Equitas Holdings Limited
Annual Report & Financial Statements

for the year ended 31 March 2022

Company registration number 3136296

Contents

Strategic report

The directors present their strategic report on Equitas Holdings Limited (the "Company") and its subsidiaries as listed in Note 18 (the "Group") for the year-ended 31 March 2022.

Review of the business

The Company is registered in England and Wales with registration number 3136296. It was incorporated on 5 December 1995 in the UK as a private limited liability company.

The business of the Company and the Group is to run-off the 1992 and prior years' non-life Lloyd's liabilities reinsured in 1996. The liabilities were then transferred from the individual underwriters at Lloyd's ("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 law for any future claims by policyholders on their 1992 and prior business. The transfer is recognised in all EEA jurisdictions. In previous years the Group purchased a total of $7.0 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. 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 Limited ("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 a new Group company, Equitas Insurance Limited, and the purchase of additional reinsurance cover of $1.3 billion from National Indemnity.

Current cover position

The reinsurance cover in excess of that needed to match our assessment of the liabilities ('the Additional Reinsurance Cover') available at the year end is set out in the table below:

	2022 *$m*	*2021* *$m*
Additional Reinsurance Cover available at 1 April 2021/2020	4,034	4,367
Movement in provisions	(300)	(326)
Exchange differences	(3)	(7)
Additional Reinsurance Cover available at 31 March 2022/2021	**3,731**	**4,034**

The above movement in the additional reinsurance cover does not agree to the reassessment of liabilities and reinsurances in the technical account on page 5. The unutilised cover includes the impact of syndicates' reinsurance recoveries, whereas the Company's technical account excludes these items.

As at 31 March 2022, $3,269 million (or 46.7%) (2021: $2,966 million (or 42.4%)) 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, although it significantly strengthens the Group's financial position.

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 2022, 28,110 (2021: 28,110) of those entitled to a return premium have been paid their entitlement. This accounts for £44.4 million (2021: £44.4 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. Following a review in March 2018 the Board of Directors (the "Board") agreed to release £5.5 million to reserves, leaving a residual £0.1 million liability at both 31 March 2021 and 31 March 2022.

At Phase I, the Group 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. Currently, regulatory capital requirements under Solvency II are unlikely to be achieved.

Accordingly, the net assets of £81.0 million are now held as residual capital 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 the Group and corporate governance

While the reinsurance agreement with National Indemnity provides very significant additional reinsurance cover to the Group, 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. Jeremy Heap, as chief executive, carries out this monitoring function, reporting to the Board. The Board meets regularly to receive the operational reports from RMSL relating to the run-off activities, monitor the investment portfolio, deal with regulatory matters and handle any other corporate business. There were four meetings held during the year. The only committee of the Board is an audit committee since all other matters are brought to the attention of the whole Board. The Group audit committee is chaired by David Shipley, all members of the Board are members of the audit committee with the exception of the CEO. The Boards of Equitas Holdings Limited, Equitas Insurance Limited, Equitas Reinsurance Limited and Equitas Limited are identical and include a chairman, a chief executive officer and seven non-executive directors. The chairman and four of the non-executive directors are also trustees of the Equitas Trust which holds the ordinary share capital of Equitas Holdings Limited. Lloyd's as shareholder of the deferred share in Equitas Holdings Limited is entitled to nominate a non-executive director as listed on page 11.

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% 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% requirement increases to 125% (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 14.

The trust fund arrangements in the United States, Canada 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 2022, the Group lost £2.0 million on its investments (2021: £2.7 million profit) while corporate expenses amounted to £1.1 million (2021: £1.1 million). This produced a loss before tax for the year of £3.1 million (2021: £1.6 million profit) and a loss of £3.1 million (2021: £1.6 million profit) after tax.

The retained surplus remaining in the Group as at 31 March 2022 is £81.0 million (2021: £84.1 million).

Most of the Group's investments were held in a bond portfolio managed by New England Asset Management Limited (“NEAM”).

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

Profit and loss account

	£m	*£m*
Profit and loss account at 1 April 2021		**84.1**
Investment return less expenses	(3.1)	
Reassessment of:		
Claims	(250.7)	
Reinsurances	250.7	
Loss for the year before tax		(3.1)
Corporation tax		-
Profit and loss account at 31 March 2022		**81.0**

A comprehensive actuarial review was conducted at the end of August 2021 which was updated to reflect movements to 31 March 2022. The techniques used are described in note 2 on page 38. The actuarial review resulted in an increase in the insurance reserves for Pollution and Balance of Account liabilities, partially offset by reductions in US Asbestos. . In addition, reserves increased owing to the strengthening of the US Dollar against GB Pounds during the year.

The liabilities of £4,459 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 2021	**4,215**	**(4,215)**	**-**
Payments, receipts and accruals	(176)	176	-
Reassessment of liabilities and reinsurances	251	(251)	-
Exchange movements	169	(169)	-
Provisions at 31 March 2022	**4,459**	**(4,459)**	-

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
Reinsurance cover percentage	The total amount of reinsurance cover remaining as a percentage of the gross reserves. It represents the margin available to cover future deteriorations measured in relation to our current reserves
Percentage utilisation of additional reinsurance cover	The percentage of the National Indemnity cover that has been utilised to cover reserve deteriorations since 1st April 2006
Retained profit / 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
Provision for 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 2022 are set out in the table below, there has been no significant change in the performance of the Group:

	2022	*2021*
	$m	*$m*
Additional reinsurance cover remaining	3,731	4,034
Reinsurance cover percentage	*161%*	*167%*
Percentage utilisation of additional cover	*46.7%*	*42.4%*
	£m	*£m*
Retained profit / surplus	81	84
	£m	*£m*
Provision for claims outstanding	4,459	4,215

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 $7.0 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 14. The Board of Equitas believes that the prospect of Equitas failing is very low, although some risk of failure inevitably remains given the inherent uncertainties which exist when dealing with the types of liabilities that were originally reinsured by the Group.

