Equitas Holdings Limited
Annual Report & Financial Statements

for the year ended 31 March 2019

Company registration number 3136296

Contents

Strategic report for the year

The directors present their Strategic Report on the Group for the year-ended 31 March 2019.

Review of the business

The business of Equitas Holdings Limited ("the Company") and its subsidiaries as listed in Note 18 ("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 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 billion reinsurance cover, over and above the reserves at 31 March 2006, from National Indemnity Company ("National Indemnity"), a member of the Berkshire Hathaway group of insurance companies. A review of the development of the transaction with National Indemnity is set out below.

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

The National Indemnity Reinsurance Agreement

Overview

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

	2019	*2018*
	$m	*$m*
Additional Reinsurance Cover available at 1 April 2018/2017	4,549	4,601
Movement in provisions	2	(72)
Exchange differences	2	20
Additional Reinsurance Cover available at 31 March 2019/2018	**4,553**	**4,549**

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 2019, $2,447 million (or 35.0%) (2018: $2,451 million (or 35.0%)) of the additional $7.0 billion of reinsurance cover purchased from National Indemnity has been utilised to cover reserve deterioration since 1 April 2006. The cover remaining that is not yet required is not shown in the financial statements.

The level of cover remaining to meet potential liabilities significantly strengthens the Group's financial position. The risk that assets will not be sufficient to meet the liabilities as they fall due has become extremely remote as a result of the reinsurance purchased from National Indemnity.

Return Premium

Following the transaction with National Indemnity in March 2007, Equitas approved an aggregate return premium of £50 million to be paid to the approximately 34,000 Reinsured Names, Lioncover and Centrewrite Limited in accordance with their respective entitlements. This amount was provided for in the financial statements for 2007. At 31 March 2019, 28,110 (2018: 28,109) of those entitled to a return premium have been paid their entitlement. This accounts for £44.4 million (2018: £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 agreed to release £5.5 million to Reserves, leaving a residual £0.1 million liability at both 31 March 2018 and 31 March 2019.

At Phase I we explained that any further distribution to Names would depend on requirements for regulatory capital and other constraints. The regulator at the time, the Financial Services Authority, decided that, having regard to such matters, they would not permit a further return premium to be paid at the time of the Part VII transfer. Currently, Regulatory Capital requirements under Solvency II are unlikely to be achieved.

Accordingly, the Net assets of £83 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 Equitas and Corporate Governance

While the reinsurance agreement with National Indemnity provides very significant additional reinsurance cover to Equitas, it does not disturb the existing chain of reinsurance established as part of Lloyd's Reconstruction and Renewal. Since Equitas Insurance Limited remains ultimately responsible for the insurance liabilities, the agreement includes a number of provisions that allow continued monitoring of the run-off. Mr 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. The only committee of the Board is an audit committee since all other matters are brought to the attention of the whole Board. The Equitas Holdings Audit committee is chaired by Mr DES 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 six non-executive directors. The Chairman and three 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 8.

Protection

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

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

Further information about the ratings of National Indemnity and the Berkshire Hathaway group is given on page 12.

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 2019 the Group earned £1.0 million on its investments (2018: £0.5 million profit) while corporate expenses amounted to £1.2 million (2018: £1.3 million). During 2018 there was an additional release of Return Premium payable to the Reinsured

Names' of £5.5 million. This produced a loss before tax for the year of £0.2 million (2018: £4.7 million profit) and a loss of £0.2 million (2018: £4.7 million profit) after Corporation Tax.

The accumulated surplus remaining in the Group as at 31 March 2019 is £82.6 million (2018: £82.8 million).

Most of the Group's investments were held in a bond portfolio managed by BlackRock Investment Managers (UK) Limited ("BlackRock").

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

Profit and loss account

	£m	*£m*
Profit and loss account at 1 April 2018		**82.8**
Investment return less expenses	(0.2)	
Reassessment of:		
Claims	(12.5)	
Reinsurances	12.5	
Loss for the year before tax		(0.2)
Corporation Tax		-
Profit and loss account at 31 March 2019		**82.6**

A comprehensive actuarial review was conducted at the end of August 2018 which was updated to reflect movements to 31 March 2019. The techniques used are described in note 2 on page 28. The actuarial review of the insurance reserves resulted in an increase in the Pollution and Non US Asbestos liabilities; in addition, gross reserves were increased owing to the strengthening of the US Dollar against Sterling during the year.

