Equitas Holdings Limited
Annual Report & Financial Statements
for the year ended 31 March 2010

Company registration number 3136296

Contents

Review of the year

On 25 June 2009 the High Court approved the transfer, under Part VII of the Financial Services and Markets Act 2000, of all the 1992 and prior years' non-life Lloyd's liabilities of the open and closed year Names to Equitas Insurance Limited, a wholly owned subsidiary of Equitas Holdings Limited formed for that purpose. The transfer took effect on 30 June 2009 and means that Names are no longer liable under English and EEA law for any future claims by policyholders on their 1992 and prior business. As part of Phase 2 of the reinsurance agreement completed on 30 March 2007 with National Indemnity Company ("National Indemnity"), a member of the Berkshire Hathaway group of insurance companies, Equitas Holdings Limited ("the Company") and its subsidiaries ("the Group") purchased an additional $1.3 billion of reinsurance cover for a premium of £40 million. A review of the development of the transaction with National Indemnity is set out below.

The National Indemnity Reinsurance Agreement

Overview

There were two phases to the transaction. The first phase involved the purchase of an additional $5.7 billion of reinsurance cover over and above the existing Equitas reserves at 31 March 2006, less claims payments and reinsurance recoveries received between 1 April 2006 and 31 March 2007. The second phase completed during the year ended 31 March 2010 involved the transfer of Names' obligations to policyholders to the new Group company, Equitas Insurance Limited and the purchase of additional reinsurance cover of $1.3 billion from National Indemnity.

Current cover position

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

	2010	*2009*
	$m	*$m*
Additional reinsurance cover available at 1st April	5,295	5,643
Additional cover purchased during the year	1,300	-
Movement in provisions	(251)	(310)
Exchange differences	(88)	(38)
Additional reinsurance cover available at 31 March	**6,256**	**5,295**

As at 31 March 2010, $744 million (or 10.6%) (2009: $405 million (or 7.1%)) of the additional $7.0 billion (2009: $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 significantly strengthens the Group's financial position. The risk that assets will not be sufficient to meet the liabilities as they fall due has been significantly reduced as a result of the reinsurance purchased from National Indemnity.

Return Premium

Following the transaction with National Indemnity in March 2007, 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 2010, 28,024 (2009: 27,954) of those entitled to a return premium have been paid their entitlement. This accounts for £44 million (2009: £44 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.

At Phase I we explained that any further distribution to Names would depend on requirements for regulatory capital and other constraints. The FSA has decided that, having regard to such matters, they will not permit a further return premium to be paid at this time. The remaining assets of £77 million, other than the reinsurance purchased from National Indemnity, will be retained to maintain the required FSA capital levels and to fund the ongoing governance costs of the Group. Under present circumstances, it is likely to be many years before the Group will be in a position to consider any further return premium payments, and it is possible that such payments may never be made.

How the run-off is managed

Resolute Management Services Limited ("RMSL"), a member of the Berkshire Hathaway Group, manages the run-off as agent for Equitas Insurance Limited (formerly the Names prior to the Part VII transfer). 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 the Group and Names.

Role of Equitas

While the reinsurance agreement with National Indemnity 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 Equitas Insurance Limited remains ultimately responsible for the insurance liabilities, 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).

National Indemnity has had a rating downgrade during the year, but at the date of this report the Standard & Poor's rating remains very strong at AA+ with a stable outlook. The Berkshire Hathaway group (of which National Indemnity is a part) also had a rating downgrade in the year, but the change was modest compared to the changes in ratings for many other financial institutions.

Further information about the ratings of National Indemnity and the Berkshire Hathaway group is given on page 11.

