

EQUITY INSURANCE HOLDINGS LIMITED

FINANCIAL STATEMENTS

30 JUNE 2010

COMPANY NUMBER 2925652

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EQUITY INSURANCE HOLDINGS LIMITED
FINANCIAL STATEMENTS - 30 JUNE 2010

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EQUITY INSURANCE HOLDINGS LIMITED
COMPANY REGISTRATION NO. 2925652

DIRECTORS' REPORT

For the year ended 30 June 2010

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2010

DIRECTORS

The directors who served during the year under review were as follows

N Utleay	(resigned 30 September 2010)
R Brewster	(resigned 15 January 2010)
I Foy	(appointed 1 October 2010)
A Gibson	(appointed 15 January 2010)

COMPANY SECRETARY

The Company Secretary who served during the year under review was

V Cuggy

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

Trading review and future plans

The principal activity of the Company is that of an intermediate holding Company within the IAG UK Holdings Limited Group which is part of the Insurance Australia Group Limited ("IAG Group") The Company is not trading, its turnover being interest receivable/payable on loans to/from subsidiary group undertakings

During the year, the Company has increased its investment in Insurance Dialogue Limited, from 25.0% at 30 June 2009, to 51.1% at a cost of £521,067. As such, it is no longer being reported as an investment in participating interest, but as a subsidiary of the Company.

The Company has committed that for at least 12 months from the date of approval of the financial statements it agrees not to seek repayment of amounts due from fellow IAG UK group subsidiaries. A similar commitment has been made by all other companies in the IAG UK group, so balances due from the Company to other IAG UK group companies are payable after more than one year.

Environmental, employees and social and community

Any information relating to the company in terms of these issues is disclosed on behalf of the Company within the accounts of Equity Insurance Management Limited, a fellow subsidiary undertaking of IAG UK Holdings Limited, the Company's ultimate UK parent company.

Key performance indicators

As an intermediate holding company, the company does not trade and therefore the use of key performance indicators are not appropriate in understanding the development and performance of the company during the year.

RESULTS AND DIVIDENDS

The results for the year ended 30 June 2010 are set out on page 5.

The directors do not recommend the payment of a dividend (2009: £nil).

EQUITY INSURANCE HOLDINGS LIMITED
COMPANY REGISTRATION NO. 2925652

DIRECTORS' REPORT (continued)
For the year ended 30 June 2010

GOING CONCERN

These financial statements have been prepared on a going concern basis. The Board considers this to be appropriate having considered the future profitability of the Company, an undertaking received from IAG UK Holdings Limited, its immediate parent company, that for a period of twelve months from the date of signing these financial statements it will continue to make available such funds as are needed by the Company to enable it to meet its liabilities as they fall due and the financial position of the Company as at 30 June 2010. At this date the Company had net current assets of £187.0m or £1.8m after adjusting for intra-group debtors not recoverable for more than one year, following the Company's agreement with fellow subsidiary undertakings within the IAG UK Holdings group that for at least 12 months from the date of approval of these financial statements the companies will not seek repayment of any inter-company debts.

EMPLOYEES

During the year all staff were employed by Equity Insurance Management Limited, a fellow subsidiary undertaking of IAG UK Holdings Limited, the Company's ultimate UK parent company.

LIABILITY INSURANCE FOR COMPANY OFFICERS, GROUP DIRECTORS AND OFFICERS

As permitted by the Companies Act 2006, the Group has maintained insurance cover for directors and officers against liabilities arising in relation to the Group.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable donations or incurred any political expenditure during the year (2009: £nil).

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Pursuant to Section 487 Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board



V Cuggy
Company Secretary

24 March 2011

EQUITY INSURANCE HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT

To the members of Equity Insurance Holdings Limited

We have audited the financial statements of Equity Insurance Holdings Limited for the year ended 30 June 2010 set out on pages 5 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

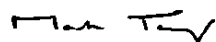
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Mark J Taylor (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