The liabilities of £4,457 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 2018	**4,419**	**(4,419)**	**-**
Payments, receipts and accruals	(246)	246	-
Reassessment of liabilities and reinsurances	13	(13)	-
Exchange movements	271	(271)	-
Provisions at 31 March 2019	**4,457**	**(4,457)**	-

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
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 2019 are set out in the table below:

	2019	*2018*
	$m	*$m*
Additional Reinsurance cover remaining	4,553	4,549
	£m	*£m*
Retained Profit / Surplus	83	83
	£m	*£m*
Provision for claims outstanding	4,457	4,419

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

Principal risks and uncertainties

The principal risk facing the Group has always been the ability to meet the reinsured liabilities (and since 2009 the assumed liabilities) as they fall due in the light of the significant uncertainties as to the accuracy of the provision for claims outstanding shown in the balance sheet. This risk was significantly reduced by the completion of both phases of the reinsurance transaction with National Indemnity, which provided an additional $7 billion of reinsurance cover above that needed to meet the reserves at 31 March 2006.

The principal risk now facing the Group is that liabilities come to exceed the reinsurance cover purchased. There is also the risk that the financial security of National Indemnity deteriorates, though there are provisions in the contract to mitigate such changes which are outlined on page 4 and page 12.

Conclusion

The two phase transaction with National Indemnity and the transfer of liabilities from the Names have fixed the strategy for the Equitas Group. The transaction with National Indemnity transformed the level of resources available to meet any uncertainties and consequently the Board of Equitas believes the prospect of the failure of Equitas to be extremely remote. The successful transfer of business means that Names are no longer liable under English law, and in all jurisdictions of the EEA, for any future claims by policyholders on their 1992 and prior business.

By Order of the Board

A Wilson
Company Secretary
7 June 2019

Board of Directors

David Shipley	Chairman
Jeremy Heap	Chief Executive Officer
Jane Barker	Non-executive Director
Glenn Brace	Non-executive Director
Michael Deeny	Trustees' Nominated Director
John Parry (resigned 1 April 2019)	Lloyd's Nominated Director
Peter Spires (appointed 1 April 2019)	Lloyd's Nominated Director
Sir Adam Ridley	Trustees' Nominated Director
Richard Spooner	Trustees' Nominated Director

Directors' report
for the year ended 31 March 2019
Company registration number 3136296

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

Principal activities

Background to the Group

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

During 2009 a newly formed company, Equitas Insurance Limited ("Equitas Insurance"), accepted the transfer of Lloyd's Names 1992 and prior year business pursuant to the Part VII transfer described on page 2. It is a wholly owned subsidiary of the Company and is authorised and regulated under the Financial Services and Markets Act 2000 by the Prudential Regulation Authority and the Financial Conduct Authority. It is only authorised to effect and carry out the business that was transferred to it pursuant to the Part VII transfer and cannot accept any new business.

The National Indemnity Transaction

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

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

Reinsurance and Run-off Contract

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

Future outlook

The Group will continue to focus on monitoring the run-off, which is managed by RMSL as agent for Equitas Insurance Limited (formerly Reinsured Names). In addition, the Group aspires to pay a further return premium although this is not likely in the foreseeable future. The Group has no plans to achieve recognition of the Part VII transfer outside the EEA at this time.

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 £(62,290k) (2018: £(53,558)k) 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. Equitas 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 Equitas extremely remote. 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 2019 will provide further details regarding the Group's solvency capital position and shall 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 Mr ME McL Deeny (Chairman), Messrs DES Shipley, RB Spooner and Sir Adam Ridley. The Corporation of Lloyd's owns the one deferred share in the capital of the Company, which carries the right to appoint one Director.

Directors

The names of the Directors at the date of this report are listed on page 8. Except where indicated on page 8 all directors held office throughout the year and up to the date of signing these financial statements.