Conclusion

The two phase transaction with National Indemnity and the transfer of the liabilities from the Names have fixed the strategy of the Company. The transaction with National Indemnity has transformed the level of resources available to meet any uncertainties. The successful transfer of business means that reinsured Names are no longer liable under English law, and all jurisdictions of the EEA, for any future claims by policyholders on their 1992 and prior business.

Statement by the directors in performance of statutory duties in accordance with s172(1) Companies Act 2006

Introduction
The directors of the Group act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its stakeholders as a whole and, in doing so have regard to:

- the likely consequences of any decisions in the long term,
- the need to foster the Group's business relationships with its customers and suppliers,
- the impact of the Group's operations on the community and environment,
- the desirability of the Group maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the Group

The directors consider the following stakeholders when making strategic decisions; shareholders, policyholders, regulators, and related parties.

To support the directors in the discharge of their duties, and whilst making decisions on behalf of the company, the directors have access to reports on the operations and performance of the Group, and regular reports from the audit committee and the investment managers to identify matters which may have an impact on the proposed decision including, where relevant, the section 172 factors outlined above. To ensure the efficiency and effectiveness of engagement with key stakeholders identified by the company, certain stakeholder engagement is led by the Group, particularly where the impact of a decision may impact the Group's reputation.

Stakeholders
The directors believe that engagement with key stakeholder groups play a vital role in the ongoing success of the Group. The following outlines key stakeholders identified by the Group, and how their interests were taken into consideration during the decision making process where appropriate.

Our People
The Group employs one member of staff to monitor the activities carried out by the staff employed by Resolute Management Services Limited ("RMSL") and Resolute Management Inc. ("RMI") in managing the run off of insurance liabilities of the Group. Investment management services are provided by New England Asset Management Limited ("NEAM").

The Group delegates the management of the claims run off to RMSL who follow their ultimate owner's code of conduct in treating policyholders fairly.

Community and environment
The directors continue to consider the impact the Company has on the environment. The Group and its affiliates strive to reduce the levels of recycle and non-recyclable waste, encouraging the reduction in consumption of single use paper cups. The Group and its affiliates encourage optimising the use of technology to reduce the environmental footprint of the Group's activities.

Policyholders
During the year the directors considered and approved the underwriting reserves held by the Group underwriting entities, strengthening the reserves set aside to settle all valid current and future liabilities as they become due.

In considering these key factors and in approving the final reserving position, the directors were mindful of the importance of maintaining the Group's policy of reserving on a conservative basis. This policy provides robust security to our policyholders.

Shareholders and reinsured Names
The immediate parent and ultimate controlling party is the Equitas Trust, the trustees of which are non executive directors of the Group acting in the interests of the reinsured Names.
During the year the directors approved the financial statements for the year ended 31 March 2021 on the 17 June 2021.

Geopolitical risk
The Company is not exposed to insurance losses following the Russian invasion of Ukraine on the 24th February 2022. The company is also monitoring the rapidly changing sanctions regimes of the US, the EU and the UK to ensure our processes and controls ensure compliance. With respect to the enhanced risk of cyber-attacks on the Company's IT infrastructure the Company continues to take advice via RMSL from an external cyber risk monitoring supplier to ensure we have effective threat monitoring and practices and processes to manage this risk.

COVID-19
The World Health Organisation declared a pandemic in relation to the Novel Coronavirus (COVID-19) in 2020. In response to the pandemic, RMSL announced that employees were to work from home for the foreseeable future. Following the changes in government guidelines RMSL's employees have moved to hybrid model of working which splits their time between working remotely and the office. The operational focus is on keeping people healthy, business continuity management and operational resilience.

Operational resilience
Even when 100% of the working was occurring remotely, individuals were in continued contact with each other through the use of technology. We demonstrated we had systems and processes in place to ensure that we continue to deliver a high level service and responsiveness.

Stress and sensitivity testing analysis
Management continue to review the Group and Company's assets to determine any potential impact the COVID-19 pandemic may have on their value and recoverability. Management consider the value ascribed to the Company's assets on the balance sheet remains appropriate as the impact of COVID-19 is deemed to be minimal. In particular the financial strength of National Indemnity continues to remain high.

Regulation
Liaising with regulators and external service provides to ensure that the business is aware of changes in the law and regulations, which could increase costs, constrain the Group's operations and affect its financial performance.

Compliance and control risks
Compliance services are provided by RMSL to ensure that all applicable laws are followed by the Group, its employee and its agents, any breaches could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Treasury activities
All treasury activities are provided by RMSL staff and overseen by the CEO to minimise financial loss, business disruption, regulatory intervention or damage to the Group's reputation.

Reporting
Failure to accurately report the Group's data could lead to regulatory action, legal liability and reputational damage.

Financial risk management
The Group is exposed to a number of different financial risks arising from natural business exposures including market risks relating to interest rates; credit risk; and liquidity risk, further details on financial risks are described on page 14.

