BRIT INSURANCE HOLDINGS BV
PRESS RELEASE

27 FEBRUARY 2013
2012 FULL YEAR RESULTS

STRONG OPERATING PERFORMANCE AND FOCUS ON GLOBAL SPECIALTY UNDERWRITING AS ONE OF THE LARGEST SYNDICATES AT LLOYD'S

Financial highlights

- Operating profit[1] of £113.6m (2011 restated[2]: £68.4m).
- Profit on ordinary activities[1] before tax of £99.8m (2011 restated: £52.9m).
- Profit from continuing operations after tax[1] of £93.0m (2011 restated: £56.3m).
- Total profit after tax of £84.7m (2011: 76.0m), including the result from discontinued operations.
- Return on net tangible assets[3] of £136.4m or 16.8% (2011: £73.3m or 8.6%).
- Return on net tangible assets, excluding the effect of all FX movements, of £148.4m or 18.2% (2011: £77.8m or 9.1%).
- Combined ratio[4] improved to 93.2% (2011 restated: 99.6%).
- Attritional claims ratio improved to 51.9% (2011 restated: 56.4%), a 12.3 percentage point improvement since 2009.
- Underlying management expenses reduced by a further 10.6% to £121.2m (2011 restated: £135.5m).
- Investment return of 3.1% (2011: 2.8%).
- Gross written premiums of £1,147.9m (2011 restated: £1,179.9m).
- Total value created[5] during 2012 of £121.9m (2011: £79.4m) with closing net tangible assets (NTA) of £649.1m (2011: £897.2m). Total value created[4] since 1 January 2010 of £318.8m.

Strategic highlights

- Brit is now a dedicated Lloyd's global specialty (re)insurer, having successfully completed a strategic transformation with the sale of non-core regional UK business to QBE and the sale of historic UK liabilities within Brit Insurance Limited to RiverStone.
- Across our Lloyd's franchise, we achieved average rate increases of 3.4% in attractive lines, developed new products and continue to attract top underwriting talent.
- U.S. specialty operations have grown. Underwriting commenced in the Richmond, Virginia office and a property direct and facultative team was established in the Chicago office.
- Our senior management team has been further strengthened by the appointments of Chief Financial Officer Andrew Baddeley (from Atrium Underwriting), Chief Investment Officer John Stratton (from IAG) and Head of Claims Steven Robson (from Alterra at Lloyd's).
- We have developed prudent options to assess growth potential in China, where we could further grow our specialty underwriting business cautiously and profitably.

Mark Cloutier, Group CEO of Brit Insurance, said:

'2012 was a transformational and successful year for Brit. Against a backdrop of significant internal change and a very challenging business environment, including Hurricane Sandy, I am very pleased we have achieved a 16.8% return on average NTA and total value creation of £122m, both substantial improvements over 2011. Moreover, the continuing positive trends in the operating results of our core Lloyd's specialty business have set the stage for continued profitable growth for our Group in the future.'

Matthew Wilson, CEO of Brit Global Specialty commented

'With the formation of Brit Global Specialty (BGS) in January 2012, the Group created a single Lloyd's underwriting unit with shorter reporting lines and faster, more dynamic, decision making. I strongly believe that the changes in the underwriting businesses have firmly positioned the Group for stable, long-term profitable growth.

We have recruited over 20 high-calibre lead underwriters in our key growth markets, whilst focussing our attention on reducing the combined ratio of each class, by a clear strategy of portfolio management to improve performance. This has led to a much more dynamic business, taking advantage of market trends and opportunities, whilst ruthlessly exiting unprofitable lines. As a result, our attritional loss ratio has fallen for the third consecutive year to 51.9%. Despite Hurricane Sandy, we have achieved a robust combined ratio of 93.2% with only 1.7% contribution from prior year releases, which demonstrates the resilience and profitability of the ongoing business.'

Group CEO Report

The restructuring of Brit has simplified our business significantly. The merger of our former Global Markets and Reinsurance strategic business units has given us a streamlined management structure and clearer market positioning while at the same time simplifying our capital management. I am delighted we achieved a premium to book value (on an NTA basis) on the combined transactions by which we divested Brit Insurance Limited, and in QBE and RiverStone we have found good homes for the two parts of that business.

In our core underwriting business, BGS, our efforts to focus the business on underwriting performance clearly paid dividends in 2012 with continued improvement in our ongoing business attritional loss ratios where on a consolidated basis we achieved 51.9%. This compares quite remarkably to a ratio in 2009 of 64.2%, a 12.3% improvement in 36 months.

