Equitas Holdings Limited Report & Accounts

for the year ended 31 March 2008

Contents

Review of the year

Equitas was transformed following the reinsurance agreement completed with National Indemnity Company ('National Indemnity'), a member of the Berkshire Hathaway group of insurance companies, on 30 March 2007. A review of the transaction with National Indemnity is set out below.

The National Indemnity Reinsurance Agreement

Overview
There are two phases to the transaction. The first phase involving the purchase of a very significant additional reinsurance cover was completed in 2007 and is outlined below. The second phase involves seeking the approval of the High Court to transfer Names' obligations to policyholders to another company. Further details of the second phase are set out on page 6.

Phase 1
With effect from 30 March 2007, National Indemnity reinsured all of Equitas' reinsurance obligations and provided an additional $5.7 billion of reinsurance cover over and above the existing Equitas reserves at 31 March 2006, less claims payments made and reinsurance recoveries received between 1 April 2006 and 31 March 2007.

The additional reinsurance cover available at the year end is set out in the table below:

	2008 *$m*	*2007* *$m*
Additional reinsurance cover available at 31 March 2007	5,623	5,700
Movement in provisions	88	(77)
Exchange differences	(68)	-
Additional reinsurance cover available at 31 March 2008	**5,643**	**5,623**

As at 31 March 2008, $57 million (or 1.0%) of the $5.7 billion of reinsurance cover purchased from National Indemnity has been utilised to cover reserve deterioration since 1 April 2006. The cover remaining that is not yet required is not shown in the financial statements.

The enhanced level of cover remaining to meet potential liabilities transforms the prospects for the Group and significantly strengthens the Group financial position. The risk that assets will not be sufficient to meet the liabilities as they fall due has been significantly reduced.

Return Premium

Following the purchase of the reinsurance from National Indemnity, Equitas approved an aggregate return premium of £50 million to be paid to the approximately 34,000 Reinsured Names, Lioncover and Centrewrite Limited in accordance with their respective entitlements. This amount was provided for in the financial statements for 2007. At 31 March 2008, 27,760 of those entitled to a return premium have been paid their entitlement. This accounts for just over £43 million of the total return premium. The balance is payable to the remaining

Reinsured Names or their estates on satisfaction by them of outstanding procedural requirements.

How the run-off is managed

On 30 March 2007, National Indemnity took over the staff and operations of the Group through the acquisition of what was then the Group's management services company, Equitas Management Services Limited ('EMSL'). EMSL made staff, premises and other facilities available to Equitas. EMSL has now been renamed Resolute Management Services Limited ('RMSL').

RMSL manages the run-off as agent for Names. The costs of running RMSL are met by National Indemnity, for as long as the total of claims paid (net of reinsurance recoveries) by National Indemnity is less than the total cover provided. RMSL is entitled to exercise wide powers to manage the retroceded business and is required to exercise those powers in the interests of Equitas and Names. Through this arrangement, the run-off continues to be managed by substantially the same people as in the past.

Role of Equitas

While the reinsurance agreement concluded on 30 March 2007 provides very significant additional reinsurance cover to Equitas, it does not disturb the existing chain of reinsurance established as part of Lloyd's Reconstruction and Renewal. Since Names remain ultimately responsible for their insurance liabilities before Phase 2 of the transaction, the agreement includes a number of provisions that allow continued monitoring of the run-off. Jane Barker, as Chief Executive, carries out this monitoring function, reporting to the Board.

Protection

RMSL manages the claims adjusting process. National Indemnity will not be required to provide security for its reinsurance obligations for so long as National Indemnity's insurer financial strength rating, as measured by Standard & Poor's, remains at AA- or higher. If, however, National Indemnity's rating were to drop below this level, it must either provide a letter of credit or establish a trust fund, equal to 102 per cent of its net liabilities under the agreement (provided that this does not exceed the remaining reinsurance cover), plus estimated future operating expenses. If National Indemnity's rating falls below A- then the 102 per cent requirement increases to 125 per cent (provided that this does not exceed the remaining reinsurance cover).

The trust fund arrangements in North America that ring fence assets to match a large proportion of the liabilities that Equitas reinsures continue, thus providing additional protection to policyholders.

Implications for the financial statements

The transaction means that the current financial statements are much changed from prior years. Since 31 March 2007, the balance sheet has been prepared on an undiscounted basis. In previous years the provisions for claims outstanding and related reinsurance recoveries were discounted as the liabilities were not expected to be fully settled for many years. The

Companies Act 1985 permits discounting to take account of future investment income. As a result of the transaction with National Indemnity, Equitas does not have investments matching the provision for claims outstanding so it is no longer permitted to discount this provision and the related reinsurance recoveries. The unwinding of the discount was reflected in the profit and loss account for the year ended 31 March 2007.

Accounting for the normal business transactions of the Group during the year ended 31 March 2007 was unchanged from prior years since the transaction with National Indemnity was completed on the last working day of that financial year.

On 30 March 2007, all of the assets of the Group were transferred to National Indemnity other than £172 million of retained funds. The transfer was accounted for as an outwards reinsurance premium in the profit and loss account for that year. A new reinsurance asset recoverable from National Indemnity was recorded in the balance sheet equal to the technical provision for claims outstanding.

During the year ended 31 March 2008 the Group earned £7 million investment income while corporate expenses amounted to £2 million, producing a surplus before tax for the year of £5 million and £4 million after Corporation Tax. The accumulated surplus remaining in the Group as at that date is £106 million.

The tables below explain how the retained surplus and claims and reinsurance reserves have moved during the year.

Retained surplus

	£m	*£m*
Retained surplus at 1 April 2007		**102**
Investment return less expenses	5	
Reassessment of:		
Claims	22	
Reinsurances	(22)	
Exchange Losses	-	
Result for the year		5
Corporation Tax		(1)
Retained surplus at 31 March 2008		**106**

A comprehensive actuarial review was conducted at the end of August 2007 which was updated to reflect movements to 31 March 2008. The techniques used are described in note 2 on page 24. In overall terms, the review showed that the estimate of insurance liabilities required no material net adjustment from the prior year. The liabilities of £4,429 million are shown in the table below and are covered by the reinsurance from National Indemnity.