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

Result for the year

During the year ended 31 March 2010 the Group earned £1 million investment income (2009: £5 million) while corporate expenses amounted to £6 million (2009: £8 million). In addition, the Group paid £40 million premium for additional reinsurance cover during the year and received a contribution from Lloyd's of £18 million. This produced a deficit before tax for the year of £ 27 million (2009: £3 million deficit) and a deficit of £27 million (2009: £2 million deficit) after Corporation Tax. Corporate expenses include over £4 million (2009: £7 million) of expenses relating to Part VII. These costs include £1.6m paid to PricewaterhouseCoopers for project management and actuarial advice (2009: £1.9 million), £0.8 million in respect of the Independent Expert and his legal advisers (2009: £1.3 million) and £2.0m for legal costs in the UK and overseas (2009: £2.7 million).

The accumulated surplus remaining in the Group as at 31 March 2010 is £77 million (2009: £104 million).

For most of the year, the Group's investments were held in liquid bank deposits and short term liquidity funds. As a result the investment return has been closely linked to the Bank of England base rate and has fallen sharply during the year. Towards the end of the year most of the investments were transferred to a bond portfolio managed by BlackRock Investment Managers (UK) Limited ("BlackRock").

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 2009		**104**
Investment return less expenses	(5)	
Contribution from Lloyd's	18	
Reinsurance premium	(40)	
Reassessment of:		
Claims	(138)	
Reinsurances	138	
Result for the year		(27)
Corporation Tax		-
Retained surplus at 31 March 2010		**77**

A comprehensive actuarial review was conducted at the end of August 2009 which was updated to reflect movements to 31 March 2010. The techniques used are described in note 2 on page 25. In overall terms, the actuarial review has increased the reserves for asbestos liabilities, pollution and for several other more minor claims categories.

The liabilities of £5,321 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 2009	**5,850**	**(5,850)**	**-**
Payments, receipts and accruals	(424)	424	-
Reassessment of liabilities and reinsurances	138	(138)	-
Exchange movements	(243)	243	-
Provisions at 31 March 2010	**5,321**	**(5,321)**	**-**

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?
Additional Reinsurance cover remaining	The total amount of reinsurance cover remaining less the gross undiscounted claims outstanding. It represents the margin available to cover future reserve deterioration
Surplus	The surplus available to fund the Group expenses in monitoring the run-off 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 2010 are set out in the table below:

	2010	*2009*
	$m	*$m*
Reinsurance cover remaining	6,256	5,295
	£m	*£m*
Surplus	77	104
Gross undiscounted claims outstanding	5,321	5,850

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.

Conclusion

Phase 1 and Phase 2 of the transaction with National Indemnity transformed the level of resources available to meet any uncertainties and consequently the Board of Equitas believes the prospect of the failure of Equitas to be extremely remote. The successful transfer of business means that Names are no longer liable under English and EEA law for any future claims by policyholders on their 1992 and prior business.

Board of Directors

David Shipley	**- Chairman**
Jane Barker	**- Chief Executive Officer**
Sean McGovern	**- Lloyd's Nominated Director**
Michael Deeny	**- Trustees Nominated Director**
Sir Adam Ridley	**- Trustees Nominated Director**
Richard Spooner	**- Trustees Nominated Director**

Directors' report

for the year ended 31 March 2010
Company registration number 3136296

The Directors present their annual report and the audited consolidated financial statements for the financial year ended 31 March 2010.

Principal activities

Background to the Group

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.

During the year a newly formed company, Equitas Insurance Limited ("Equitas Insurance"), accepted the transfer of Lloyd's Names 1992 and prior year business pursuant to the Part VII transfer described on page 2. It is a wholly owned subsidiary of the Company and is authorised and regulated under the Financial Services and Markets Act 2000 by the Financial Services Authority. It is only authorised to effect and carry out the business that was transferred to it pursuant to the Part VII transfer and cannot accept any new business.

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 6.

Reinsurance and Run-off Contract

The reinsurance and run-off contract ("RROC") pursuant to which Equitas reinsured Names' liabilities in September 1996 permits ERL to require Names to confirm their addresses. Following the Part VII transfer of Names' liabilities to Equitas Insurance Limited, this is no longer a requirement although Names' may wish to keep the Company informed of any change in address to facilitate the payment of any further return premium.