This report was approved by the Board of Directors on 24 June 2022 and signed on its behalf by:

Andrew Wilson
Company Secretary
7 July 2022

Board of Directors

David Shipley	**Chairman and Trustees' Nominated Director**
Jeremy Heap	**Chief Executive Officer**
Jane Barker	**Non-Executive Director** (Resigned with effect 30 June 2022)
Glenn Brace	**Non-Executive Director**
Michael Deeny	**Trustees' Nominated Director**
Peter Spires	**Lloyd's Nominated Director**
Sir Adam Ridley	**Trustees' Nominated Director** (Resigned with effect 30 June 2022)
Richard Spooner	**Trustees' Nominated Director**
Kees van der Klugt	**Trustees' Nominated Director** *(Appointed with effect from 1 January 2022)*

Directors' report

for the year ended 31 March 2022
Company registration number 3136296

The directors present their annual report and the audited consolidated financial statements for the financial year ended 31 March 2022.

Principal activities

Background to the Group

The 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 whole account retrocession agreement with National Indemnity Company, a member of the Berkshire Hathaway group.

That transaction, and its implications for the Group, is outlined in the strategic report on pages 2 to 7.

Reinsurance and run-off contract

The reinsurance and run-off contract ("RROC") pursuant to which 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.

Regulatory regime and capital requirement

Solvency II came into force on 1 January 2016. The Pillar 1 quantitative requirements and Pillar 2 qualitative requirements have been embedded into our operations using the standard formula model. As expected, the capital requirements have not been met with a regulatory solvency deficit of £(94.0) million (2021: £(63.3) million) and it is unlikely that the requirement will be met in the foreseeable future. The key reason for not meeting the regulatory capital requirements is the calculation of technical provisions. Under Solvency II, the technical provisions must include an expected value for all potential scenarios, including some which are considered remote. Once a prescribed risk margin is added, this increases technical provisions to a position whereby Solvency II net assets do not meet the capital requirement. This position has been discussed with the PRA. The Group was formed under the less onerous capital requirements of Solvency I and has no means of raising additional capital. Nevertheless, the Board believes that the substantial unutilised reinsurance cover available makes the prospect of the failure of the Group very low. Equitas Insurance Limited is subject to the requirements of the Solvency II directive and Equitas Holdings Limited is required to report under Solvency II as the group holding company. Equitas Limited and Equitas Reinsurance Limited whilst not subject to Solvency II do have to report solvency criteria in line with the Solvency II requirements and, for similar reasons do not meet the capital requirements. The Solvency and Financial Condition Report ("SFCR") as at 31 March 2022 will provide further details regarding the Group's solvency capital position and will be published on the Company website.

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 Michael Deeny (chairman), David Shipley, Richard Spooner, Kees van der Klugt 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 nominate one Director.

Directors

The names of the directors at the date of this report are listed on page 11. All directors held office throughout the year and up to the date of signing these financial statements.

Michael Deeny, David Shipley, Richard Spooner, Kees van der Klugt and Sir Adam Ridley are the trustees' nominated directors. Peter Spires is the Lloyd's nominated 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, NEAM, is not permitted to use derivative financial instruments. The Fund is held to invest the long term ongoing capital reserves of the Group.

Capital management
The Group's objectives in managing its capital are to hold sufficient funds to support the regulatory capital requirements as far as is possible, 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 NEAM where capital preservation is the main objective. All of the Group's assets are committed to support externally imposed capital requirements; as explained on page 13, under the Solvency II regime such requirements were not met at 31 March 2022 nor at 31 March 2021.

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 United States, Canada 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. Further information in respect of the credit quality of the portfolio is included in Note 9 "Investments: Other financial investments" on page 43.

Insurance risk

As described in note 2 on page 38, 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 NEAM whose performance is closely monitored. There is some restriction imposed on the duration of the portfolio. An increase or decrease of 100 basis points in interest yields would have an impact of approximately £2.0 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 Dollar 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 denominated in GB Pounds and thus 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.

Statement of directors' responsibilities in respect of the financial statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom 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.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Deloitte LLP acted as the Group auditor during the year under review. Pursuant to section 485 of the Companies act 2006, the auditor will be deemed reappointed and Deloitte will therefore continue in office.

This report was approved by the Board of Directors on 24 June 2022 and signed on its behalf by:

Andrew Wilson
Company Secretary
7 July 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITAS HOLDINGS LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion, the financial statements of Equitas Holdings Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated balance sheet;
- the company balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement and;
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group for the year are disclosed in note 4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was:

	• Valuation of technical provisions for claims outstanding
Materiality	The materiality that we used for the group financial statements was £44.0 million which was determined on the basis of 1% of the gross technical provisions for claims outstanding.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team. All subsidiaries were subject to a full scope audit.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Assessing management's identification and assessment of the risks relevant to going concern.
- Assessing projected cash flows for the group to consider management's assessment on available liquidity.
- Assessing the available headroom on the group's reinsurance contract with NICO.
- Evaluating the current financial strength and credit rating of NICO.
- Reading correspondence with the Prudential Regulation Authority (the "PRA") to consider whether any matters have been raised by the PRA with regard to the capital position of the group.
- As stated in Note 1 the group does not meet either Solvency Capital Requirement or Minimum Capital Requirement of Solvency II. We have assessed whether this impacts the going concern of the group by considering the level of unutilized reinsurance cover with NICO.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of technical provisions for claims outstanding