Provision for claims outstanding

	Claims £m	Reinsurance £m	Net £m
Provisions at 1 April 2007	**4,757**	**(4,757)**	-
Payments, receipts and accruals	(310)	310	-
Reassessment of liabilities and reinsurances	(22)	22	-
Exchange movements	4	(4)	-
Provisions at 31 March 2008	**4,429**	**(4,429)**	-

The responsibility for collecting the reinsurance assets of Equitas passed to RMSL on 30 March 2007. The provisions do not include any operating expense reserves since operating expenses are met by National Indemnity.

Performance measurement

The key measures of the Group's performance are shown in the table below.

Key measure	**What does it show?**
Reinsurance cover remaining	The amount of reinsurance cover remaining less the estimate of the current and future liabilities reinsured by the Group. It represents the margin available to cover future reserve deterioration
Surplus	The surplus available to fund the Group expenses in monitoring the run-off, preparing for phase 2 of the transaction and for further return of premium
Gross undiscounted claims outstanding	The expected total remaining liabilities before any deduction for reinsurance on an undiscounted basis

The Group's key performance measures as defined above for the year to 31 March 2008 are set out in the table below:

	2008 *$m*	*2007* *$m*
Reinsurance cover remaining	5,643	5,623
	£m	*£m*
Surplus	106	102
Gross undiscounted claims outstanding	4,429	4,757

All measures of the reinsurance cover from National Indemnity are expressed in US dollars in accordance with the reinsurance contract. The exchange rates used to calculate the cover are fixed at the rates prevailing on 31 March 2006.

Phase 2

The remaining important objective for the Group is to achieve a transfer of all the reinsured liabilities from Names if and when it becomes possible to do so – thus providing true finality under English law. This second phase (should it proceed) will involve the transfer of Names' obligations to policyholders to Equitas Limited, Equitas Reinsurance Limited or a new insurance company specially formed for the purpose. If completed, this Transfer of Business will achieve the Group's ultimate objective of securing complete finality for Names, assuming foreign courts recognise the transfer.

Equitas has the option to purchase further reinsurance from National Indemnity of up to $1.3 billion at a cost of up to £40 million, provided the transfer is completed by 31 December 2009. The option to purchase the additional reinsurance cover is not available in the unlikely event that Equitas' net undiscounted reserves (inclusive of IBNR) have deteriorated by more than US$2 billion since 31 March 2006. Up to 31 March 2008, the undiscounted reserves had deteriorated by US$57m.

The Transfer of Business will be implemented under the provisions of the Financial Services and Markets Act 2000 ('FSMA 2000') which govern the transfer of insurance portfolios. This type of transfer is sometimes referred to as a "novation". Amendments are required to FSMA 2000 to permit those Names who ceased to be underwriting members of Lloyd's prior to December 1996 to participate in the transfer. It is hoped that these amendments will be in place later this year.

FSMA 2000 requires the Transfer of Business to be approved by the High Court. It cannot be guaranteed that the High Court will give this approval. However, Equitas is optimistic that the High Court's approval will be obtained, particularly as the Transfer of Business would enable additional reinsurance cover of up to US$1.3 billion to be purchased for the ultimate benefit of policyholders.

Provided the Financial Services Authority ('FSA') agrees, a second return premium is contemplated following the Transfer of Business. The amount of this payment will, however, depend upon a number of factors that cannot be determined at this point, including any additional FSA capital requirements and costs incurred by Equitas and the Equitas Trustees during Phase 1.

If it is not possible to pay out all the remaining funds immediately following the Transfer of Business then future payments will be paid as soon as funds can prudently be released, subject to FSA approval.

If the transfer of business does not occur by 31 December 2009, for whatever reason, and assuming that the run-off is proceeding as planned, it is hoped that a second payment to Reinsured Names will be made at that time. However, Equitas will need to retain sufficient funds to meet future governance costs and therefore the amount and timing of any additional further payments to Reinsured Names will depend upon a number of factors, including the future capital requirements of the Group.

Conclusion

As a result of the completion of Phase 1 of this transaction, the Board of Equitas believes the prospect of the failure of Equitas now to be extremely remote. Equitas has achieved a great deal since its inception but the Board has always been conscious of the serious threats and uncertainties that remained. This transaction has transformed the level of resources available to the Group to meet those threats and uncertainties and leaves the Group substantially better placed to meet all of its liabilities in full.

Board of Directors

Hugh Stevenson	**- Chairman**
Jane Barker	**- Chief Executive Officer**
Michael Deeny	**- Trustees Nominated Director**
Sean McGovern	**- Lloyd's Nominated Director**
Richard Spooner	**- Trustees Nominated Director**

Directors' report
for the year ended 31 March 2008

The Directors present their report and the audited financial statements for the financial year ended 31 March 2008.

Principal activities

Background

The Equitas Group was formed as part of the Lloyd's Reconstruction and Renewal Plan to reinsure the liabilities of Lloyd's of London syndicates allocated to the 1992 and prior years of account, other than life syndicates, and to perform the run-off of these liabilities. Equitas Reinsurance Limited ("ERL") completed the reinsurance of the 1992 and prior years' business, except business previously reinsured by Lioncover Insurance Company Limited ('Lioncover business'), with effect from 3 September 1996 and reinsured the Lioncover business with effect from 18 December 1997. It retroceded these businesses to Equitas Limited. Equitas Reinsurance Limited and Equitas Limited are authorised and regulated under the Financial Services and Markets Act 2000 by the Financial Services Authority.

The National Indemnity Transaction

On 30 March 2007 Equitas Limited entered into a major whole account retrocession agreement with National Indemnity Company, a member of the Berkshire Hathaway group of companies.

That transaction, and its implications for the Group, is outlined in the Review of the year on pages 2 to 7.

