

Equitas Holdings Limited

Annual Report & Financial Statements

for the year ended 31 March 2014

Company registration number 3136296

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Group strategic report for the year

Review of the business

The business of Equitas Holdings Limited ("the Company") and its subsidiaries as listed in Note 19 ("the Group") is to run-off the 1992 and prior years' non-life Lloyd's liabilities reinsured in 1996 which were transferred from the Names to the Group in 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. In previous years the Group purchased a total of \$7 billion reinsurance cover, over and above the reserves at 31 March 2006, from National Indemnity Company ("National Indemnity"), a member of the Berkshire Hathaway group of insurance companies. A review of the development of the transaction with National Indemnity is set out below.

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.

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:

	2014 \$m	2013 \$m
Additional reinsurance cover available at 1 April 2013/2012	5,840	6,141
Movement in provisions	(262)	(275)
Exchange differences	92	(26)
Additional reinsurance cover available at 31 March 2014/2013	5,670	5,840

The reduction in unallocated cover is less than the movement in reserves of £176 million (translated into US Dollars) shown on page 5 because NICO have reassessed the value of the syndicate reinsurance recoverable and this increase in value reduces the impact on the cover purchased from NICO.

As at 31 March 2014, \$1,330 million (or 19.0%) (2013: \$1,160 million (or 16.6%)) of the additional \$7.0 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 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 become extremely remote 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 2014, 28,093 (2013: 28,091) of those entitled to a return premium have been paid their entitlement. This accounts for £44 million (2013: £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 regulator at the time, the Financial Services Authority, decided that, having regard to such matters, they would not permit a further return premium to be paid at the time of the Part VII transfer. Net assets of £80 million are now held to maintain the capital levels required by regulation and to fund the on-going 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).

At the date of this report the Standard & Poor's rating for National Indemnity remains very strong at AA+. The Berkshire Hathaway group (of which National Indemnity is a part) had a rating of AA.

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 and Australia 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 2014 the Group earned £2.4 million investment income (2013: £3.0 million) while corporate expenses amounted to £1.2 million (2013: £1.2 million). This produced a profit before tax for the year of £1.2 million (2013: £1.8 million) and a profit of £1.2 million (2013: £1.8 million) after Corporation Tax.

The accumulated surplus remaining in the Group as at 31 March 2014 is £79.8 million (2013: £78.6 million).

Most of the Group's investments were held in 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

	<i>£m</i>	<i>£m</i>
Retained surplus at 1 April 2013		79
Investment return less expenses	1	
Reassessment of:		
Claims	(176)	
Reinsurances	176	
Profit for the year before tax		1
Corporation Tax		-
Retained surplus at 31 March 2014		80

A comprehensive actuarial review was conducted at the end of August 2013 which was updated to reflect movements to 31 March 2014. The techniques used are described in note 2 on page 25. The actuarial review resulted in an increase in the insurance reserves for asbestos, pollution and balance of account liabilities.

The liabilities of £4,231 million are shown in the table below and are covered by the reinsurance from National Indemnity.

Provision for claims outstanding

	<i>Claims £m</i>	<i>Reinsurance £m</i>	<i>Net £m</i>
Provisions at 1 April 2013	4,783	(4,783)	-
Payments, receipts and accruals	(342)	342	-
Reassessment of liabilities and reinsurances	176	(176)	-
Exchange movements	(386)	386	-
Provisions at 31 March 2014	4,231	(4,231)	-

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 available	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 and to provide regulatory capital

Gross undiscounted claims outstanding	The expected total remaining liabilities before any deduction for reinsurance on an undiscounted basis
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The Group's key performance measures as defined above for the year to 31 March 2014 are set out in the table below:

	2014	2013
	\$m	\$m
Reinsurance cover remaining	5,670	5,840
	£m	£m
Surplus	80	79
	£m	£m
Gross undiscounted claims outstanding	4,231	4,783

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.