24 March 2011

15 Canada Square
Canary Wharf
London E14 5GL

EQUITY INSURANCE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2010

	Note	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Dividend income	7	-	99,937
Administrative expenses		(222,069)	(101,445)
Diminution in value of investments	8	(20,594,384)	-
OPERATING LOSS		(20,816,453)	(1,508)
Profit / (Loss) on disposal of investment	2	252,619	(3,020,859)
Income from participating interests	3	-	310,446
Other interest receivable and similar income	5	494,497	232,506
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(20,069,337)	(2,479,415)
Tax on loss on ordinary activities	6	(45,355)	(123,622)
LOSS FOR THE FINANCIAL YEAR	16	(20,114,692)	(2,603,037)

All amounts relate to continuing operations

There are no recognised gains or losses other than the results above and therefore no separate statement of total recognised gains and losses has been prepared

There is no difference between the loss on ordinary activities before tax and the retained loss for the years stated above, and their historical cost equivalents

The notes on pages 7 to 16 form an integral part of these financial statements

EQUITY INSURANCE HOLDINGS LIMITED
COMPANY REGISTRATION NO. 2925652

BALANCE SHEET

As at 30 June 2010

	Note	30 June 2010 £	30 June 2009 £
FIXED ASSETS			
Investments in subsidiary undertakings	8	56,381,296	76,154,613
Investments in participating interest	9	4,267,243	4,292,243
Investments	10	680,000	680,000
		61,328,539	81,126,856
CURRENT ASSETS			
Debtors (including £185,243,663 (2009 £182,121,857) due after more than one year)	11	185,247,663	182,222,723
Cash at bank and in hand		5,598,411	4,318,492
		190,846,074	186,541,215
CREDITORS amounts falling due within one year	12	(3,850,000)	(204,799,676)
NET CURRENT ASSETS/(LIABILITIES)		186,996,074	(18,258,461)
TOTAL ASSETS LESS CURRENT LIABILITIES		248,324,613	62,868,395
CREDITORS amounts falling due after one year	13	(206,313,462)	-
NET ASSETS LESS CURRENT LIABILITIES		42,011,151	62,868,395
PROVISION FOR LIABILITIES AND CHARGES	14	-	(742,552)
NET ASSETS		42,011,151	62,125,843
CAPITAL AND RESERVES			
Called up share capital	15	464,405	464,405
Share premium account	15	61,900,000	61,900,000
Capital redemption reserve	16	769	769
Profit and loss account	16	(20,354,023)	(239,331)
EQUITY SHAREHOLDER'S FUNDS	17	42,011,151	62,125,843

These financial statements on pages 5 to 16 were approved by the board of directors on **24** March 2011 and signed on its behalf by

A Gibson
Director

24 March 2011



The notes on pages 7 to 16 form an integral part of these financial statements

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention and the accounting policies set out below

The financial statements have been prepared on the going concern basis given that the Company had net current assets of £187.0m or £1.8m after adjusting for intra-group debtors not recoverable for more than one year, following the Company's agreement with fellow subsidiary undertakings within the IAG UK Holdings group that for at least 12 months from the date of approval of these financial statements the companies will not seek repayment of any inter-company debts. In addition the Company's intermediate parent undertaking IAG UK Holdings Limited has provided the directors with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue indefinitely, although at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

b. Group accounts

The Company is a wholly-owned subsidiary of Insurance Australia Group Limited. In accordance with Section 401 of the Companies Act 2006, it took advantage of the exemption to prepare and deliver Group Accounts to the Registrar since there was a full consolidation in the consolidated financial statements of Insurance Australia Group Limited, the ultimate parent company, a company incorporated in Australia.

c. Cash flow statement

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996) as a result of the Company being a wholly owned subsidiary of Insurance Australia Group Limited, which prepares consolidated financial statements.

d. Related parties

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Insurance Australia Group Limited.

e. Dividend income

Dividend income, from group companies is recognised in the year when they are paid by the directors.

f. Investments in subsidiary undertakings

Shares in subsidiary undertakings are stated at cost unless their value has been impaired, in which case they are valued at their realisable value, or value in use as appropriate.