Reinsurance Contracts

The reinsurance and run-off contract ("RROC") pursuant to which Equitas reinsured Names' liabilities in September 1996 required ERL to send the Group's annual report and consolidated accounts to Names and to seek confirmation of Names' addresses each year. Similar provisions were contained in the contract pursuant to which ERL reinsured the Lioncover business. Following the fundamental change to the Group's activities as a result of the National Indemnity retrocession, the Board concluded that the administrative burden and expense of fulfilling these requirements were disproportionate. Accordingly, with effect from 31 March 2008, the RROC and the Lioncover Reinsurance Agreement were amended to require ERL to send the Group's annual report and consolidated accounts only to those Names who requested a copy and by removing the requirement to seek confirmation of Names' addresses annually. The RROC continues to permit ERL to require Names to confirm their addresses and in that event Names must do so within 21 days. No such request is made at this time.

Business review

Results and performance

The Equitas Group recorded a profit before tax of £5 million in the year ended 31 March 2008 (2007: £356 million deficit). The profit for the year arises from investment income on the cash balances retained after the reinsurance of the Group's liabilities with National Indemnity, after allowing for the costs of running the business.

The Group has continued to pursue its strategy to run-off the liabilities reinsured in 1996.

A comprehensive actuarial review was completed during the year ended 31 March 2008. The results of this review are reported in the Review of the year.

Principal risks and uncertainties

The principal risk facing the Group has always been the ability to meet the reinsured liabilities as they fell due in the light of the significant uncertainties as to the accuracy of the provision for claims outstanding shown in the balance sheet. This risk was significantly reduced by the reinsurance transaction with National Indemnity, which provided an additional $5.7 billion of reinsurance cover above that needed to meet the reserves at 31 March 2006.

The principal risks now facing the Group are the financial security of National Indemnity and the risk that liabilities are in excess of the reinsurance cover purchased. The financial strength of National Indemnity and the provisions in the contract to deal with any changes in that status are outlined on page 3. The Directors believe the potential for the reinsurance cover to be insufficient to cover liabilities to be extremely remote.

Future outlook

The Group will focus on monitoring the run-off, which is now managed by RMSL as agent for Names whose liabilities are reinsured by Equitas. In addition, the Group has started to work towards completion of the second phase of the transaction to transfer Names' obligations to policyholders to another company. For this to be achieved, changes to FSMA 2000 are required. It is hoped that these changes will be implemented before the end of this calendar year. Once those changes have been implemented, the Transfer of Business will need to be approved by the High Court.

Share capital and dividends

The share capital of the Company comprises two ordinary shares of £50 each, which were issued at par on incorporation and which are fully paid, and one deferred share of £1, which was allotted on 2 September 1996 and which is fully paid. The ordinary shares carry voting rights, but no dividends may be paid on these shares. The deferred share carries neither voting nor dividend rights.

The Company's Articles of Association do not permit the payment of a dividend.

Substantial shareholding

Ownership of the entire issued ordinary share capital of the Company was transferred on 3 September 1996 from the Corporation of Lloyd's to the then seven Trustees of The Equitas Trust jointly.

The current Trustees are Sir AN Ridley (Chairman), Mr ME McL Deeny (Deputy Chairman), and Messrs GD Gilchrist and RB Spooner. Mr RJR Keeling resigned as a Trustee, with effect from 1 August 2007.

The Corporation of Lloyd's owns the one deferred share in the capital of the Company, which carries the right to appoint one Director.

Directors

The names of the Directors at the date of this report are listed on page 8. All held office throughout the year except Mr SG McGovern who was appointed a Director with effect from 1 September 2007. Mr I C Agnew served as a Director until his retirement on 1 September 2007.

Messrs MEMcL Deeny and R B Spooner are the Trustees Nominated Directors.

Mr SG McGovern is the Lloyd's Appointed Director. He has waived his fees in favour of his employer, the Corporation of Lloyd's.

All Directors of the Company also hold office as Directors of Equitas Reinsurance Limited and Equitas Limited.

Qualifying Third Party Indemnities

During the year each Director had the benefit of a standard indemnity under the Articles of Association of the Company, Equitas Limited and Equitas Reinsurance Limited in respect of liabilities (including legal fees and expenses) incurred in defending proceedings, whether civil or criminal, in which he is acquitted, judgment is given in his favour or certain other relief is granted. These indemnities do not cover liability attaching to a Director in connection with any finding of negligence, default, breach of duty or breach of trust by him in relation to the Company, Equitas Limited or Equitas Reinsurance Limited.

Financial instruments and risk management

The Group had no exposure to derivative financial instruments at the year end (2007: £nil).

The Group remains exposed to financial risk through its reinsurance assets, financial assets and liabilities. The Group recognises the importance of having efficient and effective risk management systems in place to identify, manage and monitor those risks.

Credit risk

Following the reinsurance agreement with National Indemnity, responsibility for paying claims and collecting reinsurance falls to RMSL. As a result, the Group's key area of risk is the ability of National Indemnity to pay amounts as they fall due under the retrocession agreement. National Indemnity has been awarded the highest credit rating by Standard and Poor's. The Berkshire Hathaway Group, of which National Indemnity is a wholly owned subsidiary, also carries the highest credit rating of Fitch and AM Best. To manage the Group's risk in this area further, the Group is entitled to require National Indemnity to post a letter of credit or to establish a trust fund equal to 102% or 125% of its net liabilities under the agreement (providing that this does not exceed the reinsurance cover purchased) plus estimated operating expenses, if National Indemnity's rating drops below AA- or A-, respectively.

The risk is further mitigated by the continuing existence of the trust fund arrangements in North America. These trust funds ring fence assets to match a large proportion of the liabilities that Equitas reinsures.

Insurance risk

The insurance provisions in the Group's accounts are subject to significant uncertainty and are based on estimates of future events, which are not all within the Group's control. The additional reinsurance protection purchased by the Group mitigates this risk to a substantial degree.

Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are subject to interest rate risk.

The Group does not currently hold any fixed interest securities.

The Group monitors claims inflation as part of its actuarial assessments. The additional reinsurance protection purchased by the Group mitigates this risk to a substantial degree.

Price risk

The Group has very limited exposure to price risk through its remaining investments. The Group's current investment policy is to invest in short term, liquid money market funds and bank deposits. The Board will keep this policy under review.

