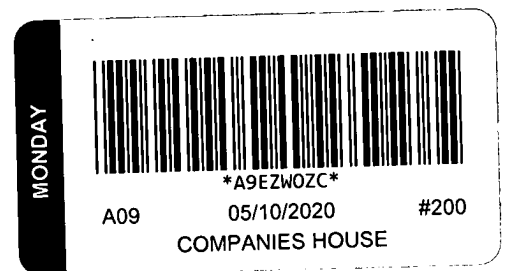


BRIT INSURANCE HOLDINGS LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

31 DECEMBER 2019



Registered Number: 03121594

BRIT INSURANCE HOLDINGS LIMITED

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BRIT INSURANCE HOLDINGS LIMITED

Company Information

Directors

A E Usher
M Allan
C Denton
S Dawes (appointed on 15 May 2019)

Registered Office

The Leadenhall Building
122 Leadenhall Street
London
EC3V 4AB

Independent Auditor

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

BRIT INSURANCE HOLDINGS LIMITED

Strategic Report

The Directors present their Strategic Report on the Company for the year ended 31 December 2019.

Review of the business

The Company is the principal intermediate holding company within the Brit Limited Group and the sole direct subsidiary of Brit Limited.

On 2 January 2019, the Company acquired 49% of the share capital of Sutton Special Risk Inc. (Sutton) for CAD\$17.2m (US\$12.6m) and entered into a forward contract to purchase the remaining 51% in 2024.

On 18 April 2019, the Company contributed the call option to acquire the remaining 50% of the issued shares of Ambridge Partners LLC (Ambridge) to Brit Insurance Services USA Inc.. Ambridge sold its UK Subsidiary, Ambridge Europe Limited, to Brit Insurance Holdings Limited at fair market value (US\$30.0m). The Company then contributed its 50% unit-holding in Ambridge Partners LLC to Brit Insurance USA Holdings Inc. in consideration for the issue of 1 share of US\$1 nominal and US\$46.6m share premium, for a total consideration of US\$46.6m, and recognised a gain on business combination of US\$18.0m.

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

The Directors do not envisage any changes to the current business model in 2020.

United Kingdom's exit from the European Union (Brexit)

Following the UK's exit from the EU on 31 January 2020, significant uncertainties remain surrounding the UK's future relationship with the EU, with potentially unknown economic and political implications for the UK. Developments continue to be monitored closely.

Coronavirus (COVID-19) outbreak

Overview

The COVID-19 pandemic is a global crisis, the like of which has not been seen for generations. As well as the devastating human cost, it has created an extraordinarily significant amount of global disruption and economic uncertainty, with the impact on the global economy likely to be felt for many years to come.

Brit's operational response

Our immediate priorities as the crisis emerged were to ensure the safety of our employees and continuity of our service to our clients and brokers. All our offices were quickly and successfully able to move to remote working using our robust IT estate and systems and have maintained a continuity of service to our clients, remaining fully open for business throughout the lockdown period. Our underwriters have been actively engaging with clients and brokers, delivering market-leading responsiveness. Our Claims team continues to service our policyholders in these challenging circumstances, proactively working with our TPAs to ensure claims continue to be handled promptly and to our usual high standards.

Impact on the Brit Group

For Brit and the wider insurance market, the first half of 2020 proved to be very challenging, with results heavily impacted by the COVID-19 pandemic and its impact on insurance, investment and currency markets. The financial impact of COVID-19 on the Brit Group during the six months ended 30 June 2020, which includes the results of Brit Insurance Holdings Limited, is set out in its 2020 Interim Report which is available at www.britinsurance.com.

Preserving a strong financial position is critical to the long-term success of an insurance business. The Brit Group's consolidated balance sheet at 30 June 2020 remains strong as it maintains its 'conservative best estimate' reserving policy which provides a secure foundation. Brit Limited continues to benefit from the support of its majority shareholder, Fairfax, with further capital contributions of US\$200m and US\$85m provided in April and August 2020 respectively to strengthen the resilience of the balance sheet to further shocks.