<table>
<tr><td>Key audit matter description</td><td>
At 31 March 2022, the technical provisions for claims outstanding amounted to £4,459m as disclosed on page 46 in note 14.
The group is exposed to insurance risk and estimates the technical provisions for claims outstanding resulting from this risk. There is inherent uncertainty in the valuation of technical provisions for claims outstanding as the ultimate cost of settling outstanding claims requires management judgement based on past experience and current knowledge of the different types of insurance risk.
Due to the subjective and judgemental nature of these estimates and the potential for management bias, we have determined that there was a potential for fraud through manipulation of this balance.
The uncertainties relating to the gross estimated technical provision for claims outstanding are significantly greater than for typical claims outstanding due to the group's exposure to asbestos, pollution and health hazard claims where the settlement of claims outstanding occurs over a long period of time and the claims are open to adjustment through developments in individual cases, legislation and judicial actions which may result in material adjustments in the future. These uncertainties are, however, mitigated by the reinsurance cover available to its fellow subsidiaries underwritten by National Indemnity company, such that the level of uncertainty in the net estimated liabilities is not significant.
The directors disclose the uncertainties in relation to technical provisions for claims outstanding on pages 5 to 7 in the strategic report and in note 2 to the financial statements on page 38. The accounting policy is on page 36 in note 1(b).
</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>
We assessed the methodology used by considering the consistency with recent claims experience and more widely available market data and trends.
Our audit procedures included:

Obtaining an understanding of and testing the relevant controls related to claim and reserves business processes;
Assessing the appropriateness of management's process and methodologies and the reasonableness of assumptions to estimate the claims outstanding;
Testing of data integrity utilised in the estimation process;
Performing detailed testing on a selection of assured estimates for direct US asbestos and US pollution classes of business, which consisted of:

Holding walk-through meetings and discussions with relevant personnel for each assured to understand management's approach, methodology, and assumptions;
Reviewing management's models and claim file documents that support the data and assumptions;
Inspecting the application of the methodology within the models to assess whether they are operating as intended;
Performing sensitivity tests of management's estimates, where necessary; and
Using our internal models to determine independent estimates for certain US direct asbestos assureds.

</td></tr>
</table>

	• Inspecting management's annual reserve report and making enquiries of relevant personnel in respect of movements of interest; and • Assessing management's analysis of overall actual versus estimates claims experience in reserves in the light of current year incurred development.
Key observations	Whilst we note the significant estimation uncertainty regarding the provision of outstanding claims, as disclosed in notes 1 and 2 to the financial statements, based on the work performed, we considered the valuation of technical provisions for gross claims outstanding to be reasonable.

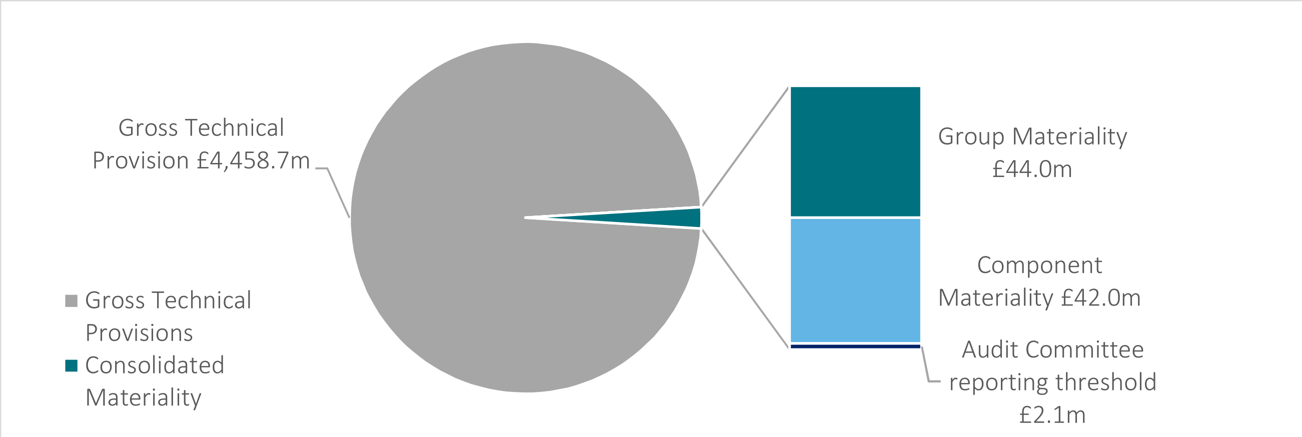
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£44.0 million	£1.42 million
Basis for determining materiality	1% of gross technical provisions for claims outstanding	3% of net assets
Rationale for the benchmark applied	The principal activity of the group is the run-off of insurance business. A focus of the users of the accounts is the gross technical provisions for claims outstanding which represents the amount that the group has provided to fulfil its remaining obligations to settle all known and unknown claims.	The principal activity of the parent company is a holding company. We have elected to use net assets as our basis for determining materiality given the purpose of the entity is a holding company.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. .

	Group financial statements	Parent company financial statements
Performance materiality	70% of group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment and whether we were able to rely on controls; b. the impact of this being a first year audit; c. there have been no significant changes in business structure or operations in the current year; d. there has been a low level of corrected and uncorrected misstatements identified in previous audits; and e. the volume of transactions for the entity is low due to the run-off nature of the group	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.1 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team.

The group consists of four components, all of which were subject to full scope audits, giving us a coverage of 100% of the group's net assets. Our audit work at these components, excluding the parent company, was executed to a materiality of £42 million.

7.2. Our consideration of the control environment

We tested and then placed reliance on the relevant general IT controls associated with the internal claims processing system.

We adopted a controls reliance approach for claims and reserving business processes and tested controls over claim liabilities, including those over the critical reserving assumptions.