Liquidity risk

The Group manages its liquidity in order to maintain sufficient financial resources to meet obligations as they fall due. All of the Group's investments are held in readily realisable securities and thus liquidity risk is considered to be low.

Foreign currency exchange risk

The Group's insurance liabilities are denominated in a number of foreign currencies. The reinsurance contract with National Indemnity fixes the US and Canadian Dollar rates of exchange to be used to calculate the cover at those prevailing on 31 March 2006. Through this mechanism, National Indemnity bears substantially all of the currency risk that might arise on settlement of the insurance liabilities of the Group.

The other assets and liabilities of the Group are mainly denominated in sterling and carry no currency risk.

Foreign currency risk is considered to be very low because of the high level of reinsurance cover remaining and the financial strength of National Indemnity.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The accounting policies on page 22 set out the issues relevant to the going concern basis for the preparation of the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors' responsibility for the accounting records in relation to the reinsured liabilities commenced on 3 September 1996 on execution of the Reinsurance and Run-Off Contract.

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

Charitable and political donations

The Group has not made any charitable or political donations in the year and will not make any political donations. The Directors do not intend to make any charitable donations, but will keep this under review.

Disclosure of information to Auditors

Each Director confirms that so far as he is aware there is no relevant audit information of which the Company's auditors are unaware. Each Director also confirms that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any such information and to establish whether the auditors are aware of that information.

Auditors

As permitted by the Company's Articles of Association, indemnities have been given to PricewaterhouseCoopers LLP against costs and liabilities incurred or arising out of their work as auditors in circumstances where a court finds in their favour.

By Order of the Board

Stephen Britt

Company Secretary
10 June 2008

Independent Auditors' report to the members of Equitas Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Equitas Holdings Limited for the year ended 31 March 2008 which comprise the Group profit and loss account, the Group balance sheet, the Group cash flow statement, the Company balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes specific information presented in the Review of the Year that is cross referred from the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report and the Review of the Year. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Company's affairs as at 31 March 2008 and of the Group's surplus and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the uncertainties relating to the provision for claims outstanding of £4,429 million and reinsurers' share of claims outstanding of £4,429 million.

Future experience may show material adjustments are required to these amounts in respect of assumptions made in estimating provisions and the potential for unforeseen change in the legal, judicial, technological or social environment, the risk of unexpected outcomes on disputed claims and court decisions and the potential for new sources or types of claim to emerge.

As described in note 1, because of the reinsurance with National Indemnity Company, movements in claims outstanding would only affect the result for the year or net assets if the remaining reinsurance cover becomes exhausted.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
10 June 2008

Group profit and loss account

for the year ended 31 March 2008

Technical account – general business

	Note	2008 £m	2008 £m	2007 (Restated) £m	2007 (Restated) £m
Gross premiums written	18		-		(50)
Outwards reinsurance premiums	4		-		(3,661)
Net premiums written			-		(3,711)
Investment return transferred from non-technical account			-		-
Claims paid					
Gross amount		**(310)**		(408)	
Reinsurers' share		**310**		46	
Net claims paid		-		(362)	
Change in the provision for claims					
Gross amount		**(22)**		362	
Reinsurers' share		**22**		4,697	
Unwinding of the discount		-		(1,614)	
Timing of net future payments		-		-	
Change in the net provision for claims		-		3,445	
Claims incurred, net of reinsurance			-		3,083
Other income	5		-		72
Other technical charges	6		-		(17)
Balance on the technical account for general business			-		(573)

The accounting policies and notes on pages 22 to 34 form an integral part of these financial statements.

Group profit and loss account
for the year ended 31 March 2008

Non-technical account	Note	2008 £m	2008 £m	2007 (Restated) £m	2007 (Restated) £m
Balance on the technical account for general business			-		**(573)**
Income from financial investments		7		182	
Gains on the realisation of investments		-		35	
Unrealised losses on investments		-		-	
Investment return		7		217	
Allocated investment return transferred to general business technical account		-		-	
Investment return retained			7		**217**
Corporate expenses for the year			**(2)**		-
Surplus/(Deficit) on ordinary activities before tax	*7*		**5**		**(356)**
Tax on (deficit) on ordinary activities	*11*		(1)		-
Surplus/(Deficit) for the year	*16*		**4**		**(356)**

No gains and losses have been recognised other than through the profit and loss account and the Group has no discontinued activities.

The accounting policies and notes on pages 22 to 34 form an integral part of these financial statements.

Group balance sheet
as at 31 March 2008

Assets	*Note*	*2008 £m*	*2007 £m*
Investments			
Financial investments	*12*	**115**	162
Reinsurers' share of technical provisions			
Claims outstanding	*17*	**4,429**	4,757
Total assets		**4,544**	4,919
Liabilities			
Capital and Reserves			
Called up share capital	15	**-**	-
Retained surplus	16	**106**	102
Shareholders' funds – non-equity interests		**106**	102
Technical provisions			
Claims outstanding	17	**4,429**	4,757
Creditors			
Creditors arising out of reinsurance operations	18	**7**	50
Other creditors including taxation and social security		**2**	10
		9	60
Total liabilities		**4,544**	4,919

The financial statements on pages 17 to 34 were approved by the board on 10 June 2008 and were signed on its behalf by:

HA Stevenson

JV Barker

The accounting policies and notes on pages 22 to 34 form an integral part of these financial statements. The Company's balance sheet is shown on page 20.

Company balance sheet
as at 31 March 2008

	Note	*2008* £	*2007* £
Investments			
Investments in Group Undertakings	*23*	**200**	200
Financial Investments		**75,344,749**	72,000,000
		75,344,949	72,000,200
Current assets			
Amounts due from a Group undertaking		**196,620**	-
Current liabilities			
Creditors		**690,108**	-
Total assets less current liabilities		**74,851,461**	72,000,200
Creditors – amounts falling due after more than one year			
Amounts owed to Group undertakings		**200**	200
Net assets		**74,851,261**	72,000,000
Capital and reserves			
Called up share capital	*15*	**101**	101
Profit and loss account	*16*	**74,851,160**	71,999,899
Shareholders' funds – non-equity interests		**74,851,261**	72,000,000

The financial statements on pages 17 to 34 were approved by the Board on 10 June 2008 and were signed on its behalf by:

HA Stevenson

JV Barker

The accounting policies and notes on pages 22 to 34 form an integral part of these financial statements.

