,217,194</u>	<u>106,855,846</u>

14. Creditors: Amounts falling due after more than one year

	2016	2015
	£	£
Amounts owed to group undertakings	<u>103,100,000</u>	<u>103,100,000</u>

On 9 August 2011, the Company issued £133.1m of 7.1% subordinated notes due 9 December 2020 under a Global Medium Term Note Programme. The notes are listed on the Cayman Islands Stock Exchange. On 26 November 2012 the issued subordinated notes were reduced by £30.0m to £103.1m.

15. Called up share capital

	2016	2015
	£	£
Allotted, called up and fully paid: 4,000,000 Ordinary shares of £1 each	<u>4,000,000</u>	<u>4,000,000</u>

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16. Disclosure exemptions

The Company has taken advantage of the disclosure exemptions provided by paragraph 1.12 of FRS 102. Accordingly, these financial statements do not include the following:

- Statement of cash flows;
- A reconciliation of shares outstanding at the beginning and end of the year;
- Specific information relating to financial instruments that is included within equivalent disclosures for the Group; and
- Disclosure of key management personnel compensation.

The Company has been consolidated into the group financial statements of Brit Limited, a company registered in the United Kingdom. The Brit Limited consolidated financial statements and accompanying notes provide further detail in respect of these areas, copies of whose financial statements can be obtained from The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AB.

17. Related party transactions

The Company has taken advantage of the exemption afforded by Financial Reporting Standard 102, paragraph 33.1A, in not disclosing transactions with other entities wholly owned within the Brit Limited group.

18. Controlling parties

The immediate parent undertaking at the year-end is Brit Insurance Holdings Limited, a company registered in the United Kingdom.

The intermediate holding company, in which Brit Group Finance Limited's result is consolidated, is Brit Limited, details for which are provided in Note 16 above.

The ultimate parent undertaking at the year-end is Fairfax Financial Holdings Limited (FFHL), a company which is registered in Ontario, Canada. Copies of FFHL's consolidated financial statements can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7.