Business review

Results and performance

The Equitas Group recorded a deficit before tax of £27 million in the year ended 31 March 2010 (2009: £3 million deficit). The result for the year arises from investment income on the investment and cash balances and the receipt of the contribution from Lloyd's, less the payment of the premium for the reinsurance of the Group's liabilities with National Indemnity and the costs of running the business and obtaining the Part VII transfer.

The Group has continued to pursue its strategy to run-off the liabilities reinsured in 1996 which were transferred from the Names to the Group in 2009.

A comprehensive actuarial review was completed during the year ended 31 March 2010. The results of this review are reported in the Review of the year on page 5.

Principal risks and uncertainties

The principal risk facing the Group has always been the ability to meet the reinsured liabilities (and from this year assumed 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 completion of both phases of the reinsurance transaction with National Indemnity, which provided an additional $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 11 and 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 Equitas Insurance Limited (formerly Reinsured Names). In addition, the Group aspires to pay a further return premium although this is not likely in the foreseeable future.

Recognition of the Part VII in other jurisdictions outside the EEA, particularly in the U.S., remains an aspiration. It is by no means certain that this can be achieved and no decisions to proceed with this project have yet been taken.

Over the next few months, the Company will be considering how best to implement the Solvency II Directive.

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 Adam Ridley (Chairman), Mr ME McL Deeny (Deputy Chairman), and Messrs DES Shipley and RB Spooner. Mr David Gilchrist retired as a Trustee on 18 November 2009.

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 7. Mr D E S Shipley, Mr M E McL Deeny and Sir Adam Ridley were appointed Directors on 15 September 2009.

Messrs Deeny, Shipley, Spooner and Sir Adam Ridley are the Trustees Nominated Directors.

Mr H A Stevenson also served during the year as Director and Chairman until his retirement on 30 September 2009.

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, Equitas Limited and Equitas Insurance 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, Equitas Reinsurance Limited and Equitas Insurance 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, Equitas Insurance Limited or Equitas Reinsurance Limited.

Financial instruments and risk management

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. The Group's cash flow risk is covered under the credit and liquidity risk sections.

The external investment manager, BlackRock, is permitted to use derivative financial instruments for efficient portfolio management purposes. The Fund is held to invest the long term ongoing capital reserves of the Group. There are strict limits placed on the type, value and term of such contracts; these contracts are included in the accounts on a fair value basis. Up to 50% of the Fund can be invested in non-Sterling assets on a fully hedged basis at any one time. Fixed forward currency contracts are arranged to eliminate the currency risk. Gilt futures are bought or sold during the year to gain exposure to that market and are fully covered by cash holdings. Further details of derivative positions at 31 March 2010 are provided in Note 10 to the Financial Statements.

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. During the year the rating by Standard and Poor's of National Indemnity reduced from AAA to AA+, its second highest available rating. National Indemnity's credit rating by Moody's Investor Services also reduced from Aaa to Aa1 during the year. National Indemnity currently carries the second highest credit rating of AM Best and Fitch.

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 to the policyholders 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.

The Group is exposed to credit risk on its portfolio of investments. The mandate for the external fund manager requires a minimum investment quality and places restrictions on the level of exposure with each counterparty. A minimum of 25% of the portfolio is invested in government related instruments or cash at all times. At the 31 March 2010 all investments were rated as investment grade securities.

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 holds fixed interest securities in its investment portfolio managed by BlackRock whose performance is closely monitored. There is some restriction imposed on the duration of the portfolio. At 31 March 2010 the value of investments sensitive to interest rate risk was small since most of the portfolio was invested in short term assets. An increase or decrease of 100 basis points in interest yields would have an impact of less than £1 million on the value of the portfolio.

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 is exposed to price risk through its holdings in fixed interest investments. The external manager's performance is closely monitored.

Liquidity risk

The Group manages its liquidity in order to maintain sufficient financial resources to meet obligations as they fall due. A portion of the Group's resources that would cover several months' expenses is retained in readily realisable bank and money market deposits 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 investment assets of the Group are either denominated in sterling or fully hedged to sterling and carry no significant 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

The Directors are responsible for preparing the Annual 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 Group and parent company financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 Group and Company and of the loss of the Company and 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 UK 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 and the Group will continue in business.