Group cash flow statement

for the year ended 31 March 2008

Reconciliation of surplus/(deficit) on ordinary activities before tax to net cash outflow from operating activities

	Note	£m	2008 £m	£m	2007 £m
Surplus/(Deficit) on ordinary activities before tax			**5**		(356)
Depreciation of tangible fixed assets	7	**-**		1	
(Gain) on disposal of tangible fixed assets	7	**-**		-	
Exchange losses / (gains), including losses on retranslation of opening balances*		**-**		13	
(Increase) / decrease in reinsurers' share of technical provisions - claims outstanding		**328**		(4,435)	
Increase / (decrease) in provision for claims outstanding		**(328)**		968	
(Increase)/decrease in debtors		**-**		291	
(Decrease)/increase in creditors		**(51)**		(147)	
			(51)		(3,309)
Net cash outflow from operating activities			**(46)**		(3,665)
Taxes paid during the year			**(1)**		-
Net cash inflow/(outflow) for the year			**(47)**		(3,665)

Cash flows were (realised)/invested as follows:

	Note	£m	2008 £m	£m	2007 £m
(Decrease)/increase in cash holdings	20		**-**		(14)
Net portfolio investment					
Shares and other variable yield securities and units in unit trusts		**85**		(270)	
Debt securities and other fixed interest securities		**-**		(3,216)	
Deposits with credit institutions		**(132)**		(140)	
Financial reinsurances		**-**		(25)	
			(47)		(3,651)
Net realisation of cash flows	21		**(47)**		(3,665)

* The effect of the retranslation of opening balances has been eliminated from all the relevant cash flow categories and is included within these amounts.

The accounting policies and notes on pages 22 to 34 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2008

1. Accounting policies

No changes in respect of accounting policies have been made this year save for the treatment of investment return outlined in note h) below.

Going concern
The financial statements have been prepared on a going concern basis.

Significant uncertainties exist as to the accuracy of the provision for claims outstanding established by Equitas Limited. Adjustments to claims outstanding due to the uncertainties highlighted in note 2 may be material. Because of the terms of the reinsurance agreement with National Indemnity, Equitas is not exposed to movements in claims outstanding provided these remain within the limits of the reinsurance cover purchased. As discussed on page 2 the unexhausted cover is currently substantial.

In view of the financial strength of National Indemnity and the size of the additional reinsurance cover available to the Group following the National Indemnity transaction, in overall terms and relative to the size of the provision for claims outstanding, the Directors have concluded that it continues to be appropriate to prepare the financial statements on a going concern basis.

Basis of presentation
The financial statements of the Group have been prepared in accordance with the provisions of Section 255A of, and Schedule 9A to, the Companies Act 1985 and with the Statement of Recommended Practice on accounting for insurance business issued by the Association of British Insurers dated December 2005. The balance sheet of the Parent Company has been prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries from 1 April 2007 to 31 March 2008.

Other important accounting policies
A summary of the more important accounting policies is set out below. The accounting policies have been applied consistently.

(a) Basis of accounting
The financial statements have been prepared in accordance with the historical cost convention modified by the revaluation of certain assets and liabilities. An annual basis of accounting has been adopted.

(b) Claims and related reinsurance recoveries

The provision for claims outstanding in the consolidated balance sheet is based upon the estimated ultimate cost of all claims, including those incurred but not reported ('IBNR') at the balance sheet date. Provisions for claims outstanding are stated gross of recoveries to be made on reinsurance contracts purchased by the reinsured syndicates and the Group.

Claims incurred include deductions for salvage and other recoveries. Additional premiums receivable and payable by syndicates in respect of risks accepted under the Reinsurance and Run-Off Contract are included within the movement of claims incurred.

(c) *The reinsurance contract with National Indemnity*
Both the premium payable to and the corresponding reinsurance cover received from National Indemnity are reported through the technical account.

The transfer of the investment assets matching the liabilities and the loss of future investment income as a result of the reinsurance contract with National Indemnity mean that it is no longer permitted to discount the provision for claims outstanding and related reinsurance recoveries and therefore all remaining discount was unwound at 31 March 2007. The unwinding of the discount was reported through the technical account and the provision for claims outstanding is reported on an undiscounted basis in the balance sheet.

Reinsurance recoveries on claims outstanding represent the amount recoverable under the reinsurance contract from National Indemnity and equate to the gross claims outstanding. The additional cover over and above these reserves provided by the reinsurance agreement is not reported in the balance sheet until such time as it is required.

(d) Discounting
As the reinsured liabilities are not expected to be fully settled for many years, the provisions for claims outstanding and related reinsurance recoveries were discounted prior to 31 March 2007. The Group had structured its investment portfolio to match its expected net liability stream. Accordingly, the rate of discount applied to those liabilities was calculated having regard to prospective yields associated with its investment portfolio.

(e) Deferred taxation
Provision is made for deferred taxation, using the liability method, on all material timing differences. Deferred tax, which is calculated at the rates at which it is expected that the tax will arise, is recognised in the profit and loss account for the period. Deferred tax balances are not discounted.

(f) Investments
Investments are classified at fair value through the profit and loss account as investments that are held for trading. Listed investments are stated at bid prices quoted by the relevant exchanges. Other investments are stated at bid prices provided by various recognised sources. For short term money market instruments, where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates at the balance sheet date. The fair value of forward exchange contracts have been determined based on market forward exchange rates at the balance sheet date, where applicable. Purchases and sales of investments are accounted for on a trade date basis.

Securities lent, where substantially all the risks and rewards of ownership remain with the Group, are retained on the balance sheet. Collateral received in respect of securities lent is not recorded in the balance sheet.

In the Company's accounts, investments in Group undertakings are stated at cost.