Principal risks and uncertainties

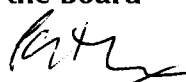
The principal risk facing the Group has always been the ability to meet the reinsured liabilities (and since 2009 the assumed liabilities) as they fall due in the light of the significant uncertainties as to the accuracy of the provision for claims outstanding shown in the balance sheet. This risk was 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 risk now facing the Group is that liabilities come to exceed the reinsurance cover purchased. There is also the risk that the financial security of National Indemnity deteriorates, though there are provisions in the contract to mitigate such changes which are outlined on page 4 and page 11.

Conclusion

The two phase transaction with National Indemnity and the transfer of liabilities from the Names have fixed the strategy for the Equitas Group. 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.

By Order of the Board



Paul Hardy
Company Secretary
17 June 2014

Board of Directors

David Shipley	- Chairman
Jane Barker	- Chief Executive Officer
Glenn Brace	- Non-executive Director
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 2014

Company registration number 3136296

The Directors present their annual report and the audited consolidated financial statements for the financial year ended 31 March 2014.

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 Prudential Regulation Authority and the Financial Conduct Authority.

During 2009 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 Prudential Regulation Authority and the Financial Conduct 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 Strategic report 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.

Future outlook

The Group will continue to focus on monitoring the run-off, which is 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.

The Group has no plans to achieve recognition of the Part VII transfer outside the EEA at this time.

Equitas Insurance Limited is subject to the requirements of the Solvency II directive and, in the coming year, will continue to comply with requests for information from the Prudential Regulation Authority.

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 Mr ME McL Deeny (Chairman), Messrs DES Shipley and RB Spooner and Sir Adam Ridley.

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. All held office throughout the year and up to the date of signing these financial statements.

Messrs Deeny, Shipley, Spooner and Sir Adam Ridley 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, 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, Bund, US, Australian and Japanese futures and options are bought or sold during the year to gain exposure to that market or reduce duration risk and are fully covered by cash holdings. Credit default swaps are used to hedge specific credit risk and to implement investment views. Further details of derivative positions at 31 March 2014 are provided in Note 8 to the Financial Statements.

Capital management

The Group's objectives in managing its capital are to hold sufficient funds to meet the regulatory capital requirements and to provide sufficient returns to meet the ongoing expenses of the Group. The capital is available to meet obligations to policyholders should the reinsurance cover provided by National Indemnity become exhausted; finally, when all future claims have been settled, a further return premium may be paid to former Reinsured Names. These are long term objectives which are reflected in the mandate given to BlackRock where capital preservation is the main objective. All of the Group's assets are committed to support externally imposed capital requirements; all such requirements were met at 31 March 2014.

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. The rating by Standard and Poor's of National Indemnity is AA+, its second highest available rating. National Indemnity currently carries the second highest credit rating of Moody's, AM Best and Fitch.

To manage the Group's risk in this area, 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 Standard and Poor's AA- or A- ratings, respectively.

The risk to the policyholders is further mitigated by the continuing existence of the trust fund arrangements in North America and Australia. 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 places controls over investment quality and restricts the level of exposure to each non-government counterparty. A minimum of 25% of the portfolio is invested in government related instruments or cash at all times. Further information in respect of the credit quality of the portfolio is included in Note 8 "Investments: financial investments" on page 30.

Insurance risk

The insurance provisions in the Group's financial statements 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 with 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 and this is controlled by the use of derivative instruments. 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 mandate given to the external manager reflects the low risk appetite of the Group for capital loss. 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 low. National Indemnity is responsible for settling insurance claims.

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 nearly all of the currency risk that might arise on settlement of the insurance liabilities of the Group.

The investment assets of the Group are either denominated in sterling or hedged to sterling and carry no significant currency risk.

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the 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 profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 the 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, 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, www.equitas.co.uk. Legislation in the UK governing the preparation and dissemination of financial statements 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.

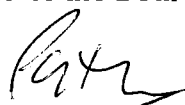
Disclosure of information to Auditors

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.