BRIT INSURANCE HOLDINGS LIMITED

Strategic Report (continued)

The outlook for the insurance market is uncertain and challenging, with underwriting returns likely to be impacted by COVID-19 over a prolonged period. The market also faces the consequences of the measures taken by governments, driving yields down to record lows, and heightening the risk of recession. However, there are a number of indicators to give us cause for optimism, including strong rate increases, the withdrawal of some capacity and the measures taken by Lloyd's to improve market performance. In this environment, our clear strategy of underwriting discipline and rigorous risk selection, positions us well to respond to the opportunities and challenges ahead.

Impact on the Brit Insurance Holdings Limited

Brit Insurance Holdings Limited has primarily been exposed to COVID-19 through its investment in Brit UW Limited and other subsidiaries. These investments bring exposure to underwriting, for example through Brit UW Limited's participation on Brit syndicates 2987 and 2988, and to financial markets impacted by COVID-19.

During 2020, Brit management has undertaken work to assess the potential financial impact of COVID-19 on the Group, including the forecast borrowing and capital positions of key companies. As a result of this work, the following actions were taken to maintain the financial strength of the Brit UW Limited, the key underwriting company of the Group. They were approved by the Brit Insurance Holdings Limited Board on 18 June 2020.

- The Company injected US\$250m of capital into Brit UW Limited to replenish its capital position, with sufficient headroom for further volatility, and to contribute to Brit UW Limited's remaining 2020 liquidity requirements. This was a non-cash capital injection.
- A new £350m loan facility was created between the Company and Brit UW Limited, at Libor plus 1.5%, to replace the existing loan facilities, to provide Brit UW Limited with access to funds to cover its forecast obligations.

As a result of these actions, Brit UW Limited's financial position is significantly improved, and it is forecast to have positive net assets at 31 December 2020.

The Brit Group continues to monitor the situation, including considering the valuation of investments in subsidiaries, and will adapt its plans as necessary to ensure it acts in the best interests of its stakeholders.

Principal risks and uncertainties

The principal risk confronting the Company is that its subsidiary investments could become impaired. This is monitored by management, and impairments are made when necessary.

Result and dividend

The profit for the financial year after taxation is US\$68.1m (2018: US\$49.2m profit).

Section 172(1) Statement

Introduction

As Directors, our key responsibility is to promote the success of the Company. This principle is embodied in our terms of reference and is the cornerstone of our discussions and our decision making. Each Director is cognisant that in discharging this key responsibility, they must have regard to matters set out in s172(1)(a-f) of the Companies' Act. The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company.

BRIT INSURANCE HOLDINGS LIMITED

Strategic Report (continued)

Our strategy

The Board is responsible for a number of key strategic decisions and on-going performance monitoring. The Directors' assessment of long-term value creation considers the Company's resilience. They determine and monitor risk appetites and tolerances, and they ensure the Company has an effective risk management framework in place.

Board information

The Board receives information on a range of relevant topics, and receives information on other areas as requested by the Directors from time to time.

Our policies and practices

All relevant factors are appropriately addressed by the Board when considering matters reserved for it, as set out in its terms of reference. It ensures that all relevant considerations to assist it discharge its responsibilities are embedded in the key operations of the business, in order to help promote the long-term success of the Company.

Training

To assist the Directors discharge their responsibilities, they are provided with on-going training and development opportunities. They have received a number of in-depth briefings on specific relevant issues. For the wider workforce, there is a comprehensive staff development programme tailored to meet individual needs. Elements of this training are mandatory, with all staff required to successfully complete e-learning modules on key areas such as money laundering, bribery and corruption, data protection, fraud and cyber risk.

Our culture

Building and maintaining the Company's reputation and its high standards of business conduct are essential to the future success of the Company. This is embedded in our culture and in our new brand purpose, launched in October 2019. The wider group also maintains a 'Code of Conduct' setting out the standard we expect from all of our staff. This is regularly reviewed and updated, and compliance is attested to by each employee on an annual basis.