7.3. Working with other auditors

We directed overseas auditors for the control and substantive testing of claims and reserves. We supervised the overseas auditors via regular attendance on calls throughout the year and review their final working papers.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance. As stated in Note 1 the group does not meet the Solvency Capital Requirement or Minimum Capital Requirement of Solvency II, nevertheless the substantial unutilized reinsurance cover with NICO mitigates the going concern risk;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including actuarial and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following area: valuation of technical provisions for outstanding claims. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. This included the group's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of technical provisions for claims outstanding as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA;
- in respect of the non-compliance with the Solvency Capital Requirement and Minimum Capital Requirement of Solvency II, the going concern section of our report describes our response to the matter; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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 nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the group on 30 September 2021 to audit the financial statements for the year ending 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ending 31 March 2022.

14.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Downes (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

7 July 2022

Consolidated profit and loss account
for the year ended 31 March 2022

Technical account – general business

	Note	2022 £m	2021 £m
Claims paid			
Gross amount		(176.0)	(262.0)
Reinsurers' share		176.0	262.0
Net claims paid		-	-
Change in the provision for claims			
Gross amount		(74.7)	23.2
Reinsurers' share		74.7	(23.2)
Change in the net provision for claims		-	-
Claims incurred, net of reinsurance		-	-
Other technical income, net of reinsurance		-	-
Other technical charges, net of reinsurance		-	-
Balance on the technical account for general business		-	-

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements.

Consolidated profit and loss account
for the year ended 31 March 2022

Non-technical account	*Note*	***2022*** ***£m***	***2021*** ***£m***
Balance on the general business technical account		-	-
Income from other investments		1.3	1.5
Gains on the realisation of investments		0.1	-
Unrealised gains on investments		-	1.3
Losses on the realisation of investments		-	(0.1)
Unrealised losses on investments		(3.4)	-
		(2.0)	**2.7**
Allocated investment return transferred to the general business technical account		-	-
		(2.0)	**2.7**
Net operating expenses		(1.1)	(1.1)
(Loss)/profit on ordinary activities before tax		**(3.1)**	**1.6**
Tax on (Loss)/profit on ordinary activities	*8*	-	-
(Loss)/profit for the financial year	*13*	**(3.1)**	**1.6**

The Group has no Other Comprehensive Income

The Group has no discontinued activities.

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements.

Consolidated balance sheet

as at 31 March 2022
Company registration number: 3136296

Assets

	Note	2022 £m	2021 £m
Investments			
Other financial investments	9	78.5	82.7
Reinsurers' share of technical provisions			
Claims outstanding	14	4,458.7	4,215.4
Debtors			
Other debtors	11	0.0	0.1
Other assets			
Cash at bank and in hand		2.1	0.7
Prepayments and accrued income			
Other prepayments and accrued income	11	0.7	0.8
Total assets		**4,540.0**	**4,299.7**

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements. The Company's balance sheet is shown on page 32.

Consolidated balance sheet

as at 31 March 2022
Company registration number: 3136296

Liabilities

	Note	*2022 £m*	*2021 £m*
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	81.0	84.1
Shareholders' funds		**81.0**	**84.1**
Technical provisions			
Claims outstanding	14	4,458.7	4,215.4
Creditors			
Creditors arising out of reinsurance operations	4,15	0.3	0.2
Total liabilities		**4,459.0**	**4,215.6**
Total equity and liabilities		**4,540.0**	**4,299.7**

The financial statements on pages 28 to 51 were approved by the Board on 24 June 2022 and signed on its behalf by:

David Shipley
Chairman

Jeremy Heap
Chief Executive Officer

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements. The Company's balance sheet is shown on page 32.

Company balance sheet

as at 31 March 2022
Company registration number: 3136296

	Note	2022 £	2021 £
Investments			
Investments in group undertakings	18	41,217,958	40,250,338
		41,217,958	**40,250,338**
Current assets			
Cash at bank		110,594	18,608
Other debtors		17,896	59,237
Amounts due from group undertakings		5,992,861	6,087,913
Current liabilities			
Creditors: Amounts due within one year		0	0
Total assets less current liabilities		**47,339,309**	**46,416,096**
Creditors – amounts falling due after more than one year			
Amounts owed to group undertakings		200	200
Net assets		**47,339,109**	**46,415,896**
Capital and reserves			
Called up share capital	12	101	101
Profit and loss account	13	47,339,008	46,415,795
Shareholders' funds		**47,339,109**	**46,415,896**

The financial statements on pages 28 to 51 were approved by the Board on 24 June 2022 and were signed on its behalf by:

David Shipley
Chairman

Jeremy Heap
Chief Executive Officer

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements.

Statements of changes in equity

for the year ended 31 March 2022

Group - consolidated	***Note***	**Called-up share capital £m**	**Profit and loss account £m**	**Total £m**
Balance at 1 April 2020		-	82.5	82.5
Profit for the year		-	1.6	1.6
Total comprehensive income for the year		**-**	**1.6**	**1.6**
Balance at 31 March 2021		**-**	**84.1**	**84.1**
Balance at 1 April 2021		-	84.1	84.1
Loss for the year		-	(3.1)	(3.1)
Total comprehensive expense for the year		**-**	**(3.1)**	**(3.1)**
Balance at 31 March 2022	*13*	**-**	**81.0**	**81.0**

Company	***Note***	**Called-up share capital £**	**Profit and loss account £**	**Total £**
Balance at 1 April 2020		101	45,530,386	45,530,487
Profit for the year		-	885,409	885,409
Total comprehensive income for the year		**-**	**885,409**	**885,409**
Balance at 31 March 2021		**101**	**46,415,795**	**46,415,896**
Balance at 1 April 2021		101	46,415,795	46,415,896
Profit for the year		-	923,213	923,213
Total comprehensive income for the year	*13*	**-**	**923,213**	**923,213**
Balance at 31 March 2022		**101**	**47,339,008**	**47,339,109**