While our top line suggests a relatively flat year, BGS has in fact been redefining itself. Under Matthew Wilson's leadership it has shed significant volumes of business and positions we do not want while growing in the specialty areas we do want.

For example, since 2010, key areas of concentration for us such as energy and property open markets have grown by 88% and 80% respectively while BGSU, our specialty insurance platform based in Chicago and Richmond, has grown by 125% in the same period. Having said that, our focus will always be more on underwriting profit than simply top line growth.

With the appointment of John Stratton as Chief Investment Officer we commenced building stronger operational, risk management and governance infrastructures around our investment management activity. I am pleased that these systems are now in place and that we have already seen the benefit of this as Brit becomes a more active manager of its investment portfolio.

We have made further significant progress in our efforts to properly size operating expenses to the business by achieving a further £14.3m reduction in underlying management expenses over 2011 for the continuing business. This gives a total reduction of £29.1m since 2010 in our continuing business segment alone, contributing to a 11.1% management expense ratio for 2012. An additional £18.5m expense saving has been made over 2010 in respect of the discontinued business.

In the background during 2012 we have also been busy improving many other aspects of our business including our claims, internal audit, investment, finance, risk, and governance infrastructures, together with the addition of a number of new appointments in key management and technical roles.

In 2013 the 'new Brit' will continue to focus on profitable growth and product innovation in our core specialty lines in both our London and US operations, while at the same time cautiously exploring opportunities to grow in some of the world's major emerging economies, as evidenced by our recent announcement of our intention to commence underwriting on the Lloyd's China platform.

For further information, please contact

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Notes

1 Before the result of discontinued operations.
2 The 2011 results have been restated to reclassify Brit's non-core UK regional business as discontinued operations, following its disposal during 2012.
3 Return on net tangible assets (RoNTA) is calculated as: Profit after tax before the effects of FX on non-monetary items and before any charges in respect of intangible assets, divided by the weighted average NTA during period. In arriving at this adjusted profit after tax figure for the year ended 31 December 2012, a £38.4m intangible asset impairment charge made on the sale of the non-core regional UK business has been written back. This is consistent with the Group's RoE calculations as presented in previous reporting periods.
4 Excluding the effect of foreign exchange on non-monetary items.
5 Total value created represents the increase in net tangible assets during the year, before capital distributions and dividends.

About Brit

Brit is a market leader in global specialty insurance and reinsurance. We underwrite across all major classes of commercial insurance with a strong focus on property, casualty and energy business. Brit is a reputable and influential name in the Lloyd's market and we pride ourselves on our specialist underwriting and claims expertise.

www.britinsurance.com

Disclaimer

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FULL YEAR REVIEW

Financial highlights and key performance indicators

	Year ended 31 December 2012 £m	Year ended 31 December 2011 (restated) [3] £m
Financial highlights		
Gross written premium (£m)		
Direct business	*847.6*	*829.2*
Reinsurance business	*300.3*	*350.7*
Total	1,147.9	1,179.9
Profit on ordinary activities before tax excluding the effect of foreign exchange on non-monetary items (£m)[1]	110.3	43.1
Profit on ordinary activities before tax (£m)	99.8	52.9
Profit from continuing operations after tax (£m)	93.0	56.3
Total profit after tax (including discontinued business)	84.7	76.0
Net assets (£m) (After dividend payments of £370.0m in 2012)	684.1	976.2
Net tangible assets (£m) (After dividend payments of £370.0m in 2012)	649.1	897.2
Key Performance Indicators		
RoNTA	16.8%	8.6%
Total value created	121.9	79.4
Claims ratio[2]	56.3%	61.3%
Expense ratio[2]	36.9%	38.3%
Combined ratio[2]	93.2%	99.6%
Attritional ratio[2]	51.9%	56.4%
Gearing ratio	23.4%	25.0%

[1] Under International Financial Reporting Standards (IFRS), unearned premium and deferred acquisition costs are classified as non-monetary items and therefore translated at historic exchange rates. Corresponding monetary items are translated at closing rates. If non-monetary items were to be translated at closing rates the 2012 result would increase by £10.5m (31 December 2011 result decrease by £9.8m).
[2] Excluding the effect of foreign exchange on non-monetary items.
[3] The 2011 results have been restated to reclassify Brit's non-core UK regional business as discontinued operations, following its disposal during 2012.