The accounting policies on page 23 set out the issues relevant to the going concern basis for the preparation of the financial statements.

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 Group 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 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 governing 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

Paul Hardy

Company Secretary
8 June 2010

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 2010 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 13 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 March 2010 and of the Group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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 £5,321 million and reinsurers' share of claims outstanding of £5,321 million.

Future experience may show that 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 including the potential for new sources or types of claim to emerge.

As described in note 1 to the financial statements, 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.

Paul Clarke

Paul Clarke (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 June 2010

Group profit and loss account
for the year ended 31 March 2010

Technical account – general business

	Note	2010 £m	2009 £m
Gross premiums written		**-**	-
Outwards reinsurance premiums	4	**(40)**	-
Net premiums written		**(40)**	-
Investment return transferred from non-technical account		**-**	-
Claims paid			
Gross amount		**(424)**	(287)
Reinsurers' share		**424**	287
Net claims paid		**-**	-
Change in the provision for claims			
Gross amount		**(286)**	55
Reinsurers' share		**286**	(55)
Change in the net provision for claims		**-**	-
Claims incurred, net of reinsurance		**-**	-
Other income	5	**18**	-
Other technical charges		**-**	-
Balance on the technical account for general business		**(22)**	-

The accounting policies and notes on pages 23 to 36 form an integral part of these financial statements.

Group profit and loss account
for the year ended 31 March 2010

Non-technical account	Note	2010 £m	2009 £m
Balance on the technical account for general business		**(22)**	-
Income from financial investments		**1**	5
Gains on the realisation of investments		**-**	-
Unrealised losses on investments		**-**	-
Investment return		**1**	5
Allocated investment return transferred to general business technical account		**-**	-
Investment return retained		**1**	5
Corporate expenses		**(6)**	(8)
(Deficit) on ordinary activities before tax		**(27)**	(3)
Tax on deficit on ordinary activities	*9*	**-**	1
(Deficit) for the year	*14*	**(27)**	(2)

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

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

The accounting policies and notes on pages 23 to 36 form an integral part of these financial statements.

Group balance sheet

as at 31 March 2010

Assets

	Note	2010 £m	2009 £m
Investments			
Financial investments	10	**67**	60
Reinsurers' share of technical provisions			
Claims outstanding	15	**5,321**	5,850
Other assets			
Cash at bank and in hand		**16**	51
Other debtors	12	**1**	1
Prepayments and accrued income			
Prepayments and accrued income	12	**-**	-
Total assets		**5,405**	5,962

The accounting policies and notes on pages 23 to 36 form an integral part of these financial statements. The Company's balance sheet is shown on page 21

Group balance sheet
as at 31 March 2010

Liabilities

	Note	2010 £m	2009 £m
Capital and Reserves			
Called up share capital	13	-	-
Retained surplus	14	**77**	104
Shareholders' funds – non-equity interests		**77**	104
Technical provisions			
Claims outstanding	15	**5,321**	5,850
Creditors			
Creditors arising out of reinsurance operations	16	**6**	6
Other creditors including taxation and social security		**1**	2
		7	8
Total liabilities		**5,405**	5,962

The financial statements on pages 17 to 36 were approved by the board on 8 June 2010 and were signed on its behalf by:

DES Shipley

JV Barker

The accounting policies and notes on pages 23 to 36 form an integral part of these financial statements. The Company's balance sheet is shown on page 21.