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2022

	2022		2021	
	£m	£m	£m	£m
Result on ordinary activities before tax		(3.1)		1.6
Cashflow from operating activities				
Adjustment for investment income	2.0		(2.7)	
(Increase) in reinsurers' share of technical provisions - claims outstanding	(250.7)		(238.8)	
Increase in gross provision for claims outstanding outstanding	250.7		238.8	
(Decrease)/Increase in reinsurance creditors	0.1		(0.0)	
Decrease in other debtors	0.1		0.6	
(Increase) in other prepayments and accrued income	(0.1)		(0.7)	
		2.1		**(2.8)**
Net cash outflow from operating activities		**(1.0)**		**(1.2)**
Taxes paid during the year		-		-
Net cash outflow for the year		**(1.0)**		**(1.2)**
Cashflow from financing activities				
Proceeds from sale of investments		45.4		18.8
Purchase of investments		(43.0)		(19.5)
Net cash inflow/(outflow) from financing activities		**2.4**		**(0.7)**
Net increase/(decrease) in cash and cash equivalents		**1.4**		**(1.9)**
Cash and cash equivalents at the beginning of the year		0.7		2.6
Cash and cash equivalents at the end of the year		2.1		0.7
Net increase/(decrease) in cash and cash equivalents		**1.4**		**(1.9)**

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption not to present the Company statement of cash flows.

The accounting policies and notes on pages 35 to 51 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2022

The Company is registered in England and Wales with registration number 3136296. It was incorporated on 5 December 1995 in the UK as a private limited liability company.

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 Insurance 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, The Group 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 unused additional reinsurance cover is currently substantial.

As discussed on page 13 of the directors report, the Group does not meet either of the Solvency Capital Requirement or the Minimum Capital Requirement of Solvency II, however 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 Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("SI2008/410") relating to insurance groups.

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and Financial Reporting Standard 103, "Insurance Contracts".

The Company has taken advantage of the exception in section 408 of the Companies Act and does not disclose its individual Profit and Loss.

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption not to present the Company statement of cash flows.

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.

1. Accounting policies (continued)

Other accounting policies
A summary of the significant 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 liabilities accepted and reinsurance assets ceded 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 reinsured exchanges.

Purchases and sales of investments are accounted for on a trade date basis.

1. Accounting policies (continued)

(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
The Group and Company's functional and presentational currency is GB Pounds.

Monetary assets and liabilities are translated into GB Pounds 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 GB Pounds 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.

(j) Investments in subsidiaries
In the Company's financial statements, investments in subsidiaries are held at cost less accumulated impairment losses.

(k) Cash
Cash and cash equivalents includes cash in hand and deposits held at call with banks.

(l) Share capital
Ordinary shares are classified as equity.

(m) Debtors, prepayments and accrued income
The company has chosen to adopt the recognition and measurement provisions of IAS 39 as adopted for use in the EU together with the disclosure and presentation requirements of Sections 11 and 12 of FRS 102. Debtors, prepayments and accrued income are measured at amortised cost.

(n) Creditors
The company has chosen to adopt the recognition and measurement provisions of IAS 39 as adopted for use in the EU together with the disclosure and presentation requirements of Sections 11 and 12 of FRS 102. Creditors are initially recorded at transaction price and subsequently measured at amortised cost. There is no significant amortisation change.

2. Critical accounting judgments and sources of estimation uncertainty

There are no critical accounting judgements, the key source of estimation uncertainty for the financial statements is explained below.

Introduction
The last comprehensive actuarial review was undertaken at 31 August 2021, the figures were rolled forward to 31 March 2022.

(a) Carrying amount

Insurance liabilities (gross of reinsurance) at 31 March comprised:

	2022		2021	
Liability class	**£m**	**£m**	**£m**	**£m**
Asbestos, Pollution & Health hazards ("APH")	3,879	85%	3,793	88%
Other claims ("Non-APH")	700	15%	526	12%
Liability 31 August	**4,579**	**100%**	**4,319**	**100%**
Claims paid	(127)		(110)	
Other creditors	7		6	
Liability 31 March	**4,459**		**4,215**	
NICO RI	(4,459)		(4,215)	
Net Liability 31 March	**0**		**0**	

The core estimation techniques described below are expected to be followed in future years.

Because of the uncertainties inherent in the Company'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 Company's view as to the expected outcomes of such court decisions.

2. Critical accounting judgments and sources of estimation uncertainty (continued)

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.

(b) APH

Asbestos claims
In estimating asbestos liabilities, the Company follows a highly developed actuarial framework. The majority of asbestos reserves are 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 Company'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 Company 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. The cash flow patterns 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.

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. Allowance is then made for liabilities in respect of policyholders for which either the liabilities are expected to be too small to warrant modelling individually, sufficient information is unavailable to carry out the above analysis, or which have not yet been identified.

2. Critical accounting judgments and sources of estimation uncertainty (continued)

The pollution liabilities expected by means of inwards reinsurance are evaluated using an aggregate approach based primarily upon estimates of the expected future level of incurred development relative to recent experience.

- The majority of the health hazard liabilities relate to the risk that liabilities from existing known health hazards could be much greater than currently anticipated or that new latent claim types could arise. This reserve is set judgmentally based upon the perceived degree of risk for known health hazards and the observed past experience for existing health hazards.

(c) 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 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.

(d) Unallocated loss expenses

National Indemnity is responsible for current and future unallocated loss expenses for as long as the net claims paid by National Indemnity are less than the total cover available; therefore no provision is required.