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES (continued)

g. Tax

Corporation tax is provided on taxable profits at the current rate

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Included in the loss on ordinary activities for the year ended 30 June 2010 is a profit of £252,619 (2009 loss of £3,020,859) relating to the disposal of Equity Broking Management Limited "EBML" in 2009. This is broken down as follows

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Cost of investment	-	(12,248,280)
Debt forgiveness to EBML	-	(12,822,166)
Provision for deferred consideration (note 14)	252,619	(1,600,000)
Disposal proceeds	-	23,649,587
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Profit / (loss) on disposal	252,619	(3,020,859)
	<hr/>	<hr/>

Certain costs, including staff related costs, auditors' remuneration and operating leases are borne by Equity Insurance Management Limited ("EIML")

Disclosure of the full amount is shown in the notes to the financial statements of EIML. The amount recharged to the Company by EIML during 2010 was £nil (2009 - £nil)

3. INCOME FROM PARTICIPATING INVESTMENTS

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Interest on investment (note 9)	-	310,446
	<hr/>	<hr/>
	-	310,446
	<hr/>	<hr/>

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

4. DIRECTORS' EMOLUMENTS

The emoluments of the directors are paid by Equity Insurance Management Limited ("EIML") and are charged to this and other group companies

The directors' emoluments, excluding pension contributions, during the year amounted to £nil (2009 - £nil)

The emoluments of the highest paid director during the year amounted to £nil (2009- £nil)

The group headed by IAG UK Holdings Limited provides a number of pension schemes. The aggregate value of Company contributions in respect of the directors during the year amounted to £nil (2009 - £nil)

Company contributions to money purchase pension schemes in respect of the highest paid director were £nil (2009 - £nil)

There were no directors (2009 – none) in the Group's defined benefit scheme and 2 directors (2009 - 2) in the group's defined contribution scheme

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Bank interest receivable	49,973	164,452
Intercompany loan interest	444,524	68,054
	<hr/>	<hr/>
	494,497	232,506
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6. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

(a) Analysis of charge for the year

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Current tax		
UK corporation tax on profits/ (loss) of the year	132,280	123,622
Adjustments in respect of previous periods	(86,925)	-
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Tax on profit/ (loss) on ordinary activities	45,355	123,622
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EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

6. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES (continued)

(b) Factors affecting tax charge for year

The tax assessed for the year is equal (2009 higher) to the standard rate of corporation tax in the UK 28% (2009 – 28%)

The differences are explained below

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Loss on ordinary activities before taxation	(20,069,337)	(2,479,415)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(5,619,414)	(694,236)
Effects of		
Expenses not deductible for tax purposes	5,822,427	3,590,206
Income not subject to tax	(70,733)	(2,772,348)
Adjustments in respect of previous periods	(86,925)	-
Current tax charge for the year (note 6(a))	45,355	123,622

The 2011 Finance Act, which includes a reduction in the standard rate of corporation tax from 28% to 27% effective from 1 April 2011, was substantively enacted on 21 July 2010. As it was not in force at the balance sheet date, the rate reduction is not reflected in these financial statements.

The Government has indicated that it intends to make further reductions to the standard rate of 1% per annum until a rate of 24% is reached on 1 April 2014.

7. DIVIDENDS

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Dividend income		
Dividend income received on preference shares (note 10)	-	99,937

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	30 June 2010 £	30 June 2009 £
Opening cost b/fwd	76,154,613	78,012,726
Transfer from investment in participating interest (note 9)	200,000	-
Additional investments	621,067	10,390,167
Disposals (note 2)	-	(12,248,280)
Provision for diminution		
At 30 June 2009	-	-
Impairment		
At 30 June 2010	(20,594,384)	-
Closing cost c/fwd	56,381,296	76,154,613

The Company owns the issued share capital of the following companies incorporated in England and Wales

Name of subsidiary:	Nature of business:	Percentage shareholding:
Anthony Kidd Agencies Limited	Insurance Broking	100%
Brokersure co uk Limited	Broking Software Systems Provider - discontinuing	100%
Cox Managing Agency Limited	Dormant Company	100%
Direct Insurance Services Limited	Dormant Company	100%
Equity Claims Limited	Insurance Administrator	100%
Equity Group 2005 Limited	Intermediate Holding Company	100%
Equity Syndicate Management Limited	Underwriting Agent at Lloyd's	100%
CDCM Limited (formerly Equity Red Star Limited	Underwriting Agent at Lloyd's	100%
Equity Red Star (Accident and Health) Limited	Insurance Broking	100%
ERSH Limited	Dormant Company	100%
HML Marketing Limited	Insurance Premium Guaranteeing - discontinuing	100%
Equity Shared Services Limited	Dormant Company	100%
Insurance Dialogue Limited	Insurance Broking	51%

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

8. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

During the year, the Company has increased its investment in Insurance Dialogue Limited, from 25.0% at 30 June 2009, to 51.1% at a cost of £521,067. As such, it is no longer being reported as an investment in participating interest, but as a subsidiary of the Company.