(g) Financial reinsurances
In accordance with Financial Reporting Standard 5 - Reporting the Substance of Transactions, financial reinsurance policies are accounted for as investment assets. They are stated at the value of the expected receipts discounted at market yields to recognise the period until receipt. The change in the amount by which these assets are discounted from one period end to the next is recognised as investment return.

(h) Investment return
The return from investments is reported on an accruals basis and includes realised gains and losses, movements on unrealised gains and losses, net income from securities lent and dividends. Dividends are recorded on the date on which the shares are quoted ex-dividend.

Prior to the current year, the investment return was transferred together with the related foreign withholding taxes to the technical account. Since the Group's investments no longer directly support the insurance activities, the investment return has been credited to the non-technical account. The comparative figures for 2007 have been restated in the technical and non-technical accounts; there is no change to the result or retained earnings for either year.

(i) Foreign exchange
Assets and liabilities are translated into sterling at the rates of exchange prevailing at the balance sheet date and the exchange differences taken to the profit and loss account. Transactions during the period are translated into sterling using the rate of exchange prevailing at the time of the transaction, with the exchange differences taken to the profit and loss account.

(j) Pension costs
The Group makes pension contributions on a defined contributions basis on behalf of employees at the direction of the employee concerned. Contributions are charged in the period in which they are incurred.

The Group provides no other post-retirement benefits to employees.

(k) Leases
Operating lease costs are charged in the period in which they are incurred.

2. Estimation techniques and uncertainties

Introduction
The last comprehensive actuarial review was undertaken at 31 August 2007, and the figures were rolled forward to 31 March 2008. The core estimation techniques described below are expected to be followed in future years, although the level and frequency of reviews in each

area may be reduced in view of the much improved financial position of the Group following the National Indemnity transaction.

Because of the uncertainties inherent in the Group's liabilities, there are many assumptions and estimation techniques described below which individually could have a material impact on the amount of liabilities and the related reinsurance assets. Actual experience will often vary from these assumptions, and any consequential adjustments to amounts previously reported will be reflected in the results of the year in which they are identified. The provision for claims outstanding is based upon actuarial and other studies of the ultimate cost of liabilities including exposure based and statistical estimation techniques.

Significant delays occur in the notification and settlement of certain claims, and a substantial measure of experience and judgment is involved in making the assumptions for assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the balance sheet date. The gross provision for claims outstanding and related reinsurance recoveries is estimated on the basis of information currently available.

The provision for claims outstanding includes significant amounts in respect of notified and potential IBNR claims for long tail liabilities. The settlement of these claims is not expected to occur for many years, and there is considerable uncertainty as to the amounts at which they will be settled.

Where a claim is disputed, the validity of the claim is ultimately an issue that can only be determined by the courts. The provisions for disputed claims are based on the Group's view as to the expected outcomes of such court decisions.

Uncertainty is further increased because of the potential for unforeseen changes in the legal, judicial, technological or social environment, which may increase or decrease the cost, frequency or reporting of claims, and because of the potential for new sources or types of claim to emerge.

Asbestos claims

In estimating asbestos liabilities, the Group follows a highly developed actuarial framework. The majority of asbestos reserves is estimated by modelling the expected claims from policyholders of the reinsured syndicates.

The number of future claims is projected for direct policyholders based on past claims experience combined with the results of epidemiological and other relevant studies that predict the incidence of asbestos related diseases into the future. This is then combined with estimates of the average cost of settling different types of claims for each policyholder to give a total value of claims to the relevant underlying policyholders. The results of these projections are then applied to the insurance coverage available for those policyholders, resulting in an estimation of the Group's liabilities arising from claims against those policyholders. The results are then adjusted to take into account liabilities in respect of policyholders that are not modelled explicitly, including an amount for those liabilities of which the Group may be currently unaware.

A similar modelling process is used to estimate asbestos liabilities for the largest inwards reinsurance accounts ceded to the reinsured syndicates, but with the additional step of applying the ceding companies' expected liabilities to the reinsurance cover available. The ceded liabilities that cannot be explicitly modelled are estimated by reference to the current and historical claims experience of the cedants, taking into account cedant specific characteristics where appropriate.

The techniques described above include a number of important assumptions, including:

- the projected level of future valid claims filings for each policyholder by disease type;
- future levels of claims settlement values;
- the impact of bankruptcy of policyholders on the amount and timing of claims payments;
- the legal interpretation of insurance policies and the outcome of litigation, based upon legal advice received; and
- the period between the filing and payment of claims.

The assumptions on the proportion of claims filings that will ultimately lead to claims payments reflect an assessment that the claims management strategies adopted by the Group will reduce claims payments below the level that they would otherwise have been.

Pollution and health hazard claims
Pollution liabilities are estimated for policyholders of the reinsured syndicates by evaluating the expected costs to be incurred by the policyholders in cleaning up polluted sites and then applying these costs to the insurance coverage available. The pollution liabilities expected by means of inwards reinsurance are evaluated in a similar manner, but with the additional step of applying the ceding companies' expected liabilities to the reinsurance cover available.

Allowance is then made for liabilities in respect of policyholders for which either sufficient information is unavailable to carry out the above analysis or which have not yet been identified.

Health hazard liabilities are estimated using similar principles to the above, in that the liabilities of the policyholder are estimated for the majority of reserves and then applied to the insurance coverage.

These evaluation techniques involve a number of important assumptions, including:

- the validity and quantum of the claims potentially faced by the policyholder;
- the legal interpretation of insurance policies and the outcome of litigation, based upon legal advice received; and
- the degree to which potential or unforeseen health hazards may have an effect on the liabilities.

Other claims
The estimation of the majority of other liabilities involves a projection, based upon historical claims experience, of separate homogeneous sub-divisions by underwriting year. The techniques used include calendar year and development year projections, as well as curve-fitting.

Operating expenses
On 30 March 2007, the provision for operating expenses was transferred to National Indemnity, which is now responsible for current and future operating expenses for as long as the net claims paid by National Indemnity are less than the total cover available.