(e) Reinsurance recoveries

The Company retroceded the business it reinsured to Equitas Limited. Reinsurance recoveries on claims outstanding represent the reinsurance recoverable from Equitas Limited. Any change in the provision for claims outstanding will be matched by an equivalent, but opposite, movement in reinsurer's share of technical provisions. 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**	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**
Third party liability	253	255	(253)	(255)
Other	(2)	(16)	2	16
Total	**251**	**239**	**(251)**	**(239)**

All business was written in the UK.

4. Release of reinsurance liabilities

Following completion of the reinsurance agreement between Equitas Limited and National Indemnity, the Group accrued an aggregate return premium of £50 million on 31 March 2007. The first distribution in respect of this amount was made in June 2007.

At 31 March 2022, 28,110 (2021: 28,110) of those entitled to a return premium had been paid their entitlement. This accounted for £44.4 million (2021: £44.4 million) of the total return premium. The balance remains payable to the remaining reinsured Names or their estates on satisfaction by them of outstanding procedural requirements.

Following a review in March 2018, the Board agreed to release £5.5 million to Reserves, leaving a residual £0.1 million liability at both 31 March 2021 and 31 March 2022.

5. Auditors' remuneration and regulatory fees

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

	Group 2022 £000	*Group 2021 £000*
Fees payable to the Company's auditors and its associates for the audit of the parent Company and consolidated financial statements	20	29
Fees payable to the Company's auditors and its associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	220	258
Audit-related assurance services, including the audit of the regulatory returns	45	55
	285	342

In addition to the above, an affiliate of the auditor was paid Australian $17,000 by RMSL for regulatory reporting in respect of Australian trust funds.

The regulatory fees for the year amounted to £244,210 (2021: £251,898).

6. Employees

The Company and Group, employed 1 person, the executive director, during the year ended 31 March 2022 (2021: 1), who was engaged in providing run-off and related activities to the Group.

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

	Group 2022 £000	*Group 2021 £000*
Wages and salaries (including directors' fees)	286	279
Social security costs	24	25
	310	304

7. Directors' emoluments

The aggregate remuneration of the directors was as follows:

	Group 2022 £000	*Group 2021 £000*
Executive director	120	120
Non-executive directors	166	159
	286	279

The executive director was the highest paid director.

8. Tax on profit/(loss) on ordinary activities

Analysis of charge/(credit) in the year

	Group 2022 £m	*Group 2021 £m*
United Kingdom corporation tax at 19% (2021: 19%)		
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 is the same as the standard rate of corporation tax in the UK:

	Group 2022 £m	*Group 2021 £m*
(Loss)/profit on ordinary activities before tax	(3.1)	1.6
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	(0.6)	0.3
Effects of:		
Losses brought forward	(0.2)	(0.3)
Non taxable income	0.8	(0.0)
Losses carried forward	0.0	0.0
Current tax credit for the year	-	-

There is an unrecognised deferred tax asset £271 million (2021: £270 million) arising on losses carried forward within the Group, which is not expected to be utilised in the foreseeable future.

9. Investments: Other financial investments

	Group 2022 Market Value £m	Group 2022 Cost £m	Group 2021 Market Value £m	Group 2021 Cost £m
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Debt securities and other fixed interest securities	78.5	81.0	82.7	81.8
	78.5	81.0	82.7	81.8

The Group has adopted FRS 102. 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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly;
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	Level 1		**Level 2**		**Level 3**		**Total**	
	2022 £m	**2021 £m**	**2022 £m**	**2021 £m**	**2022 £m**	**2021 £m**	**2022 £m**	**2021 £m**
Shares and other variable yield securities and units in unit trusts	-	-	-	-	-	-	-	-
Debt securities and other fixed interest securities	78.5	82.7	-	-	-	-	78.5	82.7
	78.5	82.7	-	-	-	-	78.5	82.7

The Company has no financial investments other than investments in group undertakings disclosed in Note 18.

9. Investments: Other financial investments (continued)

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

	2022	**2021**
	£m	**£m**
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed interest securities	78.5	82.7
Cash at bank and in hand	2.1	0.7
	80.6	83.4
AAA	17.2	22.4
AA	25.0	17.3
A	22.2	30.5
BBB	14.1	12.5
BB	-	-
Not Rated	2.1	0.7
	80.6	83.4

Further disclosures relating to financial instruments and financial risk management are included in the Directors' report on pages 12 to 17.

10. 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 102.

11. Debtors, prepayments and accrued income

Prepayments and accrued income and other debtors of £0.7 million (2021: £0.9 million) do not include any amount due after more than one year.

12. Called up share capital

	Company 2022 £	*Company 2021 £*
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 nominate 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 nominate 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 support the ongoing regulatory capital requirements of its PRA 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 NEAM for long term growth and return. A total of £78.5 million (2021: £82.6 million) of the Group's capital is invested by regulated subsidiaries.

13. Profit and loss account

	Company £m	*Group £m*
At 1 April 2021	46.4	84.1
Profit/(loss) for the financial year	0.9	(3.1)
At 31 March 2022	**47.3**	**81.0**

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 £0.9 million (2021: £0.9 million).

14. Provision for claims outstanding

	Claims *£m*	*Reinsurance* *£m*	*Net* *£m*
Provisions at 1 April 2020	**4,620**	**(4,620)**	**-**
Payments, receipts and accruals	(262)	262	-
Reassessment of liabilities and reinsurances	239	(239)	-
Exchange movements	(382)	382	-
Provisions at 31 March 2021	**4,215**	**(4,215)**	**-**

	Claims *£m*	*Reinsurance* *£m*	*Net* *£m*
Provisions at 1 April 2021	**4,215**	**(4,215)**	**-**
Payments, receipts and accruals	(176)	176	-
Reassessment of liabilities and reinsurances	251	(251)	-
Exchange movements	169	(169)	-
Provisions at 31 March 2022	**4,459**	**(4,459)**	**-**

(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 38.