Messrs Deeny, Shipley, Spooner and Sir Adam Ridley are the Trustees' Nominated Directors. The Lloyd's Appointed Director Mr Parry was succeeded by Mr Spires on the 1st April 2019. The Lloyd's Appointed Director waives their fees in favour of their employer, the Corporation of Lloyd's.

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

Qualifying Third Party Indemnities

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

Financial instruments and risk management

The Group remains exposed to financial risk through its reinsurance assets, financial assets and liabilities. The Group recognises the importance of having efficient and effective risk management systems in place to identify, manage and monitor those risks. The Group's cash flow risk is covered under the credit and liquidity risk sections.

The external investment manager, BlackRock, is permitted to use derivative financial instruments for efficient portfolio management purposes. The Fund is held to invest the long term ongoing capital reserves of the Group. There are strict limits placed on the type, value and term of such contracts; these contracts are included in the financial statements on a fair value basis. Up to 50% of the Fund can be invested in non-Sterling assets on a fully hedged basis at any one time. Fixed forward currency contracts are arranged to eliminate the currency risk. Gilt, Bund and US futures and options are bought or sold during the year to gain exposure to that market or reduce duration risk and are fully covered by cash holdings. Credit default swaps are used to hedge specific credit risk and to implement investment views. The Group held no derivative positions at 31 March 2019 as disclosed in Note 9 to the Financial Statements.

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 BlackRock 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 10, under the Solvency II regime such requirements were not met at 31 March 2019.

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. A minimum of 25% of the portfolio is invested in government related instruments or cash at all times. Further information in respect of the credit quality of the portfolio is included in Note 9 "Investments: financial investments" on page 34.

Insurance risk

As described in note 2 on page 28, the insurance provisions in the Group's financial statements are subject to significant uncertainty and are based on estimates of future events, which are not all within the Group's control. The additional reinsurance protection purchased by the Group mitigates this risk to a substantial degree.

Interest rate risk

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

The Group holds fixed interest securities in its investment portfolio managed by BlackRock whose performance is closely monitored. There is some restriction imposed on the duration of the portfolio and this is controlled by the use of derivative instruments. An increase or decrease of 100 basis points in interest yields would have an impact of approximately £2.7 million on the value of the portfolio.

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

Price risk

The Group is exposed to price risk through its holdings in fixed interest investments. The mandate given to the external manager reflects the low risk appetite of the Group for capital loss. The external manager's performance is closely monitored.

Liquidity risk

The Group manages its liquidity in order to maintain sufficient financial resources to meet obligations as they fall due. A portion of the Group's resources that would cover several months' expenses is retained in readily realisable bank and money market deposits and thus liquidity risk is low. National Indemnity is responsible for settling insurance claims.

Foreign currency exchange risk

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

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

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

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 regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent 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 group and parent company will continue in business.

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

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

The directors of the ultimate parent company are responsible for the maintenance and integrity of 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.

Disclosure of information to Auditors

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

Independent Auditors

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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution will be put to the general meeting regarding the re-appointment of the auditors.

By Order of the Board

A Wilson
Company Secretary
7 June 2019

Independent auditors' report to the members of Equitas Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Equitas Holdings Limited's group financial statements and company financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 March 2019; the Consolidated profit and loss account, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter - Group - Provision for Claims Outstanding

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the uncertainties relating to the provision for claims outstanding of £4,457 million and reinsurers' share of claims outstanding of £4,457 million. Future experience may show that material adjustments are required to these amounts as a result of the significant assumptions made in estimating provisions and the potential for unforeseen change in the legal, judicial, technological or social environment, the risk of unexpected outcomes on disputed claims and court decisions and the potential for new sources or types of claim to emerge. As described in note 1 to the financial statements, because of the reinsurance with National Indemnity

Company, movements in claims outstanding would only affect the result for the year or net assets if the remaining reinsurance cover becomes exhausted.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Moore (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 June 2019

Consolidated profit and loss account
for the year ended 31 March 2019

Technical account – general business

	Note	2019 £m	2018 £m
Claims paid			
Gross amount		(246)	(193)
Reinsurers' share		246	193
Net claims paid		-	-
Change in the provision for claims			
Gross amount		233	101
Reinsurers' share		(233)	(101)
Change in the net provision for claims		-	-
Claims incurred, net of reinsurance		-	-
Other income		-	-
Other technical charges		-	-
Balance on the technical account for general business		-	-

The accounting policies and notes on pages 26 to 41 form an integral part of these financial statements.