Reinsurance recoveries
Reinsurance recoveries on claims outstanding represent the reinsurance cover purchased from National Indemnity. The reinsurance agreement with National Indemnity provides cover for all of Equitas Limited's claims liabilities, provided those liabilities are less than the total cover provided and therefore equates to the provision for claims outstanding. Reinsurance recoveries are considered recoverable in full.

3. Segmental information

The Group transacts only one class of business, being 100 per cent proportional reinsurance written in the United Kingdom.

4. Outwards reinsurance premiums

The outwards reinsurance premium for 2007 related entirely to the reinsurance agreement completed with National Indemnity. All of the assets of the Group, other than the retained amount of £172 million, were transferred to National Indemnity and are shown as an outwards reinsurance premium in the Group profit and loss account for 2007. In return, National Indemnity provided reinsurance cover amounting to $13.8 billion at that balance sheet date.

The premium paid can be analysed as follows:

	Group 2008 £m	*Group 2007 £m*
Financial investments and cash	-	3,562
Reinsurers' share of technical provisions	-	281
Other net debtors	-	129
Operating expense reserve	-	(311)
	-	3,661

National Indemnity, as part of the transaction, took on the staff and operations of Equitas through the acquisition of Equitas Management Services Limited, now re-named Resolute Management Services Limited ('RMSL'). The premium, therefore, included the transfer of the operating expense liability and the financial investments backing this reserve, to National Indemnity.

The future operating costs of RMSL will be met by National Indemnity for as long as the total claims paid, net of reinsurance recoveries, by National Indemnity is less than the total cover provided.

5. Other Income

In 2007, the Group received £72 million from the Corporation of Lloyd's as part of the reinsurance transaction with National Indemnity.

6. Other technical charges

Other technical charges for 2007 relate to foreign exchange movements.

7. Surplus/Deficit on ordinary activities before tax

The surplus/deficit is stated after charging/(crediting):

	Group 2008 £000	*Group 2007 £000*
Depreciation - tangible owned fixed assets	-	526
Profit on disposal of tangible fixed assets	-	(53)
Operating lease rentals incurred - property	-	5,389
- other	-	14
Operating lease rentals receivable - property	-	(998)

Details of related party transactions, as defined by Financial Reporting Standard 8, are given in note 25 on page 34.

8. Auditors' remuneration

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	Group 2008 £000	*Group 2007 £000*
Audit services		
Fees payable for the audit of the Parent Company and consolidated accounts	**26**	25
Non Audit Services		
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**437**	340
Other services pursuant to legislation, including the audit of the regulatory return,	**37**	35
Other services not covered above*	**310**	32
	810	432

Fees in respect of the Equitas Group pension scheme:		
Audit	-	12

* These fees relate primarily to work carried out in respect of the project to obtain a transfer of all reinsured liabilities from Names.

9. Employees

The monthly average number of persons employed by the Group, including Directors, was 2 for the year ended 31 March 2008 (2007: 274), all of whom were engaged in run-off and related activities.

Total staff costs, including those for Directors, comprised the following:

	Group 2008 £000	*Group 2007 £000*
Wages and salaries	**262**	43,129
Social security costs	**28**	4,813
Other pension costs	**11**	2,956
	301	50,898

The Group makes pension contributions on a defined contribution basis on behalf of employees at the direction of the employee concerned.

Included within staff costs for the year ended 31 March 2008 is £nil (2007: £19.9 million) in respect of bonuses awarded on the completion of the reinsurance transaction with National Indemnity.

10. Directors' emoluments

The aggregate remuneration of the Directors was as follows:

		Group 2008 £000	*Group 2007 £000*
Executive Directors	- remuneration	**75**	13,152
	- LTIP awards paid	-	6,300
	- pension costs	-	435
Non-Executive Directors	- fees	**115**	396
		190	20,283

11. Tax on deficit on ordinary activities

Analysis of charge/(credit) in the year

	Group 2008 £m	*Group 2007 £m*
United Kingdom corporation tax at 30% (2007: 30%)		
Current tax	**1**	-
Deferred tax – origination and reversal of timing differences	-	-
	1	-

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

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Group 2008 £m	*Group 2007 £m*
Surplus/(Deficit) on ordinary activities before tax	**5**	(356)
Surplus/(Deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2007: 30%)	**2**	(107)
Effects of:		
Unrealised losses on revaluation of equity investments	**-**	(1)
Unutilised tax losses carried forward	**(1)**	128
Non taxable income	**-**	(24)
Other permanent differences	**-**	4
Current tax charge/(credit) for the year	**1**	-

There is an unrecognised deferred tax asset of £312 million (2007: £312 million) arising on losses carried forward within the Group, which is not expected to be utilised in the foreseeable future.

12. Investments: financial investments

	Group 2008		*Group 2007*	
	Market Value £m	*Cost £m*	*Market Value £m*	*Cost £m*
Listed				
Shares and other variable yield securities and units in unit trusts	**85**	**85**	-	-
Debt securities and other fixed interest securities	**-**	**-**	-	-
	85	**85**	-	-
Unlisted				
Deposits with credit institutions	**30**	**30**	162	162
	30	**30**	162	162

Further disclosures relating to financial instruments and financial risk management are included in the Directors' report on pages 9 to 14.

Deposits with credit institutions include £20 million (2007: £70 million) that were subject to charge on 31 March 2008.

13. Trust funds

The majority of the Group's liabilities in the United States and Canada were backed by assets held in trust funds. Following the transaction with National Indemnity, the Group no longer has an economic interest in the assets within those trust funds and therefore they are no longer recorded in the Group's balance sheet in compliance with Financial Reporting Standard 5.

The Equitas Australian Trust Fund supports obligations undertaken in Australia. It is financed by a letter of credit, which was secured by a charge over certain Sterling denominated financial investments. The Group no longer has an economic interest in the assets supporting the letter of credit so these assets are also excluded from the Group's balance sheet.

14. Other prepayments and accrued income

Other prepayments and accrued income do not include any amount due after more than one year (2007: £nil).