Independent 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
17 June 2014

Independent auditors' report to the members of Equitas Holdings Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit 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.

This opinion is to be read in the context of what we say in the remainder of this report.

Emphasis of matter - Group - Provision for claims outstanding

In forming our opinion on the group financial statements, which is not modified, 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 £4,231 million and reinsurers' share of claims outstanding of £4,231 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.

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by Equitas Holdings Limited, comprise:

- Group balance sheet as at 31 March 2014;
- Group profit and loss account for the year then ended;
- Group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the 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.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's 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.

A handwritten signature in black ink, appearing to read 'Thomas', followed by a stylized flourish.

Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 June 2014

Group profit and loss account

for the year ended 31 March 2014

Technical account – general business

	Note	2014 £m	2013 £m
Gross premiums written		-	-
Outwards reinsurance premiums		-	-
Net premiums written		-	-
Earned premiums, net of reinsurance		-	-
Allocated investment return transferred from the non-technical account		-	-
Claims paid			
Gross amount		(342)	(238)
Reinsurers' share		342	238
Net claims paid		-	-
Change in the provision for claims			
Gross amount		(166)	(116)
Reinsurers' share		166	116
Change in the net provision for claims		-	-
Claims incurred, net of reinsurance		-	-
Other income		-	-
Other technical charges		-	-
Balance on the technical account for general business		-	-

The accounting policies and notes on pages 23 to 37 form an integral part of these financial statements.

Group profit and loss account

for the year ended 31 March 2014

Non-technical account	Note	2014 £m	2013 £m
Balance on the general business technical account		-	-
Income from other financial investments		2	2
Gain on the realisation of investments		2	-
Unrealised (loss)/gain on investments		(2)	1
		2	3
Allocated investment return transferred to the general business technical account		-	-
		2	3
Administrative expenses		(1)	(1)
Profit on ordinary activities before tax		1	2
Tax on profit on ordinary activities	7	-	-
Profit for the financial year	12	1	2

Neither gains and losses of an insurance group arising on the disposal of investments; nor the effect of fair value accounting for financial instruments are required to be included in a note of historical profits and losses. There are no other differences between the profit on ordinary activities before tax or the profit for the financial year stated above (and the prior year) and their historical cost equivalents.

The Group has no discontinued activities.

The accounting policies and notes on pages 23 to 37 form an integral part of these financial statements.

Group balance sheet

as at 31 March 2014

Assets

	<i>Note</i>	<i>2014 £m</i>	<i>2013 £m</i>
<hr/>			
Investments			
Other Financial investments	8	85	83
Reinsurers' share of technical provisions			
Claims outstanding	13	4,231	4,783
Other assets			
Cash at bank and in hand		1	1
Other debtors	10	-	-
Prepayments and accrued income			
Prepayments and accrued income	10	1	2
<hr/>			
Total assets		4,318	4,869
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The accounting policies and notes on pages 23 to 37 form an integral part of these financial statements. The Company's balance sheet is shown on page 21.

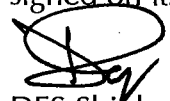
Group balance sheet

as at 31 March 2014

Liabilities

	Note	2014 £m	2013 £m
Capital and Reserves			
Called up share capital	11	-	-
Retained earnings	12	80	79
Shareholders' funds – non-equity interests		80	79
Technical provisions			
Claims outstanding	13	4,231	4,783
Creditors			
Creditors arising out of reinsurance operations	14	6	6
Other creditors including taxation and social security		1	1
		7	7
Total liabilities		4,318	4,869

The financial statements on pages 17 to 37 were approved by the Board on 17 June 2014 and signed on its behalf by:



DES Shipley
Chairman



JV Barker
Chief Executive Officer

The accounting policies and notes on pages 23 to 37 form an integral part of these financial statements. The Company's balance sheet is shown on page 21.