Our stakeholders

The Board recognises the importance of engaging with its broader stakeholder base. The Company's primary stakeholder is its sole shareholder, Brit Limited. The Board is also mindful of the interests of its ultimate majority shareholder, Fairfax Financial Holdings Limited, and wider Brit group.

Key decisions made by the Directors during the year

On 2 January 2019, the Company acquired 49% of the issued shares of Sutton Special Risk Inc. (Sutton) for a total purchase consideration of CAD\$17.2m and entered into a forward contract to purchase the remaining 51% in 2024. Sutton is a Canadian managing general underwriter of a range of specialised insurance products, including Accident and Health.

In April 2019, the Board proceeded with the completion of the acquisition of the remaining 50% of Ambridge Partners LLC (Ambridge). The Company made an initial 50% strategic investment in Ambridge in 2015 and Ambridge has been a key trading partner of Brit for the past thirteen years. Ambridge retains its independence, continuing to underwrite as a managing general underwriter on behalf of its existing broad Brit-led consortium of Lloyd's syndicates and international insurers.

BRIT INSURANCE HOLDINGS LIMITED

Strategic Report (continued)

These acquisitions continue Brit's strategy of selective international expansion into niche specialty businesses with a strong track record in distribution and underwriting. It will provide added long-term value for our key stakeholders, increasing revenue channels while cementing access to profitable underwriting risks. It also provides an integrated solution for the Brit Group's clients and helps foster the Group's business relationships with those clients.

On behalf of the Board



A E Usher
Director
24 September 2020

BRIT INSURANCE HOLDINGS LIMITED

Report of the Directors

Registered number: 03121594

The Directors present their report and audited financial statements for the year ended 31 December 2019.

Principal activities

The Company is an intermediate holding company.

Result and dividend

The profit for the financial year is US\$68.1m (2018: US\$49.2m).

The Company did not pay an interim dividend (2018: US\$nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

The Directors do not envisage any changes to the current business model in 2020.

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.

Disclosure in respect of the on-going Coronavirus outbreak, and the impact it has had on the Company and its subsidiaries, is included in the Strategic Report.

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 2.

Employee and environmental matters

All staff in the United Kingdom are employed by the Group services company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those financial statements. Further information on the Group's employment policies can be found in the financial statements of Brit Group Services Limited.

Brit Group is committed to managing and reducing its environmental impact in a cost effective and responsible way.

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 company law (UK Generally Accepted Accounting Practice).

BRIT INSURANCE HOLDINGS LIMITED

Report of the Directors (continued)

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;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

Statement of disclosure of information to the auditor

In accordance with the provisions of section 418 of the Companies Act 2006, each of the persons who are Directors of the Company 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.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to have been reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

The review of the business and principal risks and uncertainties information is not shown in the Report of the Directors because it is shown in the strategic report instead under s414C(11).

On behalf of the Board



A E Usher
Director
24 September 2020

BRIT INSURANCE HOLDINGS LIMITED

Independent Auditors' Report to the members of Brit Insurance Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Brit Insurance Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Strategic Report, Directors' Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

BRIT INSURANCE HOLDINGS LIMITED

Independent Auditors' Report to the Member of Brit Insurance Holdings Limited (continued)

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

BRIT INSURANCE HOLDINGS LIMITED

Independent Auditors' Report to the Member of Brit Insurance Holdings Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 September 2020

BRIT INSURANCE HOLDINGS LIMITED

Income Statement

For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Income from fixed asset investments	2	60,112	70,000
Other operating income/(expenses)	3	15,244	(12,076)
Administrative expenses	4	(119)	(109)
Gain on business combination	12	18,014	-
Operating profit		93,251	57,815
Unrealised losses on investments	5	(652)	(1,247)
Interest receivable and similar income	6	6,383	5,852
Interest payable and similar expenses	7	(15,225)	(13,843)
Impairment of subsidiary	10	(15,115)	(3,399)
Profit before taxation		68,642	45,178
Tax on profit	11	(493)	4,061
Profit for the financial year		68,149	49,239

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

The notes on pages 15 to 24 form part of these financial statements.