Consolidated profit and loss account

for the year ended 31 March 2019

Non-technical account	*Note*	*2019* *£m*	*2018* *£m*
Balance on the general business technical account		**-**	-
Income from other financial investments		**1**	1
(Loss)/gain on the realisation of investments		**(2)**	-
Unrealised gain/(loss) on investments		**2**	-
		1	**1**
Allocated investment return transferred to the general business technical account		**-**	-
		1	**1**
Administrative expenses		**(1)**	**(1)**
Release of Reinsurance creditors	*4*	**-**	**5**
Profit/(Loss) on ordinary activities before tax		**-**	**5**
Tax on Profit/(Loss) on ordinary activities	*8*	-	-
Profit/(Loss) for the financial year	*13*	**-**	**5**

The Group has no Other Comprehensive Income

The Group has no discontinued activities.

The accounting policies and notes on pages 26 to 41 form an integral part of these financial statements.

Consolidated balance sheet
as at 31 March 2019

Assets

	Note	2019 £m	2018 £m
Investments			
Other financial investments	9	82	82
Reinsurers' share of technical provisions			
Claims outstanding	14	4,457	4,419
Other assets			
Cash at bank and in hand		1	1
Other debtors	11	-	-
Prepayments and accrued income			
Other prepayments and accrued income	11	-	-
Total assets		**4,540**	**4,502**

The accounting policies and notes on pages 26 to 41 form an integral part of these financial statements. The Company's balance sheet is shown on page 23.

Consolidated balance sheet

as at 31 March 2019

Liabilities

	Note	2019 £m	2018 £m
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	**83**	83
Shareholders' funds – non-equity interests		**83**	83
Technical provisions			
Claims outstanding	14	4,457	4,419
Creditors			
Creditors arising out of reinsurance operations	4,15	-	-
Other creditors including taxation and social security		-	-
		-	-
Total Equity and liabilities		**4,540**	**4,502**

The financial statements on pages 19 to 41 were approved by the Board on 4 June 2019 and signed on its behalf by:

DES Shipley
Chairman

JW Heap
Chief Executive Officer

The accounting policies and notes on pages 26 to 41 form an integral part of these financial statements. The Company's balance sheet is shown on page 23.

Company balance sheet
as at 31 March 2019

	Note	*2019* £	*2018* £
Investments			
Investments in Group Undertakings	*18*	**38,424,857**	37,566,577
		38,424,857	37,566,577
Current assets			
Cash at bank		**259,612**	159,299
Other debtors		**4,976**	4,935
Amounts due from Group Undertakings		**6,034,285**	6,134,106
Current liabilities			
Creditors		**46,239**	6,000
Total assets less current liabilities		**44,677,491**	43,858,917
Creditors – amounts falling due after more than one year			
Amounts owed to Group undertakings		**200**	200
Net assets		**44,677,291**	43,858,717
Capital and reserves			
Called up share capital	*12*	**101**	101
Profit and loss account	*13*	**44,677,190**	43,858,616
Shareholders' funds – non-equity interests		**44,677,291**	43,858,717

The financial statements on pages 19 to 41 were approved by the Board on 4 June 2019 and were signed on its behalf by:

DES Shipley
Chairman

JW Heap
Chief Executive Officer

The accounting policies and notes on pages 26 to 41 form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2019

Group - consolidated	**Called-up share capital £m**	**Profit and loss account £m**	**Total £m**
Balance at 1 April 2017	-	78	78
Profit for the year	-	5	5
Total comprehensive profit for the year	-	5	5
Balance at 31 March 2018	-	83	83
Balance at 1 April 2018	-	83	83
Loss for the year	-	-	-
Total comprehensive loss for the year	-	-	-
Balance at 31 March 2019	-	83	83