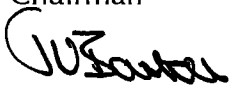
Company balance sheet

as at 31 March 2014

	Note	2014 £	2013 £
Investments			
Investments in Group Undertakings	19	34,452,627	33,749,847
Financial Investments	8	-	-
		34,452,627	33,749,847
Current assets			
Cash at bank		58,001	52,973
Other debtors		2,114	-
Amounts due from Group undertakings		6,341,397	6,395,602
Prepayments and accrued income		-	-
Current liabilities			
Creditors		13,355	36,372
Total assets less current liabilities		40,840,784	40,162,050
Creditors – amounts falling due after more than one year			
Amounts owed to Group undertakings		200	200
Net assets		40,840,584	40,161,850
Capital and reserves			
Called up share capital	11	101	101
Retained earnings	12	40,840,483	40,161,749
Shareholders' funds – non-equity interests		40,840,584	40,161,850

The financial statements on pages 17 to 37 were approved by the Board on 17 June 2014 and were signed on its behalf by:


DES Shipley
Chairman


JV Barker
Chief Executive Officer

The accounting policies and notes on pages 23 to 37 form an integral part of these financial statements.

Group cash flow statement

for the year ended 31 March 2014

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

	Note	£m	2014 £m	2013 £m
Profit on ordinary activities before tax			1	2
Decrease/(increase) in reinsurers' share of technical provisions - claims outstanding		552	(89)	
(Decrease)/increase in provision for claims outstanding		(552)	89	
Decrease in other debtors		-	2	
Decrease/(increase) in prepayments and accrued income		1	(1)	
Decrease in creditors		-	(1)	
			1	-
Net cash inflow from operating activities			2	2
Taxes paid during the year			-	-
Net cash inflow for the year			2	2
Cash flows were (applied)/invested as follows:				
Increase in cash holdings			-	-
Net portfolio investment				
Shares and other variable yield securities and units in unit trusts		7	(14)	
Debt securities and other fixed interest securities		(5)	15	
Deposits with credit institutions		-	1	
			2	2
Net investment of cash flows	17		2	2

The accounting policies and notes on pages 23 to 37 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2014

1. Accounting policies

No changes in respect of accounting policies have been made this year.

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 Groups (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 financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

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 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

The 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, including futures, options and credit default swaps 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. Purchases and sales of investments are accounted for on a trade date basis.

In the Company's financial statements, 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. The investment return is retained in the non-technical account.

(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 provides no post-retirement benefits to its employee.

2. Estimation techniques and uncertainties

Introduction

The last comprehensive actuarial review was undertaken at 31 August 2013, and the figures were rolled forward to 31 March 2014. 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.

For inwards reinsurance a survival ratio approach is used for the majority of the liabilities. To derive the appropriate survival ratios the starting point is the work done on the projected liabilities for underlying policyholders. These survival ratios are then adjusted to reflect the estimated overall impact of the insurance coverage provided by our cedants and the reinsurance coverage provided to these cedants by Lloyd's, together with an allowance for the time taken to present and agree claims at each stage of the process.

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 other liabilities comprise a wide range of claim types. They are analysed into a number of homogenous subgroups, with the estimation approach for each chosen to reflect the nature of the liabilities and the information available. The approaches used include calendar year and development year projections, and in some cases this includes modelling the outcome for individual claims.

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 therefore 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	
	2014	2013	2014	2013
	£m	£m	£m	£m
Reinsurance	-	-	-	-
Third party liability	172	103	(172)	(103)
Other	4	19	(4)	(19)
Total	176	122	(176)	(122)

All business is written in the UK.

4 Auditors' remuneration

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

	<i>Group 2014 £000</i>	<i>Group 2013 £000</i>
Audit services		
Fees payable for the audit of the Parent Company and consolidated financial statements	20	20
Other Services		
Fees payable to the Company's auditor for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	165	174
Other services pursuant to legislation, including the audit of the regulatory return	10	26
	195	220

5. Employees

The Group employed 1 person, the Executive Director, during the year ended 31 March 2014 (2013: 1), she was engaged in run-off and related activities.