Company balance sheet
as at 31 March 2010

	Note	2010 £	2009 £
Investments			
Investments in Group Undertakings	21	**16,500,200**	201
Financial Investments	10	**6,492,658**	27,518,780
		22,992,858	27,518,981
Current assets			
Cash at bank		**15,187,700**	50,558,839
Other debtors		-	1,221,969
Amounts due from a Group undertaking		**706,615**	-
Prepayments and accrued income		-	13,508
Current liabilities			
Creditors		**41,001**	26,707
Amounts owed to Group undertakings		-	314,556
Total assets less current liabilities		**38,846,172**	78,972,034
Creditors – amounts falling due after more than one year			
Amounts owed to Group undertakings		**200**	201
Net assets		**38,845,972**	78,971,833
Capital and reserves			
Called up share capital	13	**101**	101
Profit and loss account	14	**38,845,871**	78,971,732
Shareholders' funds – non-equity interests		**38,845,972**	78,971,833

The financial statements on pages 17 to 36 were approved by the Board on 8 June 2010 and were signed on its behalf by:

DES Shipley

JV Barker

The accounting policies and notes on pages 23 to 36 form an integral part of these financial statements.

Group cash flow statement

for the year ended 31 March 2010

Reconciliation of deficit on ordinary activities before tax to net cash outflow from operating activities

	Note	£m	2010 £m	£m	2009 £m
(Deficit) on ordinary activities before tax			**(27)**		(3)
Decrease/(Increase) in reinsurers' share of technical provisions - claims outstanding		**529**		(1,421)	
(Decrease)/Increase in provision for claims outstanding		**(529)**		1,421	
(Increase) in debtors		**-**		(1)	
(Decrease)/increase in creditors		**(1)**		1	
			(1)		0
Net cash outflow from operating activities			**(28)**		(3)
Taxes paid during the year			**-**		(1)
Net cash outflow for the year			**(28)**		(4)
Cash flows were realised as follows:					
(Decrease)/increase in cash holdings	*16*		**(35)**		51
Net portfolio investment					
Shares and other variable yield securities and units in unit trusts		**30**		(72)	
Debt securities and other fixed interest securities		**19**		-	
Deposits with credit institutions		**(42)**		17	
			7		(55)
Net realisation of cash flows	*17*		**(28)**		(4)

The accounting policies and notes on pages 23 to 36 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2010

1. Accounting policies

No changes in respect of accounting policies have been made this year other than the amended disclosures for FRS29.

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 completion of both phases of 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 Group financial statements have been prepared under the provision of The Large and Medium-sized Companies and Group Accounts (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance groups and in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") dated December 2005, as amended in December 2006.

The accounts have been prepared in accordance with applicable accounting standards. A summary of the more important Group accounting policies is set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries drawn up to 31 March each year. Uniform accounting policies have been adopted across the Group and profits/losses have been eliminated from intra Group transactions.

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 recoveries received and receivable from National Indemnity are reported through the technical account.

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
The reinsured liabilities are not discounted.

(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. The deferred tax asset is not recognised on the balance sheet if the amount is not expected to be utilised in the foreseeable future.

(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 are calculated by discounting expected cash flows at prevailing interest rates at the balance sheet date. The fair values of forward exchange contracts are 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.

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

(g) Investment return

The return from investments is reported on an accruals basis and includes realised gains and losses and movements on unrealised gains and losses.

(h) Foreign exchange

Monetary 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.

(i) Pension costs

The Group makes pension contributions on a defined contributions basis on behalf of an employee at the direction of the employee. Contributions are charged in the period in which they are incurred.

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

2. Estimation techniques and uncertainties

Introduction

The last comprehensive actuarial review was undertaken at 31 August 2009, and the figures were rolled forward to 31 March 2010. 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.

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 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
National Indemnity is 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. No provision is required.

Reinsurance recoveries
Reinsurance recoveries on claims outstanding represent the reinsurance 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

Gross claims incurred and reinsurance balance by class of business were as follows:

	Gross claims incurred		Reinsurance Balance	
	2010 £m	2009 £m	2010 £m	2009 £m
Reinsurance	-	342	-	(342)
Third party liability	119	-	(119)	-
Other	19	-	(19)	-
Total	**138**	**342**	**(138)**	**(342)**

The outward reinsurance premium of £40 million covers all classes of business. All business is written in the UK.

4. Outwards reinsurance premiums

The outwards reinsurance premium of £40 million was the premium paid to National Indemnity for an additional US$ 1.3 billion reinsurance cover following the successful completion of the Part VII transfer of Names' reinsured liabilities to the Group.