Company	**Called-up share capital £**	**Profit and loss account £**	**Total £**
Balance at 1 April 2017	101	43,057,839	43,057,940
Profit for the year	-	800,777	800,777
Total comprehensive income for the year	-	800,777	800,777
Balance at 31 March 2018	101	43,858,616	43,858,717
Balance at 1 April 2018	101	43,858,616	43,858,717
Profit for the year	-	818,574	818,574
Total comprehensive income for the year	-	818,574	818,574
Balance at 31 March 2019	101	44,677,190	44,677,291

The accounting policies and notes on pages 26 to 41 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2019

	2019 £m	2019 £m	2018 £m	2018 £m
(Loss)/Profit on ordinary activities before tax		-		5
Cashflow from operating activities				
(Increase)/decrease in reinsurers' share of technical provisions - claims outstanding	(38)		546	
Increase/(Decrease) in gross provision for claims outstanding	38		(546)	
(Decrease) in Reinsurance Creditors	-		(6)	
(Decrease) in Other Creditors	-		(1)	
Decrease in Other prepayments and accrued income	-		1	
		-		(6)
Net cash outflow from operating activities		-		(1)
Taxes paid during the year		-		-
Net cash outflow for the year		-		(1)
Cashflow from financing activities				
Proceeds from sale of investments		90		65
Purchase of investments		(90)		(64)
Net cash inflow from financing activities		-		1
Net increase/(decrease) in cash and cash equivalents		-		-
Cash and cash equivalents at the beginning of the year		1		1
Cash and cash equivalents at the end of the year		1		1
		-		-

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 26 to 41 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2019

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, Equitas is not exposed to movements in claims outstanding provided these remain within the limits of the reinsurance cover purchased. As discussed on page 2 the unused additional reinsurance cover is currently substantial.

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

Basis of presentation
The Group financial statements have been prepared under the provision of 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.

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

Other accounting policies
A summary of the 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 relevant exchanges.

Other investments, including futures, options and credit default swaps are stated at bid prices provided by various recognised sources. For short term money market instruments, where market values are not available, fair values are calculated by discounting expected cash flows at prevailing interest rates at the balance sheet date. The fair values of forward exchange contracts are determined based on market forward exchange rates at the balance sheet date.

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(i) Pension costs
The Group provides no post-retirement benefits to its employee.

(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, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

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

2. Estimation techniques and uncertainties

Introduction
The last comprehensive actuarial review was undertaken at 31 August 2018, and the figures were rolled forward to 31 March 2019. The core estimation techniques described below are expected to be followed in future years.

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

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

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

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

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

Asbestos claims

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

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

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

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

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

Pollution and health hazard claims

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

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

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

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

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

Other claims

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

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.

Reinsurance recoveries

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

3. Segmental information

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

	Gross claims incurred		Reinsurance Balance	
	2019	**2018**	**2019**	**2018**
	£m	**£m**	**£m**	**£m**
Third party liability	**11**	90	**(11)**	(90)
Other	**2**	2	**(2)**	(2)
Total	**13**	**92**	**(13)**	**(92)**

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 13 March 2019, 28,110 (2018: 28,109) of those entitled to a return premium had been paid their entitlement. This accounted for £44.4 million (2018: £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 2018 and 31 March 2019.

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 2019 £000	*Group 2018 £000*
Fees payable to the Company's auditors and its associates for the audit of the parent Company and consolidated financial statements	26	25
Fees payable to the Company's auditors and its associates for other services:		
Fees payable to the Company's auditors for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	210	202
Audit-related assurance services, including the audit of the regulatory returns	52	71
	288	298

The Regulatory Fees for the year amounted to £211,000 (2018: £283,000).

6. Employees

The Group employed 1 person, the Executive Director, during the year ended 31 March 2019 (2018: 1), who was engaged in run-off and related activities.

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

	Group 2019 £000	*Group 2018 £000*
Wages and salaries (including directors' fees)	279	279
Social security costs	25	22
	304	301

7. Directors' emoluments

The aggregate remuneration of the Directors was as follows:

		Group 2019 £000	*Group 2018 £000*
Executive Director		120	120
Non-Executive Directors	- fees	159	159
		279	279

The Executive Director was the highest paid director.