15. Called up share capital

	Company 2008 £	*Company 2007 £*
Authorised, allotted and called up		
1 deferred share of £1	**1**	1
2 ordinary shares of £50 each	**100**	100
	101	101

All of these shares were issued at par and are fully paid.

The deferred share carries the right to appoint and remove one Director of the Company (who will also serve as a Director of Equitas Reinsurance Limited and Equitas Limited) and is held by the Corporation of Lloyd's. On winding up, the deferred share carries no rights to any portion of surplus assets of the Company other than a return of the par value. Accordingly, it is a non-equity share.

The ordinary shares bear the right to appoint and remove the remaining Directors of the Company and to decide all matters reserved for decision by shareholders. The Articles of Association do not permit the payment of a dividend on the ordinary shares. Accordingly, these are non-equity shares.

16. Retained surplus

	Company £m	*Group £m*
At 1 April 2007	72	102
Surplus for the year	3	4
At 31 March 2008	**75**	**106**

The retained surplus is not distributable by way of dividend.

As permitted by section 230 of the Companies Act 1985, the Company's profit and loss account has not been included in these financial statements. The Company's profit for the financial year was £3 million (2007:£72 million).

17. Provision for claims outstanding

	Claims	Reinsurance	Group 2008 Net	Claims	Reinsurance	Group 2007 Net
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Provision before discounting	**4,429**	**4,429**	**-**	4,757	4,757	-

(a) Claims and reinsurance recoveries
Claims and reinsurance recoveries are stated after elimination of inter-syndicate transactions.

(b) Discounting
The balance sheet is prepared on an undiscounted basis. As a result of the transaction with National Indemnity, the financial investments matching the provision for claims outstanding have been transferred to National Indemnity. The Group therefore does not receive the benefit of the investment income on those assets and so it is not permitted to discount the balance sheet.

(c) Estimation techniques and uncertainties
Details of the estimation techniques employed in the setting of the provision for claims outstanding and the associated uncertainties appear in note 2 on page 24.

18. Creditors arising out of reinsurance operations

Following completion of the reinsurance agreement with National Indemnity, the Group declared an intention to pay an aggregate return premium of £50 million. This is shown as negative gross premiums written in the Technical Account for 2007 on page 17. The first payments in respect of this amount were made in June 2007; at 31 March 2008, £7 million was unpaid (2007: £50 million).

All creditors arising out of reinsurance operations are payable within one year.

19. Reconciliation of movements in Group shareholders' funds

	Group 2008 £m	Group 2007 £m
Opening shareholders' funds	**102**	458
Surplus/(Deficit) for the year (see note 16)	**4**	(356)
Closing shareholders' funds	**106**	102

20. Movement in portfolio investments net of financing

	Group 2008 £m	*Group 2007 £m*
(Decrease) / increase in cash holdings	-	(14)
Cash transferred to National Indemnity	-	145
Net cash inflow for the year (see note 21)	-	131
Movement arising from cash flows of portfolio investments	**(47)**	(234)
Changes to market values and discount	-	-
Cash and investments transferred to National Indemnity	-	(3,562)
Other changes, including exchange rate effects (see note 21)	-	(354)
Total movement in portfolio investments net of financing	**(47)**	(4,019)
Opening portfolio investments net of financing (see note 21)	**162**	4,181
Closing portfolio investments net of financing (see note21)	**115**	162

21. Movement in cash, portfolio investments and financing

	At 31 March 2007 £m	*Cash flow £m*	*Other changes, including exchange rate effects £m*	*At 31 March 2008 £m*
Cash at bank and in hand	-	-	-	-
Shares and other variable yield securities and units in unit trusts	-	**85**	-	**85**
Debt securities and other fixed interest securities	-	-	-	-
Deposits with credit institutions	162	**(132)**	-	**30**
	162	**(47)**	-	**115**

During the year shares and other variable yield securities and units in unit trusts of £135 million (2007: £13 million) were purchased and £50 million (2007: £17 million) were sold. For the same period debt securities and other fixed interest securities of £nil (2007: £2,593 million) were purchased and £nil (2007: £2,763 million) were sold. Cash at bank and in hand as at 31 March 2008 shown above is stated net of £nil (2007: £nil) of overdrafts.

22. Contingent liabilities and assets

The Group has granted certain indemnities to Trustees, Directors, Employees and the Auditors.

The Group had no other contingent liabilities or assets outside the normal course of business at the balance sheet date.

23. Investments in Group undertakings

Company Name	*Class and proportion of shares held*	*Country of incorporation*	*Business activities*
Equitas Reinsurance Limited	Ordinary 100%	England	Reinsurance
Equitas Limited*	Ordinary 100%	England	Reinsurance run-off
Equitas Policyholders Trustee Limited	Ordinary 100%	England	Trustee

**Held via a subsidiary*

No dividends may be paid or capital distributions made by Equitas Reinsurance Limited or Equitas Limited. The return premium of £50 million provided for in 2007 is being paid by Equitas Reinsurance Limited to Reinsured Names as outlined in the Review of the year on page 2.

24. Financial commitments

The Group had no ongoing financial commitments.

25. The Equitas Trustees

The Trust Deed constituting The Equitas Trust contains provisions entitling the Trustees to remuneration and the discharge of expenses properly incurred by them in acting as Trustees. These are met by the Group and are defined as related party transactions under Financial Reporting Standard 8.

	Group 2008 £	*Group 2007 £*
Trustees' fees	**107,000**	352,750
Trustees' legal, professional and other costs and expenses	**130,790**	1,655,384
Total	**237,790**	2,008,134

Messrs ME McL Deeny and RB Spooner, who are also Directors of the Company, received Trustees' fees of £16,000 each for the year ended 31 March 2008 (2007: £41,000 and £96,000 respectively). They received expenses for secretarial, office and other overheads of £5,452 and £2,000 respectively (2007: £20,151 and £15,205 respectively).

Equitas Holdings Limited
Registered Office:
33 St Mary Axe
London EC3A 8LL
United Kingdom
Telephone: +44 (0)20 7342 2000
Facsimile: +44 (0)20 7342 2001

Registered in England; Registered Number 3136296