5. Other income

The Group received £18 million contribution from Lloyd's following the completion of the Part VII transfer of Names' reinsured liabilities to the Group.

6 Auditors' remuneration

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

	Group 2010 £000	*Group 2009 £000*
Audit services		
Fees payable for the audit of the Parent Company and consolidated accounts	**20**	26
Non Audit Services		
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	**193**	372
Other services pursuant to legislation, including the audit of the regulatory return	**27**	32
Other services not covered above*	**1,569**	1,912
	1,809	2,342

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

7. Employees

The monthly average number of persons employed by the Group, including the Executive Director, was 2 for the year ended 31 March 2010 (2009: 2), all of whom were engaged in run-off and related activities.

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

	Group 2010 £000	*Group 2009 £000*
Wages and salaries	**386**	330
Social security costs	**36**	37
Other pension costs	**7**	9
	429	376

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

8. Directors' emoluments

The aggregate remuneration of the Directors was as follows:

		Group 2010 £000	*Group 2009 £000*
Executive Director	- remuneration	**160**	155
Non-Executive Directors	- fees	**111**	115
		271	270

The Executive Director was the highest paid director.

9. Tax on deficit on ordinary activities

Analysis of charge/(credit) in the year

	Group 2010 £m	*Group 2009 £m*
United Kingdom corporation tax at 28% (2009: 28%)		
Current tax	-	-
Adjustment in respect of prior year	-	(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 2010 £m	Group 2009 £m
(Deficit) on ordinary activities before tax	**(27)**	(3)
(Deficit) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	**(8)**	(1)
Effects of:		
Adjustment to previous year	**-**	(1)
Losses carried forward	**13**	1
Non taxable income	**(5)**	-
Current tax (credit) for the year	**-**	(1)

There is an unrecognised deferred tax asset of £303 million (2009: £291 million) arising on losses carried forward within the Group, which is not expected to be utilised in the foreseeable future.

10. Investments: financial investments

	Group 2010 Market Value £m	Group 2010 Cost £m	Group 2009 Market Value £m	Group 2009 Cost £m
Listed				
Shares and other variable yield securities and units in unit trusts	**43**	**43**	13	13
Debt securities and other fixed interest securities	**19**	**19**	-	-
	62	**62**	13	13
Unlisted				
Deposits with credit institutions	**5**	**5**	47	47
Derivatives				
Gilt Futures - asset	**4**		-	
- liabilities	**(4)**		-	
Forward currency contracts - USD asset	**2**		-	
- USD liabilities	**(2)**		-	
- Euro assets	**2**		-	
- Euro liabilities	**(2)**		-	
	-		-	
	67	**67**	60	60

	Parent 2010 Market Value £m	Parent 2010 Cost £m	Parent 2009 Market Value £m	Parent 2009 Cost £m
Listed				
Shares and other variable yield securities and units in unit trusts	**1**	**1**	2	2
Unlisted				
Deposits with credit institutions	**5**	**5**	26	26
	6	**6**	28	28

Further disclosures relating to financial instruments and financial risk management are included in the Directors' report on pages 11 to 12.

Deposits with credit institutions include £5 million (2009: £20 million) that were subject to charge on 31 March 2010.

Effective 1 April 2009, the Group adopted the amendment to FRS 29. This requires, for financial instruments held at fair value in the balance sheet, disclosure of fair value measurement by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices) (Level 2);
- Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2010:

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Shares and other variable yield securities and units in unit trusts	-	43	-	43
Debt securities and other fixed interest securities	3	16	-	19
Derivatives	4	4	-	8
	7	63	-	70
Liabilities				
Derivatives	4	4	-	8
	4	4	-	8
Net	3	59	-	62

11. Trust funds

A significant amount of the Group's liabilities in the United States, Canada an Australia 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.

12. Debtors, prepayments and accrued income

Prepayments and accrued income and other debtors of £1 million (2009: £1m) do not include any amount due after more than one year.