Basis of presentation

During 2012, Brit completed the sale of non-core regional UK business and the sale of its historic UK liabilities. These transactions resulted in the loss of control of a major area of operations and the results of this area of operations have been classified as discontinued operations. The 2011 results have been restated on the same basis.

Continuing operations

Premiums

Gross written premium (GWP) for 2012 decreased by 2.7% to £1,147.9m (2011: £1,179.9m). At constant exchange rates the movement was a decrease of 2.4% (2011: 3.5% increase). Direct business totalled £847.6m (2011: £829.2m) and reinsurance £300.3m (2011: £350.7m). Underlying these stable premium levels has been continued active management of the underwriting portfolio with a disciplined approach to renewal and new business. Brit has continued to focus its underwriting efforts on lines where it sees the opportunity for further rate increases.

Premium rate increases during the period for Brit's continuing underwriting in Brit Global Specialty were 3.4% (2011: 1.8%). Rate increases were seen in most classes across both direct and reinsurance business.

Underwriting performance

2012 has seen a continued improvement in Brit's quality of earnings and a reduction in the value of prior year reserve releases.

The combined ratio excluding the effect of foreign exchange on non-monetary items was 93.2% (2011: 99.6%). This reflects the relatively benign cat activity in the year compared with 2011. The only major event in 2012 was Hurricane Sandy, the effect of which on Brit, net of reinsurance recoverable and reinstatement premiums, was £55.0m or 5.9 percentage points on the combined ratio. This impact was broadly in line with our long-term annual catastrophe expectations. The effect of major losses in 2011 was £141.9m or 15.1 percentage points.

The improvement first seen in 2010 in the underlying attritional claims ratio has continued, reflecting the ongoing initiatives at Brit. The underlying attritional claims ratio for 2012 was 51.9% (2011: 56.4%). The total improvement since 2009 is 12.3 percentage points, equivalent to an increase in the underwriting result in 2012 of £116.0m.

As part of its standard reserving process, Brit released £16.4m of claims reserves from prior years, the equivalent of a combined ratio reduction of 1.7% (2011: £94.2m / 10.2%). Following these releases, Brit's balance sheet remains strong and Brit continues to operate a robust reserving process.

Investment return

The market volatility seen in 2011 has continued into 2012. Concerns remained over European sovereign debt and southern European banks, and Brit has continued to reduce its exposure to these accordingly. Lower interest rates continue to put pressure on returns.

Against this backdrop, Brit's investment performance was strong. The return for the year was £91.6m (2011: £68.4m), representing an investment yield of 3.1% (2011: 2.8%). This return has been driven by the fixed interest portfolio. These figures exclude the investment return generated from discontinued business.

At 31 December 2012, Brit held £3.0m (31 December 2011: £21.8m) in corporate debt securities relating to Italy and Spain. Brit had no direct sovereign debt exposure in Italy or Spain and no holdings in any debt securities relating to Portugal, Greece or Ireland. The Group also exited its holdings in French sovereign debt during the year.

Foreign exchange

Brit experienced a foreign exchange loss of £25.9m in 2012 (2011: gain of £3.7m). This £25.9m loss represented:

- an economic loss of £14.1m (2011: £1.6m gain), on the mark to market element of Brit's capital that it holds in non-Sterling currencies; and
- an accounting loss of £11.8m (2011: £2.1m gain), as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates,.

At 31 December 2012, the difference between recognising non-monetary assets and liabilities at historic rather than closing exchange rates was an additional £3.9m net liability. At 31 December 2011, the respective amount was an additional net asset of £6.1m.

Expenses

	Year ended 31 December 2012 £m	Year ended 31 December 2011 (restated) £m
Underlying management expenses[1]	121.2	135.5
Project costs, deal costs and other cost adjustments	-	5.8
Total expenses	121.2	141.3

[1] Includes bonus provisions, excludes discontinued business

During 2011 Brit undertook a number of initiatives aimed at improving its efficiency and reducing its expense base. The effects of these initiatives continue to be reflected in the 2012 underlying management expenses of £121.2m (2011: £135.5m), a reduction of 10.6%. The reduction over 2010 was £29.1m or 19.4%.

Result before tax

Brit's profit on ordinary activities before tax excluding the effect of foreign exchange on non-monetary items was £110.3m (2011: £43.1m). Including the effect of foreign exchange on non-monetary items, the profit before tax fell to £99.8m (2011: increased to £52.9m).