BRIT INSURANCE HOLDINGS LIMITED

Statement of Financial Position

As at 31 December 2019

		31 December 2019 US\$'000	31 December 2018 US\$'000
Fixed assets			
Subsidiary undertakings	10	985,475	806,999
Associated undertakings	12	17,849	33,496
Investments	13	1,582	2,234
		1,004,906	842,729
Current assets			
Debtors	14	328,018	190,612
Cash at bank and in hand		1,272	1,206
		329,290	191,818
Creditors: Amounts falling due within one year	15	(428,796)	(64,979)
Net current (liabilities)/assets		(99,506)	126,839
Total assets less current liabilities		905,400	969,568
Creditors: Amounts falling due after more than one year	16	-	(131,307)
Deferred tax liability	17	-	(1,010)
Net assets		905,400	837,251
Capital and reserves			
Called up share capital	19	49,047	49,047
Share premium account		635,358	635,358
Retained earnings		220,995	152,846
Total equity		905,400	837,251

The financial statements on pages 12 to 24 were approved by the Board of Directors on 24 September 2020 and signed on their behalf by:



A E Usher
Director

The notes on pages 15 to 24 form part of these financial statements.

BRIT INSURANCE HOLDINGS LIMITED

Statement of Changes in Equity

For the year ended 31 December 2019

	Called up share capital US\$'000	Share premium account US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 1 January 2019	49,047	635,358	152,846	837,251
Profit for the financial year	-	-	68,149	68,149
At 31 December 2019	49,047	635,358	220,995	905,400

	Called up share capital US\$'000	Share premium account US\$'000	Retained earnings US\$'000	Total equity US\$'000
At 1 January 2018	49,047	635,358	103,607	788,012
Profit for the financial year	-	-	49,239	49,239
At 31 December 2018	49,047	635,358	152,846	837,251

The notes on pages 15 to 24 form part of these financial statements.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements

For the Year Ended 31 December 2019

1. Accounting policies

(a) Basis of preparation and statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and the Companies Act 2006.

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets measured at fair value.

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 2019 were approved for issue by the Board of Directors on 24 September 2020.

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) Consolidated financial statements

The financial statements present information relating to Brit Insurance Holdings Limited, not to the group of which it is the parent company. Brit Insurance Holdings Limited is exempt from preparing consolidated financial statements of the group, under section 400 of the Companies Act 2006. Brit Limited, which is registered in the UK and is the immediate holding company, has prepared Group financial statements.

(c) Fixed asset investments

Subsidiary undertakings and investments in associates are valued at cost less provision for impairment.

(d) Income from fixed asset investments

Interest income is recognised using the effective interest rate. Dividend income is recognised when the shareholder's right to receive the payment is established.

(e) Current income tax

Current income tax is the expected tax payable on the taxable profit for the period using tax rates (and laws) enacted or substantively enacted at the statement of financial position date and any adjustment to the tax payable in respect of previous periods. The Company calculates current income tax using the current income tax rate.

(f) Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets and liabilities are not discounted.

(g) Expenses

All expenses are accounted for on an accruals basis. Expenses which are incidental to the acquisition or disposal of an investment are treated as part of the cost or proceeds of the investment.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

1. Accounting policies (continued)

(h) Foreign currency translation

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 Sterling, Canadian dollars and Euros are translated at the average rates of exchange for the period. Assets and liabilities in currencies other than United States dollars 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.

(i) Interest payable and receivable

Interest payable and receivable are recognised using the effective interest rate method.