13. Called up share capital

	Company 2010 £	*Company 2009 £*
Authorised, allotted and fully paid		
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, Equitas Insurance 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.

The Group's capital is mainly used to meet the ongoing regulatory capital requirements of its FSA regulated subsidiaries. A total of £54 million of the Group's capital is invested in regulated subsidiaries. This is considered to be a long term obligation so most of the Groups resources have been invested in a bond portfolio managed by BlackRock for long term growth and return.

14. Retained surplus

	Company *£m*	*Group* *£m*
At 1 April 2009	79	104
(Deficit) for the year	(40)	(27)
At 31 March 2010	**39**	**77**

The retained surplus is not distributable by way of dividend.

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's deficit for the financial year was £40 million (2009:£4 million profit).

15. Provision for claims outstanding

	Claims *£m*	*Reinsurance* *£m*	*Group 2010 Net* *£m*	*Claims* *£m*	*Reinsurance* *£m*	*Group 2009 Net* *£m*
Provision	**5,321**	**5,321**	**-**	5,850	5,850	-

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

(b) 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 25.

16. 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. The first payments in respect of this amount were made in June 2007; at 31 March 2010, £6 million was unpaid (2009: £6 million).

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

17. Reconciliation of movements in Group shareholders' funds

	Group 2010 *£m*	*Group 2009* *£m*
Opening shareholders' funds	**104**	106

(Deficit) for the year (see note 14)	**(27)**	(2)
Closing shareholders' funds	**77**	104

18. Movement in portfolio investments net of financing

	Group 2010 £m	*Group 2009 £m*
(Decrease)/increase in cash holdings	**(35)**	51
Net cash (outflow)/inflow for the year	**(35)**	51
Movement arising from cash flows of portfolio investments	**(28)**	(55)
Total movement in portfolio investments net of financing	**(28)**	(55)
Opening portfolio investments net of financing	**111**	115
Closing portfolio investments net of financing	**83**	111

19. Movement in cash and portfolio investments net of financing

	At 31 March 2009 £m	*Cash flow £m*	*Other changes, including exchange rate effects £m*	*At 31 March 2010 £m*
Cash at bank and in hand	51	**(35)**	-	**16**
Shares and other variable yield securities and units in unit trusts	13	**30**	-	**43**
Debt securities and other fixed interest securities	-	**19**	-	**19**
Deposits with credit institutions	47	**(42)**	-	**5**
	111	**(28)**	-	**83**

During the year shares and other variable yield securities and units in unit trusts of £61 million (2009: £nil) were purchased and £31 million (2009: £72 million) were sold. For the same period debt securities and other fixed income securities of £20 million were purchased (2009: nil) and £1 million were sold (2009: nil).

20. Contingent liabilities and assets

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

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

21. 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 Insurance Limited	Ordinary 100%	England	General insurance
Equitas Policyholders Trustee Limited	Ordinary 100%	England	Trustee

**Held via a subsidiary*

During the year ended 31 March 2010, Equitas Holdings Limited increased its holding in Equitas Insurance Limited by £16.5 million.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

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 3.

22. Financial commitments

The Group had no ongoing financial commitments. (2009: nil)

23. 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 2010 £	*Group 2009 £*
Trustees' fees	**97,620**	107,000
Trustees' legal, professional and other costs and expenses	**93,339**	112,650
Total	**190,959**	219,650

Messrs ME McL Deeny, DES Shipley, RB Spooner and Sir Adam Ridley, who were also Directors of the Company during the year, received Trustees' fees of £18,491, £9,212, £16,000, £41,250 respectively for the year ended 31 March 2010 (2009: £16,000, £nil, £16,000, £55,000 respectively). They received expenses for secretarial, office and other overheads of £3,000, £nil, £2,000, £3,000 respectively (2009: £3,000, £nil, £2,000, £2,750 respectively).

Mr D Gilchrist also served as a Trustee until 18 November 2009. He received fees of £12,667 (2009: £20,000) and expenses of £1,000 (2009: £2,000).

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