Tax

The effective tax charge for continuing business was 6.8% (2011: credit of 6.4%).

Discontinued operations

Discontinued operations produced a loss of £8.3m after tax (2011: profit of £19.7m). This loss was driven by the accounting losses incurred on the sale of the non-core regional UK business (£4.8m) and the sale of the historic UK liabilities (£14.6m), partly offset by the return generated by the discontinued business investment portfolio (2012: £17.7m before tax; 2011: £22.4m before tax). Details of the sale transactions are set out later in this report. The combined ratio of the discontinued business in 2012 was 100.4% (2011: 99.8%). Management expenses in respect of discontinued operations in 2012 were £15.2m (2011: £25.0m).

Total profit after tax for 2012 after including the result from discontinued operations was £84.7m (2011: £76.0m).

In conjunction with the sale of the non-core regional UK business and the sale the historic UK liabilities, 161 employees transferred to QBE and Riverstone under the 'Transfer of Undertakings (Protection of Employment) Regulations 2006' (TUPE).

Capital and liquidity

Brit's balance sheet remains strong. Brit Syndicate 2987's effective rating from trading through Lloyd's is A+ (Strong) from Standard and Poor's and Fitch Ratings and A (Excellent) from AM Best.

In conjunction with the sale of BIL to RiverStone, Brit successfully renegotiated its revolving credit facility with its existing banking partners. The revised facility remains at £200m, up to £75m of which is available as a letter of credit. It has an expiry date of 31 December 2016. At 31 December 2012, a US$80m letter of credit had been put in place while the remainder of the facility was undrawn (31 December 2011: £128m drawn).

In addition, Brit has in issue £135.0m of 6.625% Lower Tier Two subordinated debt with a carrying value of £133.3m (2011: £133.1m). This was issued in December 2005 and matures in 2030. It is callable in whole by the Group on 9 December 2020.

At 31 December 2012 Brit's gearing ratio, including the letter of credit, was 23.4% (31 December 2011: 25.0%).

NTA, RoNTA and total value created

At 31 December 2012 NTA was £649.1m (2011: £897.2m). This was after dividend payments during the year totalling £370.0m, which were facilitated by the 2012 result and by the restructuring of the Group.

Return on net tangible assets, excluding the effects of FX on non-monetary items, was £136.4m or 16.8% (2011: £73.3m or 8.6%). Return on net tangible assets, excluding the effect of all FX movements, was £148.4m or 18.2% (2011: £77.8m or 9.1%). The second RoNTA measure has been included as the Directors believe that it gives a fairer reflection of underlying return. This is because Brit manages its currency exposures to efficiently mitigate its solvency capital requirements rather than for the short-term impact on earnings.

The total value created during 2012, calculated as the increase in net tangible assets during the year before capital distributions and dividends, was £121.9m (2011: £79.4m). The total value created by the Group since 1 January 2010 is £318.8m, equivalent to 39.2% of the Group's NTA at that date.

Business development

Overview

With the creation of Brit Global Specialty (BGS) in January 2012, Brit created a single Lloyd's underwriting entity with shorter reporting lines and faster more dynamic decision making. During 2012, Brit also completed its transformation into a focused global specialty underwriter with the sale of its non-core UK regional business to QBE and the sale of Brit Insurance Limited to RiverStone. Brit can now focus on its strategy of growing its core global specialty business through its Lloyd's platform.

Following this restructuring, new branding material has been introduced and the website re-launched (www.britinsurance.com). Brit has also opened a refurbished trading floor at its London offices.

Divestment of Brit Insurance Ltd

Divestment of Brit Insurance Ltd was achieved through two transactions. First, the sale of the renewal rights and operations of the Group's non-core regional UK business to QBE Insurance (Europe) Limited (QBE) and secondly, the sale of Brit Insurance Ltd incorporating the Group's historic UK liabilities to RiverStone Group (RiverStone, a member of the Fairfax Group). Together, these transactions were NTA enhancing for the Group. They also allow the Brit Group to focus on growing its core global specialty business through its Lloyd's platform, as Brit Global Specialty.

- ***Sale of non-core regional UK business***

  On 3 April 2012, Brit announced the sale of its non-core regional UK business to QBE. This sale completed on 13 April 2012.