(j) Derivative contracts

Derivative contracts include equity options in respect of the Company's associated undertakings. 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

(k) Financial assets and financial liabilities

(i) Financial assets

Basic financial assets are initially recognised at transaction price. Basic financial assets include current and long-term loans to group undertakings, other debtors and cash at bank and in hand balances.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities, including borrowings

Basic financial liabilities, including creditors are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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 financial liability using the effective interest rate method

2. Income from fixed asset investments

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Dividend income	60,112	70,000

Dividend income relates to dividends received from subsidiaries.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

3. Other operating income/(expenses)

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Foreign exchange gains/(losses)	15,170	(12,076)
Other income	74	-
	<u>15,244</u>	<u>(12,076)</u>

4. Administrative expenses

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Administrative costs	119	109

5. Unrealised losses on investments

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Unrealised losses on derivative contracts	652	1,247

6. Interest receivable and similar income

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Interest on cash at bank, deposits and cash in hand	103	183
Intragroup interest receivable	5,772	1,979
Other interest receivable	3	-
Dividend income	505	3,690
	<u>6,383</u>	<u>5,852</u>

7. Interest payable and similar expenses

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Revolving credit facility	4,318	3,273
Intragroup interest payable	10,907	10,570
	<u>15,225</u>	<u>13,843</u>

8. Auditor's remuneration

The auditor's remuneration for the current year has been paid by a fellow Group company and amounted to US\$11,218 (2018: US\$11,334).

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

9. Directors' remuneration

The Directors did not receive any remuneration for their services to the Company during the year ended 31 December 2019 (2018: nil).

10. Subsidiary undertakings

All subsidiaries of the Company are 100% owned except for the special purpose entities listed below. A subsidiary of the Company, Sussex Capital Management Limited holds 38% and 100% investments in The Diversified Fund and The Specialty Insurance Fund respectively, which are segregated accounts within Sussex Capital Limited. In turn, Sussex Capital Limited holds 100% of the preference share capital of Sussex Re Limited. Sussex Capital Management Limited also holds 54% of the preference share capital of North America Property Insurance Series 2017 Account A-3, a segregated account within Versutus Limited.

The subsidiaries of the company at 31 December 2019, together with their main function, are listed below by country of incorporation. The registered address of each entity is The Leadenhall building, 122 Leadenhall Street, London, EC3V 4AB unless otherwise stated.

Subsidiary	Registered address	Principal activity
United Kingdom		
Brit Syndicates Limited	The Leadenhall building	Lloyd's managing agent
Brit UW Limited	The Leadenhall building	Lloyd's corporate member
Brit Insurance Services Limited	The Leadenhall building	Service company
Brit Investment Holdings Limited	The Leadenhall building	Service company
Brit Group Services Limited	The Leadenhall building	Group services company
Brit Group Finance Limited	The Leadenhall building	Group services company
BGS Services (Bermuda) Limited	The Leadenhall building	Service company
Brit Pension Trustee Limited	The Leadenhall building	Service company (Dormant)
Brit Corporate Services Limited	The Leadenhall building	Service company (Dormant)
Brit Corporate Secretaries Limited	The Leadenhall building	Service company (Dormant)
Sussex Capital UK PCC Limited	The Leadenhall building	Special purpose vehicle
Ambridge Europe Limited	c/o PKF Littlejohn 15 Westferry Circus, Canary Wharf, London, E14 4HD	Insurance intermediary
Ambridge European Holdings Limited	c/o PKF Littlejohn 15 Westferry Circus, Canary Wharf, London, E14 4HD	Service company
Nameco (No. 1340) Limited	5th Floor 40 Gracechurch Street, London, England, EC3V 0BT	Lloyd's corporate member (Dormant)
Nameco (No. 1341) Limited	5th Floor 40 Gracechurch Street, London, England, EC3V 0BT	Lloyd's corporate member
United States of America		
Brit Insurance Services USA, Inc.	161N. Clark Street, Suite 3200, Chicago, IL 60601, United States of America	Service company
Brit Insurance USA Holdings, Inc.	161N. Clark Street, Suite 3200, Chicago, IL 60601, United States of America	Intermediate holding company
Scion Underwriting Services, Inc.	3,333 Lee Parkway, Suite 627, Dallas, TX, 75219	Service company
Commonwealth Insurance Company of America	250 Commercial Street, Suite 5000, Manchester, NH, 03101	Insurance Company
Ambridge Partners LLC	251 Little Falls Drive, Wilmington, DE 19808	Insurance intermediary
Ambridge Due Diligence Services LLC	251 Little Falls Drive, Wilmington, DE 19808	Service company (Dormant)