Gross claims outstanding are sensitive to actuarial judgements, most notably future inflation rates and asbestos filing patterns. However, due to the whole account retrocession agreement between National Indemnity and the company, any change in estimate will affect the gross claims liability and reinsurance recoverable on the balance sheet, but will have no impact on the Profit and Loss account.

The geographical concentration of insurance liabilities by industry sector and the development of estimated ultimate claims costs are shown in the following tables.

14. Provision for claims outstanding (continued)

Geographic concentration:

Territory		Accident and health	Third-party liability	Fire & other property damage	General	Total
2022		**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom	Gross	-	462	-	-	462
	Net	-	-	-	-	-
USA	Gross	58	3,846	-	-	3,904
	Net	-	-	-	-	-
Australia	Gross	-	38	-	-	38
	Net	-	-	-	-	-
Other	Gross	-	48	7	-	55
	Net	-	-	-	-	-
Total	**Gross**	**58**	**4,394**	**7**	**-**	**4,459**
	Net	-	-	-	-	-

Territory		Accident and health	Third-party liability	Fire & other property damage	General	Total
2021		**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom	Gross	-	549	-	-	549
	Net	-	-	-	-	-
USA	Gross	60	3,504	-	-	3,564
	Net	-	-	-	-	-
Australia	Gross	-	54	-	-	54
	Net	-	-	-	-	-
Other	Gross	-	41	7	-	48
	Net	-	-	-	-	-
Total	**Gross**	**60**	**4,148**	**7**	**-**	**4,215**
	Net	-	-	-	-	-

14. Provision for claims outstanding (continued)

Claims development since the transaction with National Indemnity:

	Exchange	Reserve strengthening	Gross claims estimate of ultimate	Net claims estimate of ultimate
	£m	£m	£m	£m
Discounted 31 March 2006 reserves			4,176	-
Reserve adjustments*			1,321	-
Undiscounted 31 March 2006 reserves			5,497	-
Development year 1 - 5	542	517	6,556	-
Development year 6	13	33	6,602	-
Development year 7	205	122	6,929	-
Development year 8	(386)	176	6,719	-
Development year 9	368	538	7,625	-
Development year 10	121	189	7,935	-
Development year 11	593	29	8,557	-
Development year 12	(445)	92	8,204	-
Development year 13	271	13	8,488	-
Development year 14	190	162	8,840	-
Development year 15	(382)	239	8,697	-
Development year 16	169	251	9,117	-
Current estimate of cumulative claims	1,259	2,361	9,117	-
Cumulative claims payments			(4,658)	-
Liability recognised in the balance sheet			**4,459**	**-**

*Reserve adjustments include; unwind of discount and expense reserve now the responsibility of National Indemnity.

In line with FRS 103, it is not necessary to provide liability maturity analyses if estimated timing of the net cash outflows resulting from recognised insurance liabilities is disclosed. However, as National Indemnity is responsible for settling insurance claims directly as part of the whole account retrocession agreement, net cash outflows for the foreseeable future are expected to be nil.

15. 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. As detailed in Note 4, £5.5 million was released to Reserves in March 2018, leaving a residual £0.1 million liability at 31 March 2022, (2021: £0.1 million).

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

16. Reconciliation of movements in Group shareholders' funds

	Group 2022 £m	*Group 2021 £m*
Opening shareholders' funds	84.1	82.5
(Loss)/profit for the financial year (see note 13)	(3.1)	1.6
Closing shareholders' funds	81.0	84.1

17. Contingent liabilities and assets

The Group has granted certain indemnities to trustees, directors and employees.

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

18. Investments in Group undertakings

Group

	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*

The Holding Company and subsidiaries are all based at the Registered Office, as detailed on page 51.

Company

	Shares in Group undertakings £	*Loans to Group undertakings £*	*Total £*
Equitas Insurance Limited	16,500,000	24,717,858	41,217,858
Equitas Policyholders Trustee Limited	100	-	100

During the year Equitas Holdings Limited capitalised interest of £967,620 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 shares in subsidiary undertakings are held at cost, reflecting the directors' belief that the carrying value of the investments is supported by their underlying net assets.

18. Investments in Group undertakings (continued)

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 and in Notes 4 and 15.

19. Financial commitments

The Group had no ongoing financial commitments (2021: nil).

20. The Equitas trustees

The immediate parent and ultimate controlling party is The Equitas Trust. The Equitas Trust is independent, and not a member of the Group, the consolidated financial statements of Equitas Holdings Limited do not include the Equitas Trust.

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 102.

	Group 2022 £	*Group 2021 £*
Trustees' fees	64,000	61,000
Expense allowance	24,500	24,000
Other costs	3,645	3,576
Total	92,145	88,576

Prior year total trustees costs have been restated to include employer's national insurance costs within other costs, which were excluded last year.

	Group 2022 £		*Group 2021 £*	
Trustee	*Fees*	*Expenses*	*Fees*	*Expenses*
Michael Deeny	25,000	20,000	25,000	20,000
David Shipley	12,000	-	12,000	-
Richard Spooner	12,000	2,000	12,000	2,000
Kees van der Klugt	3,000	500	-	-
Sir Adam Ridley	12,000	2,000	12,000	2,000
Total	64,000	24,500	61,000	24,000

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