  The business sold to QBE was the Group's UK regional business (Brit UK). The transaction represented a business transfer whereby renewal rights, operations and assets were acquired by QBE. All Brit UK underwriting related employees transferred to QBE. There was no transfer of historic liabilities.

  The transaction resulted in an increase in net tangible assets of £33.6m (before tax). The accounting loss of £4.8m set out below is after the impairment of intangible assets (goodwill and software) attaching to Brit UK.

	£m
Increase in NTA (proceeds less costs of sale)	33.6
Impairment of intangible assets	(38.4)
Loss on sale before tax	(4.8)

  This loss of £4.8m has been included within the £8.3m loss from discontinued operations.

- ***Sale of Brit Insurance Limited***

  Following the sale of the Brit UK renewal rights, a strategic review was undertaken of Brit Insurance Ltd (BIL), the Group's legacy portfolio of UK insurance business. Following this review, it was announced on 18 June, that Brit had agreed the sale of BIL to RiverStone. The sale completed on 12 October 2012 and BIL was subsequently renamed RiverStone Insurance Limited. This disposal was a significant milestone in Brit's journey to restructure its capital base and to establish a leading position as a focused global specialty underwriter.

  As a result of this transaction, Brit retained the economic exposure and control of certain classes of business via a reinsurance agreement, including full claims handling authority. These classes form part of Brit's ongoing core business now being written into Brit Syndicate 2987.

  This transaction resulted in a loss of £14.6m which has been included within the loss from discontinued operations.

Underwriting

In the current underwriting environment, Brit has sought to grow its short tail insurance book whilst continuing to reduce the longer tail casualty insurance lines. Against this backdrop, it has continued the growth of its profitable short tail insurance lines, in particular, open market property, upstream energy and BGSU (Brit's US service company). Since 2010, these classes have grown by 80%, 88% and 125% respectively. During the same period, Brit's long tail insurance portfolio has contracted by 12% as it continues to exit marginal business, with the on-going book performing well.

Under the new direction of Jon Sullivan, the property treaty book underwent considerable change in 2012. As a result, the attritional loss ratio has fallen considerably and despite Hurricane Sandy, the portfolio beat its planned combined ratio. Brit's casualty reinsurance portfolio continues to outperform the market.

Overseas network

Brit continued to develop its overseas operations.

In the US, underwriting commenced in Brit's Richmond Virginia office and a property direct and facultative team was established in its Chicago office.

In January 2013, Brit announced its participation as a 'Represented Syndicate' on the Lloyd's China platform (subject to Chinese regulatory approval). HaoMing Zhou, the former CEO of AonCofco (Aon China) will represent Brit from March 2013. HaoMing has over 20 years underwriting experience in the facultative reinsurance market, writing construction business. China is already the sixth largest insurance market in the world and is expected to be the second largest by 2020. The current insurance premium growth rate in China is over 25% annually and is expected to continue that trajectory for the next decade. This is an exciting development for Brit, in an important market.

Investments

In the current low interest rate environment, Brit is considering opportunities to increase the investment yield on its assets. The key consideration is to ensure Brit remains capital efficient and continues to satisfy regulatory requirements, while operating within a sustainable control environment and within Board delegated risk parameters. As a result, Brit expects to marginally increase its exposure to both equity and credit markets as the market environment in Europe and the US further stabilises.

Recruitment

During 2012 the Group has strengthened its senior management team.

In April 2012 John Stratton took up the newly created role of Chief Investment Officer (CIO). John joined the Brit Group from Insurance Australia Group (IAG) and brings with him a wealth of asset management experience in the insurance industry. As CIO, John will oversee all of Brit's investment and asset management activities.

Steve Robson joined Brit in July 2012 as Head of Claims. Steve has over 30 years of claims experience in the London Market and joined Brit from Alterra at Lloyd's Ltd (part of the Alterra Capital Group) where he was Claims Director for eight years. He has regularly worked as an expert witness and arbitrator in both the UK and US as a member of ARIAS. Steve is a board director of the International Association of Claims Professionals and an elected member of the LMA Claims Committee.

Brit has also successfully completed its search for a new Chief Financial Officer. Andrew Baddeley will be joining Brit in early 2013, upon completion of his notice period, from Atrium Underwriting Group, where he is the Group Finance Director. Andrew will be an excellent addition to the executive team at Brit and we very much look forward to welcoming him to the Group. Andrew will report directly to Mark Cloutier.