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

10. Subsidiary undertakings (continued)

Subsidiary	Registered address	Principal activity
Germany		
Ambridge Europe GmbH & Co. KG	Grüneburgweg 58 – 62, 60322 Frankfurt am Main, Germany	Insurance intermediary
Ambridge German Holdings GmbH	Grüneburgweg 58 – 62, 60322 Frankfurt am Main, Germany	Service company
The Netherlands		
Brit Insurance Holdings B.V.	The Leadenhall building	Former holding company
Singapore		
Brit Global Specialty Singapore Pte. Ltd.	138 Market St. #04-03 CapitaGreen, 048946, Singapore	Service company
Bermuda		
Brit Reinsurance (Bermuda) Limited	Ground Floor Chesney House, The Waterfront, 96 Pitts Bay Road, Pembroke, HM 08, Bermuda	Insurance company
Sussex Capital Management Limited	Ground Floor Chesney House, The Waterfront, 96 Pitts Bay Road, Pembroke, HM 08, Bermuda	Service company
Sussex Capital Limited	Wessex House, 3rd Floor, 45 Reid Street, Hamilton HM 12, Bermuda	Special purpose vehicle
Sussex Re Limited	Wessex House, 3rd Floor, 45 Reid Street, Hamilton HM 12, Bermuda	Special purpose vehicle
North America Property Insurance Series 2017 Account A-3	Clarendon House, 2 Church Street, Hamilton HM 11	Special purpose vehicle

Movements in the Company's investments in subsidiaries during the year were as follows:

	2019 US\$'000	2018 US\$'000
Cost at 1 January	806,999	793,940
Impairment of Brit Insurance Services USA Inc.	-	(3,357)
Impairment of Brit Overseas Holdings S.à r.l.	(40)	(42)
Investment in Brit Insurance USA Holdings, Inc.	103,591	16,458
Impairment of Brit Insurance USA Holdings, Inc.	(15,000)	-
Impairment of Brit Investment Holdings Limited	(75)	-
Investment in Sussex Capital Management Limited	60,000	-
Investment in Ambridge Europe Limited	30,000	-
Cost at 31 December	985,475	806,999

On 21 August 2019 the 100% owned subsidiary, Brit Overseas Holdings S.à R.L, was liquidated. Its results up to the date of liquidation have been consolidated.

On 2 September 2019 the 100% owned subsidiary, Brit Group Finance (Gibraltar) Limited was put into liquidation. Its results up to the date of liquidation have been consolidated.

See note 12 for step acquisition details of Ambridge.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

11. Tax on profit

(a) Tax on profit

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Current tax:		
UK corporation tax at 19.00% (2018: 19.00%)	(857)	3,443
Adjustments in respect of prior years	464	955
Total current tax credit	(394)	4,398
Deferred tax:		
Origination and reversal of timing differences	(99)	(337)
Total deferred tax	(99)	(337)
Tax (credit)/charge on profit (Note 11b)	(493)	4,061

(b) Factors affecting tax (credit)/charge for the year

	Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
Profit before taxation	68,642	45,178
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(13,042)	(8,584)
Effects of:		
Expenses not deductible for tax purposes	(132)	(279)
Non-taxable income	14,940	14,000
Impairment of subsidiary	(2,872)	(646)
Effect of future tax rate changes	-	-
Overseas taxes	149	(1,385)
Adjustments in respect of prior years	464	955
Total (credit)/charge for the year Note 11 (a) above	(493)	4,061

(c) Post balance sheet rate changes

UK legislation was substantively enacted on 9 September 2016 to reduce the main rate of UK corporation tax from 19% to 17% from 1 April 2020. The reduction in rate from 19% to 17% has been used in the calculation of the UK's deferred tax assets and liabilities as at 31 December 2019.