8. Tax on loss on ordinary activities

Analysis of charge/(credit) in the year

	Group 2019 £m	*Group 2018 £m*
United Kingdom corporation tax at 19% (2018: 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 differs from (2018: differs from) the standard rate of corporation tax in the UK. The differences are explained below:

	Group 2019 £m	*Group 2018 £m*
(Loss)/Profit on ordinary activities before tax	(0.2)	4.8
(Loss)/Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	0.0	0.9
Effects of:		
Losses brought forward	(0.0)	(0.2)
Non taxable income	(0.0)	(1.0)
Losses carried forward	0.0	0.3
Current tax (credit) for the year	-	-

As a result of the change in future corporation tax rates from 19% to 17%, the unrecognised deferred tax asset has reduced to £184 million (2018: £206 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 2019 Market Value £m	Group 2019 Cost £m	Group 2018 Market Value £m	Group 2018 Cost £m
Listed					
Shares and other variable yield securities and units in unit trusts		23	23	23	23
Debt securities and other fixed interest securities		59	58	59	58
		82	81	82	81
Unlisted					
Deposits with credit institutions		-	-	1	1
Derivatives					
Gilt/90 day Futures	net value	-		(1)	
Bund Futures	net value	-		-	
US Treasury Futures	net value	-		-	
Credit Default Swaps	net value	-		-	
Interest Rate Swaps	net value	-		-	
Forward currency contracts	EUR asset	-		3	
	EUR liability	-		(3)	
	USD asset	-		9	
	USD liability	-		(9)	
		-		(1)	
		82	81	82	83

The net notional values of the derivatives included in the table above were:

	Net Notional Amount 2019 £m	Net Notional Amount 2018 £m
Gilt/90-day Futures	-	29
Bund Futures	-	6
US Treasury Futures	-	17
Credit Default Swaps	-	19
Interest Rate Swaps	-	1

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 (ie 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	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Assets								
Shares and other variable yield securities and units in unit trusts	23	-	-	23	-	-	23	23
Debt securities and other fixed interest securities	-	16	59	43	-	-	59	59
Deposits with credit institutions	-	-	-	1	-	-	-	1
Derivatives – net	-	-	-	(1)	-	-	-	(1)
Net	23	16	59	66	-	-	82	82

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

	2019 £m	2018 £m
Shares and other variable yield securities and units in unit trusts	23	23
Debt securities and other fixed interest securities	59	59
Derivatives (net)	-	(1)
Deposits with credit institutions	-	1
Cash at bank and in hand	1	1
	83	83
AAA	36	39
AA	20	15
A	11	11
BBB	16	16
BB	0	1
Not Rated	-	1
	83	83

Further disclosures relating to financial instruments and financial risk management are included in the Directors' report on pages 11 to 13.

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 £nil million (2018: £nil million) do not include any amount due after more than one year.

12. Called up share capital

	Company 2019 £	*Company 2018 £*
Authorised, allotted and fully paid		
1 deferred share of £1	**1**	1
2 ordinary shares of £50 each	**100**	100
	101	101

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

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

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

The Group's capital is mainly used to 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 BlackRock for long term growth and return. A total of £82 million (2018: £83 million) of the Group's capital is invested by regulated subsidiaries.

13. Profit and loss account

	Company £m	*Group £m*
At 1 April 2018	44	83
Profit/(Loss) for the financial year	1	-
At 31 March 2019	**45**	**83**

The retained profit is not distributable by way of dividend.

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The Company's surplus for the financial year was £1 million (2018: £1 million).

14. Provision for claims outstanding

	Claims *£m*	*Reinsurance* *£m*	*Net* *£m*
Provisions at 1 April 2017	**4,965**	**(4,965)**	**-**
Payments, receipts and accruals	(193)	193	-
Reassessment of liabilities and reinsurances	92	(92)	-
Exchange movements	(445)	445	-
Provisions at 31 March 2018	**4,419**	**(4,419)**	**-**

	Claims *£m*	*Reinsurance* *£m*	*Net* *£m*
Provisions at 1 April 2018	**4,419**	**(4,419)**	**-**
Payments, receipts and accruals	(246)	246	-
Reassessment of liabilities and reinsurances	13	(13)	-
Exchange movements	271	(271)	-
Provisions at 31 March 2019	**4,457**	**(4,457)**	**-**

(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 28.