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

	<i>Group 2014 £000</i>	<i>Group 2013 £000</i>
Wages and salaries	255	255
Social security costs	26	25
	281	280

6. Directors' emoluments

The aggregate remuneration of the Directors was as follows:

	<i>Group 2014 £000</i>	<i>Group 2013 £000</i>
Executive Director - remuneration	120	120
Non-Executive Directors - fees	135	135
	255	255

The Executive Director was the highest paid director.

7. Tax on profit on ordinary activities

Analysis of charge/(credit) in the year

	<i>Group 2014 £m</i>	<i>Group 2013 £m</i>
United Kingdom corporation tax at 23% (2013: 24%)		
Current tax	-	-
Deferred tax – origination and reversal of timing differences	-	-
	-	-

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

The tax assessed for the year differs from (2013: differs from) the standard rate of corporation tax in the UK. The differences are explained below:

	<i>Group 2014 £m</i>	<i>Group 2013 £m</i>
Profit on ordinary activities before tax	1.2	1.8
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23% (2013: 24%)	0.3	0.4
Effects of:		
Losses brought forward	(0.3)	(0.4)
Non taxable income	-	-
Current tax (credit) for the year	-	-

There is an unrecognised deferred tax asset of £216 million (2013: £216 million) arising on losses carried forward within the Group, which is not expected to be utilised in the foreseeable future.

8. Investments: financial investments

	<i>Group 2014</i>		<i>Group 2013</i>	
	<i>Market Value £m</i>	<i>Cost £m</i>	<i>Market Value £m</i>	<i>Cost £m</i>
Listed				
Shares and other variable yield securities and units in unit trusts	9	9	2	2
Debt securities and other fixed interest securities	75	74	79	76
	84	83	81	78
Unlisted				
Deposits with credit institutions	1	1	2	2
Derivatives				
Gilt Futures - asset	34		20	
- liabilities	(34)		(20)	
Bund Futures - asset	12		10	
- liabilities	(12)		(10)	
US Treasury Futures - asset	-		4	
- liabilities	-		(4)	
Credit Default Swaps - asset	9		-	
- liabilities	(9)		-	
Forward currency contracts - AUD asset	-		8	
- AUD liabilities	-		(8)	
- DKK assets	-		4	
- DKK liabilities	-		(4)	
- EUR assets	9		8	
- EUR liabilities	(9)		(8)	
- NOK assets	-		2	
- NOK liabilities	-		(2)	
- SEK assets	-		4	
- SEK liabilities	-		(4)	
- USD assets	1		2	
- USD liabilities	(1)		(2)	
	85	84	83	80

The Group has adopted 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:

	Level 1		Level 2		Level 3		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Shares and other variable yield securities and units in unit trusts	-	-	9	2	-	-	9	2
Debt securities and other fixed interest securities	30	23	45	56	-	-	75	79
Derivatives	46	34	27	28	-	-	73	62
	76	57	81	86	-	-	157	143
Liabilities								
Derivatives	46	34	27	28	-	-	73	62
	46	34	27	28	-	-	73	62
Net	30	23	54	58	-	-	84	81

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2014	2013
	£m	£m
Shares and other variable yield securities and units in unit trusts	9	2
Debt securities and other fixed interest securities	75	79
Derivatives (net)	-	-
Deposits with credit institutions	1	2
Cash at bank and in hand	1	1
	86	84
AAA	47	53
AA	6	5
A	14	16
BBB	14	8
BB	4	-
Not Rated	1	2
	86	84

Further disclosures relating to financial instruments and financial risk management are included in the Directors' report on pages 10 to 12.

9. Trust funds

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

10. Debtors, prepayments and accrued income

Prepayments and accrued income and other debtors of £1 million (2013: £2m) do not include any amount due after more than one year.