UK legislation was enacted on 17 March 2020 to maintain the main rate of UK corporation tax at 19%. This change would have no impact on the position of the Company as at 31 December 2019, as there was no deferred tax asset/liability at that date.

12. Associated undertakings

Camargue

On 30 August 2016, the Company acquired 50% of the share capital of Camargue Underwriting Managers Proprietary Limited (Camargue) for ZAR65.5m plus £0.3m (US\$4.9m) and entered into a call and a put option to purchase the remaining 50% in 2021.

The principal place of business of Camargue is South Africa. Camargue is a leading managing general underwriter of a range of specialised insurance products and specialist liability solutions in South Africa and is an important trading partner for the Brit Group.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

12. Associated undertakings (continued)

Ambridge

On 8 December 2015, the Company acquired 50% of the members' interests of Ambridge Partners LLC for US\$28.6m and entered into a call and a put option to purchase the remaining 50% in 2019.

On 18 April 2019, the Company contributed the call option to Brit Insurance Services USA Inc.. Brit Insurance Services USA Inc. exercised the call option to acquire the remaining 50% of the issued shares of Ambridge Partners LLC (Ambridge) for a total purchase consideration of US\$46.6m. Ambridge Partners LLC then sold its UK Subsidiary, Ambridge Europe Limited, to Brit Insurance Holdings Limited at fair market value (US\$30.0m). The Company then contributed its 50% unit-holding in Ambridge Partners LLC to Brit Insurance USA Holdings Inc. in consideration for the issue of 1 share of US\$1 nominal and US\$46.6m share premium, for a total consideration of \$46.6m, and recognised a gain on business combination of US\$18.0m.

The principal place of business of Ambridge Partners LLC is the United States. Ambridge Partners LLC is a leading managing general underwriter of transactional insurance products, writing business on behalf of a broad consortium of Lloyd's of London syndicates and international insurers including the Brit Group.

Sutton

On 2 January 2019, the Company acquired 49% of the issued shares of Sutton Special Risk Inc. (Sutton) for a total purchase consideration of CAD\$17.2m (US\$12.6m) and entered into a forward contract to purchase the remaining 51% in 2024.

Sutton is a Canadian managing general underwriter of a range of specialised insurance products, including Accident and Health.

13. Investments

	31 December 2019 US\$'000	31 December 2018 US\$'000
Derivative contracts	1,582	2,234

The investments relate to the option agreement and forward contract in place to acquire additional equity in the Company's associated undertakings. The Camargue option is exercisable in 2021, while the Sutton forward contract will be settled in 2024. The option and forward contract are recorded as derivatives by the Brit Group and measured at fair value.

14. Debtors

	31 December 2019 US\$'000	31 December 2018 US\$'000
Current taxation	568	13,742
Amounts owed by Group undertakings	325,310	173,314
Prepayments and accrued income	2,122	3,538
Other debtors	18	18
	328,018	190,612

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

15. Creditors: Amounts falling due within one year

	31 December 2019 US\$'000	31 December 2018 US\$'000
Revolving credit facility loan	80,000	8,000
Amounts owed to Group undertakings	336,608	54,053
Accruals and deferred income	12,188	2,926
	428,796	64,979

Included in the Amounts owed to Group Undertakings is an amount of US\$136,582k (2018: US\$131,307k, see note 16), which is due to Brit Limited, the Company's immediate parent, under a long term loan agreement expiring on 9 December 2020. The loan has been made for £103.1m at an annual interest rate of 7.05%.