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.

Geographic concentration:

Territory		Accident and health	Third-party liability	Fire & other property damage	General	Total
2019		**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom	Gross	-	647	-	-	647
	Net	-	-	-	-	-
USA	Gross	85	3,610	-	-	3,695
	Net	-	-	-	-	-
Australia	Gross	-	58	-	-	58
	Net	-	-	-	-	-
Other	Gross	-	45	12	-	57
	Net	-	-	-	-	-
Total	**Gross**	**85**	**4,360**	**12**	**-**	**4,457**
	Net	-	-	-	-	-

Territory		Accident and health	Third-party liability	Fire & other property damage	General	Total
2018		**£m**	**£m**	**£m**	**£m**	**£m**
United Kingdom	Gross	-	624	-	-	624
	Net	-	-	-	-	-
USA	Gross	82	3,564	-	-	3,646
	Net	-	-	-	-	-
Australia	Gross	-	67	-	-	67
	Net	-	-	-	-	-
Other	Gross	-	69	13	-	82
	Net	-	-	-	-	-
Total	**Gross**	**82**	**4,324**	**13**	**-**	**4,419**
	Net	**-**	**-**	**-**	**-**	**-**

Claims development since the transaction with National Indemnity:

	Gross claims estimate of ultimate £m	Net claims estimate of ultimate £m
31 March 2006	4,176	-
Three years later	6,855	-
Four years later	6,750	-
Five years later	6,576	-
Six years later	6,622	-
Seven years later	6,949	-
Eight years later	6,739	-
Nine years later	7,645	-
Ten years later	7,955	-
Eleven years later	8,577	-
Twelve years later	8,224	-
Current estimate of cumulative claims	8,508	-
Claims payments during the period	(4,051)	-
Liability recognised in the balance sheet	**4,457**	**-**

The change in the current estimate of cumulative claims includes both exchange movements and changes in gross reserve estimates.

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 2019, (2018: £0.1 million).

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

16. Reconciliation of movements in Group shareholders' funds

	Group 2019 £m	*Group 2018 £m*
Opening shareholders' funds	83	78
(Loss)/Profit for the financial year (see note 12)	-	5
Closing shareholders' funds	83	83

17. Contingent liabilities and assets

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

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

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 42.

Company

	Shares in Group undertakings £	*Loans to Group undertakings £*	*Total £*
Equitas Insurance Limited	16,500,000	21,924,757	38,424,757
Equitas Policyholders Trustee Limited	100	-	100

During the year Equitas Holdings Limited capitalised interest of £858,280 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.

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 & 15.

19. Financial commitments

The Group had no ongoing financial commitments (2018: nil).

20. The Equitas Trustees

The Trust Deed constituting The Equitas Trust contains provisions entitling the Trustees to remuneration and the discharge of expenses properly incurred by them in acting as Trustees. These are met by the Group and are defined as related party transactions under Financial Reporting Standard 102.

	Group 2019 £	*Group 2018 £*
Trustees' fees	83,000	83,000
Trustees' legal, professional and other costs and expenses	25,419	25,188
Total	108,419	108,188

Messrs ME McL Deeny, DES Shipley, RB Spooner and Sir Adam Ridley, who were also Directors of the Company during the year, received Trustees' fees of £35,000, £16,000, £16,000, £16,000 respectively for the year ended 31 March 2019 (2018: £35,000, £16,000, £16,000, £16,000 respectively). They received expenses for secretarial, office and other overheads of £20,000, £nil, £2,000, £2,000 respectively (2018: £20,000, £nil, £2,000, £2,000 respectively).

Equitas Holdings Limited
Registered Office:
4th Floor
8 Fenchurch Place
London
EC3M 4AJ
United Kingdom
Telephone: +44 (0)20 7342 2000
Facsimile: +44 (0)20 7342 2001

Registered in England; Registered Number 3136296