During 2012, Brit was pleased to recruit Ipe Jacob to succeed Peter Hazell on the Board and as chairman of the audit committees. Ipe is a former partner at Grant Thornton and has extensive insurance industry experience.

There were a number of other senior appointments in 2012. These include Tim Harmer as Group Director of Legal and Compliance, David Kelly as Head of Internal Audit, Robert Scott-Stewart as Head of Information Technology and Mark Allan as Chief Risk Officer and Director of Strategy.

The Brit Brand

Following the significant reorganisation of the business during 2012, a project was initiated to re-launch the Brit brand so that it fairly reflected the organisation it had become and aimed to be. Surveys were undertaken both internally and externally to understand the perceptions employees and customers had of the business. The outputs of these were used to define the new brand identity.

One key element of the brand focuses on Brit's underwriting proposition. 'Seeing the difference makes the difference' stresses that risk selection is central to underwriting excellence and through a combination of technical expertise and underwriting acumen, Brit will identify the opportunities that deliver outperformance.

The new brand is reflected in Brit's internal and external communication tools including literature and the website, www.britinsurance.com.

Principal risks and risk management

Brit identifies and manages risk under categories consistent with the Financial Services Authority (FSA) risk classification: group, market, insurance, credit, liquidity and operational.

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Brit's risk management policy highlights the importance of managing the impact of risk on the economic value of the company. The Enterprise Risk Management (ERM) framework sets out a transparent process to identify, assess and manage risk and deploy risk appetite using an economic capital approach.

Brit's ERM framework ensures that a strong culture of risk control and management continues to be embedded at across the Group. Risk appetite is set by the Board and cascaded throughout the organisation. Brit monitors the aggregation of risk across the business and has overarching limits in place to manage this. In addition to the overarching limits, the ERM framework clearly identifies the key risk categories and risk tolerances are set for each risk category by the Boards. Brit uses specialised risk management tools including sophisticated models to monitor current risk exposures relative to risk appetite.

The responsibility for risk management is clearly defined and spread throughout the organisation and Brit maintains a strong risk governance structure based on the three lines of defence principle. Within the first line of defence, individual risk committees monitor day-to-day risk control activities. Risk management, as a second line of defence provides oversight over business processes and sets out policies and procedures and reports directly to the Risk Oversight

Committee of the Board. The Audit Committee, as a third line of defence provides independent assurance and monitors the effectiveness of the risk management processes.

This risk governance structure ensures that information is passed to the relevant management committee or Board. This process enables Brit to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well understood. Brit's ERM Framework will also enable the Group, and the legal entities within it, to fully comply with the regulatory requirements under Solvency II.

Ownership

Brit Insurance Holdings BV is directly owned by Achilles Netherlands Holdings BV and its ultimate parent undertaking is Achilles Holdings 1 Sarl, a company registered in Luxembourg. The principal investors in Achilles Holdings 1 Sarl are a number of Apollo and CVC investment funds. Apollo and CVC have equal representation on the Brit Insurance Holdings BV Board.

Sustainability

Overview

While the main focus of Brit is to generate value for its investors, that value must be sustainable and aligned to its interests. Brit seeks to both make a positive contribution to society and to be aware of the long-term consequences of its actions.

The responsibility to build a sustainable business means recognising and respecting the connections between customers, investors, business partners, the marketplace, the workplace, the environment and society at large. Sustainability means Brit seeks to generate new commercial opportunities by developing stronger stakeholder relationships and by recruiting and retaining a highly skilled, engaged and motivated workforce.

Brit's People

Brit has and will continue to strengthen a highly committed team which focuses on delivering a great product by always pursuing and living its values in everything it does.

The Brit culture is one of achievement, and Brit has established a framework that identifies and rewards strong performance. Goals in business plans are aligned to its vision and used to determine individuals' objectives, ensuring that all Brit employees understand the vital part they play in the Group's success.

The Group is committed to developing the technical, behavioural, management and leadership skills required for its teams to outperform, both individually and collectively. In 2012 a new talent management programme was launched which will give employees the opportunity to fulfil their potential and progress their careers within Brit.

Brit is proud to have been awarded Charter Insurer status for Brit Syndicates Limited by the Chartered Insurance Institute. This highly-prestigious designation with demanding qualification criteria signifies to Brit's customers and to the rest of the market that it is very serious in its pursuit of the highest standards and demonstrates its adherence to ethical good practice.