US\$12,188k (2018: US\$2,461k) of the accruals and deferred income relates to the interest payable on the long-term loan.

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

	31 December 2019 US\$'000	31 December 2018 US\$'000
Amounts owed to Group undertakings	-	131,307

17. Deferred tax liability

	31 December 2019 US\$'000	31 December 2018 US\$'000
Balance at 1 January	1,010	673
Charge for the year	99	337
Intra-group transfer	(1,109)	-
Balance at 31 December	-	1,010

18. Revolving credit facility

The Company has a US\$450.0m (2018: US\$450.0m) revolving credit facility which expires on 31 December 2023.

At 31 December 2019, a US\$80.0m (2018: US\$80.0m) letter of credit had been utilised. In addition, there was a cash drawing in the year of US\$140.0m (2018: US\$8.0m).

19. Called up share capital

	31 December 2019 US\$'000	31 December 2018 US\$'000	2019 Number	2018 Number
Allotted, called up and fully paid:				
Ordinary share of 75p	1	1	1	1
Ordinary shares of 8p each	49,047	49,047	411,252,527	411,252,527

All shares rank *pari passu*. There are no restrictions on the distribution of dividends and the repayment of capital.

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

20. 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;
- Specific information relating to share-based payments 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.

21. Related party transactions

The Company has taken advantage of the exemption afforded by FRS 102, paragraph 33.1A, in not disclosing transactions with other wholly owned subsidiaries of the Brit Limited Group.

22. Controlling party

The Company is a wholly owned subsidiary of Brit Limited, a company registered in the United Kingdom, details for which are provided in Note 20 above.

As at 31 December 2019, the ultimate parent company was Fairfax Financial Holdings Limited a company registered in Canada. Copies of Fairfax consolidated financial statements can be obtained by writing to 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7, or from the website at www.fairfax.ca.

23. Guarantees and contingent liabilities

The Company has provided a guarantee to the lenders of the revolving credit facility (see note 18).

The Company has provided a guarantee to Brit Pension Trustee Limited whereby it guarantees certain payment obligations of Brit Group Services Limited to the Brit Group Services Limited Retirement Benefits Scheme. This guarantee is in respect of payments of a minimum of £2.0m per annum from 31 July 2017 to 31 July 2024 inclusive or such higher amount as the Company and the Trustee may agree.

24. Events after the reporting date

UK legislation was enacted on 17 March 2020 to maintain the main rate of UK corporation tax at 19%. This change would have no impact on the position of the Company as at 31 December 2019, as there was no deferred tax asset/liability at that date.

On 15 June 2020, the Company provided a non-cash capital injection into Brit UW Limited in consideration for the issue of 200 shares of £1 nominal each and £984.3k share premium per share, for a total consideration of £196.9m (US\$250.0m)

BRIT INSURANCE HOLDINGS LIMITED

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2019

24. Events after the reporting date (continued)

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience, significant volatility and there are significant consequences for the global economy from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global economy and the sectors in which the Company operate is uncertain at this time, but it has the potential to adversely affect our business.

The following actions were taken to maintain the financial strength of Brit UW Limited, the Company's key underwriting subsidiary. They were approved by the Board on 18 June 2020.

- The Company injected US\$250m of capital into Brit UW Limited to replenish the capital position, with sufficient headroom for further volatility, and to contribute to Brit UW Limited's remaining 2020 liquidity requirements. This was a non-cash capital injection.
- A new £350m loan facility was created between the Company and Brit UW Limited, at Libor plus 1.5%, to replace the existing loan facilities, to provide Brit UW Limited with access to funds to cover its forecast obligations.

The outbreak of COVID-19 in 2020 is a non-adjusting post-balance sheet event. As of 24 September 2020, management was not aware of any significant adverse effects on the financial statements for the year ended 31 December 2019 as a result of COVID-19. Further detail on the impact of COVID-19 on the Company can be found in the Strategic Report.