11. Called up share capital

	<i>Company</i> <i>2014</i> <i>£</i>	<i>Company</i> <i>2013</i> <i>£</i>
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 PRA regulated subsidiaries. A total of £80 million (2013: £ 79 million) of the Group's capital is invested in regulated subsidiaries. This is considered to be a long term obligation so most of the Group's resources have been invested in a bond portfolio managed by BlackRock for long term growth and return.

12. Retained earnings

	<i>Company</i> <i>£m</i>	<i>Group</i> <i>£m</i>
At 1 April 2013	40	79
Profit for the financial year	1	1
At 31 March 2014	41	80

The retained profit 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 surplus for the financial year was £1 million (2013:£1 million).

13. Provision for claims outstanding

	Claims £m	Reinsurance £m	Group 2014 Net £m	Claims £m	Reinsurance £m	Group 2013 Net £m
Provision	4,231	4,231	-	4,783	4,783	-

(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.

14. Creditors arising out of reinsurance operations

Following completion of the reinsurance agreement with National Indemnity in 2007, 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 2014, £6 million was unpaid (2013: £6 million).

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

15. Reconciliation of movements in Group shareholders' funds

	Group 2014 £m	Group 2013 £m
Opening shareholders' funds	79	77
Profit for the financial year (see note 12)	1	2
Closing shareholders' funds	80	79

16. Movement in portfolio investments net of financing

	<i>Group 2014 £m</i>	<i>Group 2013 £m</i>
Decrease in cash holdings	-	-
Net cash outflow for the year	-	-
Movement arising from cash flows of portfolio investments	4	1
Changes to market values	(2)	1
Total movement in portfolio investments net of financing	2	2
Opening portfolio investments net of financing	84	82
Closing portfolio investments net of financing	86	84

17. Movement in cash and portfolio investments net of financing

	<i>At 31 March 2013 £m</i>	<i>Cash flow £m</i>	<i>Changes to market values £m</i>	<i>At 31 March 2014 £m</i>
Cash at bank and in hand	1	-	-	1
Shares and other variable yield securities and units in unit trusts	2	7	-	9
Debt securities and other fixed interest securities	79	(2)	(2)	75
Deposits with credit institutions	2	(1)	-	1
	84	4	(2)	86

During the year shares and other variable yield securities and units in unit trusts of £93 million (2013: £48 million) were purchased and £86 million (2013: £62 million) were sold. For the same period debt securities and other fixed income securities of £229 million were purchased (2013: £66 million) and £231 million were sold (2013: £52 million).

18. 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.

19. Investments in Group undertakings

<i>Company Name</i>	<i>Class and proportion of shares held</i>	<i>Country of incorporation</i>	<i>Business activities</i>
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*

<i>Company Name</i>	<i>Shares in Group undertakings</i>	<i>Loans to Group undertakings</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
Equitas Insurance Limited	16,500,000	17,952,527	34,452,527
Equitas Policyholders Trustee Limited	100	-	100

During the year Equitas Holdings Limited capitalised interest of £702,780 due on the subordinated loan to Equitas Insurance Limited. The loan is for an indefinite period and is repayable at such time as Equitas Insurance Limited may determine.

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 Group strategic report for the year on page 2.

20. Financial commitments

The Group had no ongoing financial commitments (2013: nil).

21. 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.

	<i>Group 2014</i>	<i>Group 2013</i>
	<i>£</i>	<i>£</i>
Trustees' fees	79,500	79,500
Trustees' legal, professional and other costs and expenses	49,845	58,967
Total	129,345	138,467

21. The Equitas Trustees (continued)

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 £16,000, £25,000, £16,000, £22,500 respectively for the year ended 31 March 2013 (2013: £16,000, £25,000, £16,000, £22,500 respectively). They received expenses for secretarial, office and other overheads of £3,000, £nil, £2,000, £nil respectively (2013: £3,000, £nil, £2,000, £nil respectively).

Equitas Holdings Limited

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