Community involvement and charitable work

Brit is committed to supporting the local communities in which it operates. Its strategy is to select charitable giving and community projects based on three criteria: projects should be for a good cause and operate in an area relevant to Brit; financial involvement should be capable of being leveraged for the benefit of the good cause; and projects should offer alignment with Brit's vision.

Brit's charitable giving and community involvement also ensures its employees play a wider part in its contribution to society. The Group promotes staff involvement by matching the charitable fund raising activities of its employees and by operating an employee volunteering scheme. This grants every employee two additional days of paid leave a year to volunteer their time through local charity organisations.

In 2010, Brit entered a partnership with 'Chance to Shine'. This programme works with state schools, reaching into classrooms by linking into the national curriculum. It draws together people from all cultures and backgrounds and gives children including those with special educational needs the chance to acquire important skills, values and attitudes. In 2012, Brit's funding contributed to the programme having a significant positive impact on the lives of children.

Environmental responsibility

Recycling: During 2012 we recycled nearly 45.5 tonnes of paper waste. Each month we dispose of approximately 50m^3 of residual/non-recycling waste and approximately 40m^3 of dry recycling waste.

Fair-trade: We have selected a business dining and internal hospitality provider that is committed to the principles of sustainable food procurement. It recognises that it is important to the future wellbeing of the UK that farming communities are supported and able to contribute to its supply chains.

Office Environment: As part of a 2012 refurbishment programme Brit has installed various products and technologies which will allow us to contribute positively towards the environment. These include LED lighting, longer lasting and more efficient bulbs together with motion sensors and re-commissioned, more efficient, air conditioning.

Outlook

2013 will be another difficult year for the insurance sector. Underwriting conditions remain highly competitive across the majority of Brit's core markets while the investment environment remains challenging.

However, the restructuring of Brit in 2012 and the underlying improvements seen in its global speciality book of business, together with the ongoing work around its asset allocation strategy, means that it is well positioned to take advantage of opportunities as they arise in 2013.

Amsterdam
26 February 2013

Nicholas Edward Tucker Prettejohn – *Chairman*
Mark Bertrand Cloutier – *Group Chief Executive Officer*
Ipe Jacob – *Non-Executive Director*
Willem Frans Casimir Stevens – *Non-Executive Director*
Maarten Joannes Hulshoff – *Non-Executive Director*
Hans-Peter Thomas Gerhardt – *Non-Executive Director*
Jonathan Philip Feuer – *Non- Executive Investor Director (CVC)*
Sachin Nagindas Mansukhlal Hansraj Khajuria – *Non-Executive Investor Director (Apollo)*
Gernot Wilhelm Friedrich Lohr – *Non-Executive Investor Director (Apollo)*
Sanjay Hiralal Patel – *Non-Executive Investor Director (Apollo)*
Peter William James Rutland – *Non-Executive Investor Director (CVC)*
Kamil Marc Salame – *Non-Executive Investor Director (CVC)*

Basis of preparation

The Group's condensed consolidated opening and closing statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity have been prepared in accordance with IFRS. IFRS comprises standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU.

In accordance with IFRS 4, 'Insurance Contracts', the Group continues to comply with the recommendations of the Statement of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in December 2005 (as revised in December 2006). However the Group has the option to make improvements to its policies if the changes make the financial statements more relevant and no less reliable to decision making needs of the users.

After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing financial statements.

CONDENSED CONSOLIDATED ACCOUNTS

Condensed Consolidated Income Statement
for the year ended 31 December 2012

	12 months ended 31 December 2012	12 months ended 31 December 2011 (restated)
	£m	£m
Revenue		
Gross premiums written	1,147.9	1,179.9
Less premiums ceded to reinsurers	(210.9)	(204.6)
Premiums written, net of reinsurance	937.0	975.3
Gross amount of change in provision for unearned premiums	(3.6)	16.5
Reinsurers' share of change in provision for unearned premiums	9.6	3.1
Net change in provision for unearned premiums	6.0	19.6
Earned premiums, net of reinsurance	943.0	994.9
Investment return	91.6	68.4
Return on derivative contracts	(2.1)	5.3
Net foreign exchange gains	-	3.7
Other income	0.7	0.1
Total revenue	1,033.2	1,072.4
Expenses		
Claims incurred:		
Claims paid:		
Gross amount	(659.7)	(674.2)
Reinsurers' share	124.8	139.0
Claims paid, net of reinsurance	(534.9)	(535.2)
Change in the provision for claims:		
Gross amount	(19.0)	(139.6)
Reinsurers' share	23.9	71.0
Net change in the provision for claims	4.9	(68.6)
Claims incurred, net of reinsurance	(530.0)	(603.8)
Acquisition costs	(286.1)	(297.1)
Other operating expenses	(77.6)	(103.1)
Net foreign exchange losses	(25.9)	-
Total expenses excluding finance costs	(919.6)	(1,004.0)
Operating profit	113.6	68.4
Finance costs	(13.6)	(15.1)
Share of loss after tax of associated undertakings	(0.1)	(0.4)
Impairment of associated undertaking	(0.1)	-
Profit on ordinary activities before tax	99.8	52.9
Tax (expense)/income	(6.8)	3.4
Profit for the year from continuing operations	93.0	56.3
(Loss)/profit from discontinued operations	(8.3)	19.7
Profit attributable to owners of the parent for the year	84.7	76.0

Condensed Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	12 months ended 31 December 2012 £m	12 months ended 31 December 2011 (restated) £m
Profit for the year	84.7	76.0
Other comprehensive income		
Actuarial losses on defined benefit pension scheme	(9.7)	(4.6)
Tax relating to actuarial losses on defined benefit pension scheme	2.4	1.2
Effect of associates' capital movements	0.4	0.2
Other comprehensive income for the year net of tax	(6.9)	(3.2)
Total comprehensive income for the year attributable to owners of the parent	77.8	72.8

Condensed Consolidated Statement of Financial Position
at 31 December 2012

	31 December 2012 £m	31 December 2011 £m
Assets		
Property, plant and equipment	5.8	5.3
Intangible assets	35.0	79.0
Deferred acquisition costs	113.3	156.7
Investments in associated undertakings	14.7	15.4
Assets held for sale	1.9	-
Current taxation	-	24.4
Deferred taxation	5.3	-
Reinsurance contracts	414.3	565.8
Employee benefits	14.7	18.9
Financial investments	2,312.1	3,206.2
Derivative contracts	1.1	0.3
Insurance and other receivables	353.4	520.3
Cash and cash equivalents	300.9	444.8
Total assets	3,572.5	5,037.1

Liabilities and equity

	31 December 2012 £m	31 December 2011 £m
Liabilities		
Insurance contracts	2,561.3	3,555.0
Borrowings	133.3	257.4
Current taxation	12.6	-
Deferred taxation	-	25.7
Provisions	4.4	1.4
Derivative contracts	1.8	0.3
Insurance and other payables	175.0	221.1
Total liabilities	2,888.4	4,060.9
Equity		
Called up share capital	214.3	219.7
Share premium account	415.9	615.9
Retained earnings	53.9	140.6
Total equity attributable to owners of the parent	684.1	976.2
Total liabilities and equity	**3,572.5**	5,037.1

Condensed Consolidated Statement of Changes in Equity

for the 12 months ended 31 December 2012

	Called up share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2012	**219.7**	**615.9**	**-**	**140.6**	**976.2**
Total comprehensive income for the year	-	-	-	77.8	**77.8**
Equity dividends	-	(200.0)	-	(170.0)	**(370.0)**
Exchange difference on retranslation of share capital	(5.4)	-	-	5.4	**-**
Acquisition of ultimate parent company shares	-	-	-	-	**-**
Vesting of own shares	-	-	-	-	**-**
Share-based payments	-	-	-	0.1	**0.1**
Settlement of share scheme awards	-	-	-	-	**-**
Option exercise proceeds	-	-	-	-	**-**
At 31 December 2012	**214.3**	**415.9**	**-**	**53.9**	**684.1**

for the 12 months ended 31 December 2011 (restated)

	Called up share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2011	**221.9**	**615.9**	**(9.8)**	**143.6**	**971.6**
Total comprehensive income for the year	-	-	-	72.8	**72.8**
Equity dividends	-	-	-	(72.0)	**(72.0)**
Exchange difference on retranslation of share capital	(5.6)	-	-	5.6	**-**
Acquisition of ultimate parent company shares	-	-	-	(1.3)	**(1.3)**
Vesting of own shares	-	-	9.8	(9.8)	**-**
Share-based payments	-	-	-	2.8	**2.8**
Settlement of share scheme awards	3.4	-	-	(3.4)	**-**
Option exercise proceeds	-	-	-	2.3	**2.3**
At 31 December 2011	**219.7**	**615.9**	**-**	**140.6**	**976.2**