A review of the present value of future earnings for all IAG UK group companies took place in June 2010, with the aim of establishing the realisable value of each company. As a result of this review, it was found that the Company's investments in Equity Group 2005 Limited and Equity Red Star (Accident & Health) Limited were overvalued and the investments were impaired by £20,594,384.

The directors are of the opinion that the resultant investments in subsidiaries are stated at their realisable value.

9. INVESTMENTS IN PARTICIPATING INTEREST

The company has an interest in Arista Insurance Limited ("Arista"), a company that provides broking services targeted at core SME property, liability and motor classes of business, the investors providing the underwriting capacity.

The company held the following interest in Arista

2010

Class of share	Holding %	Consideration £
Ordinary shares		
1,640,630 'B' ordinary shares (1)		164,063
Total ordinary shares	25.60	164,063
Preference shares		
<i>'Class 1' preference shares (11)</i>		
3,101,930 £1 Class 1 20% convertible preference shares		3,101,930
Total Class 1 preference shares	31.25	3,101,930
<i>'Class 2' preference shares (11)</i>		
1,001,250 £1 Class 1 20% convertible preference shares	31.25	1,001,250

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

9. INVESTMENTS IN PARTICIPATING INTEREST (continued)

2009

Class of share	Holding %	Consideration £
Ordinary shares		
1,640,630 'B' ordinary shares (i)		164,063
Total ordinary shares	25.60	164,063
Preference shares		
<i>'Class 1' preference shares (ii)</i>		
3,101,930 £1 Class 1 20% convertible preference shares		3,101,930
Total Class 1 preference shares	31.25	3,101,930
<i>'Class 2' preference shares (ii)</i>		
826,250 £1 Class 1 20% convertible preference shares	31.25	826,250

The Company holds 100% of the Ordinary B shares in Arista

- (i) Ordinary shares rank *pari passu* in all respects, other than that the majority shareholder for each class of share shall have the right to appoint a director, and that a meeting of directors shall only be quorate if it includes the appointees of the 'A' and 'B' ordinary shares
- (ii) On 1 July 2008, the Company, along with fellow shareholders, resolved by written resolution to amend the Articles of Association and vary the rights of the £1 preference shares of Arista. They resolved to remove the right to receive a cumulative preference dividend and providing for the preference shares to automatically convert to 'A' or 'B' Ordinary Shares, to match the designation of those Ordinary Shares held by the relevant shareholder, on a pound for pound basis on 30 June 2050. On that date, existing Preference Shares, in addition outstanding amounts of existing loan funding and accrued interest (note 4) were converted into Class 1 Preference Shares. Further subscriptions for Class 2 Preference Shares have been made by the Company during the year. Class 1 and Class 2 Preference Shares do not carry any rights to dividends (cumulative or otherwise) out of distributable profits. The Preference Shares are convertible into Ordinary Shares at the fixed rate of one £1 Preference Share for ten 10p Ordinary Shares on 30 June 2050. Should Arista be wound up, the preference shares carry the right to receive, before any distribution to the company's ordinary shareholders, a maximum amount equal to their nominal value plus 26.9% for the period from 1 July 2008 to 30 June 2009, plus 20.0% per annum for the period from 1 July 2009 to the date of winding up.

On 6 October 2008 the company acquired 25% of IDL for consideration of £200,000. As stated in Note 8 the holding in IDL has increased during the year to 51%. As such, it is now being reported as a subsidiary.

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

10. INVESTMENTS

At 30 June 2008, Equity Insurance Brokers Limited ("EIBL"), a former subsidiary of the IAG UK Group held £680,000 14 7% £1 preference shares in Open and Direct Commercial Limited. During 2009 EIBL was sold to the Swinton Group Limited. Following this transaction, the rights of ownership were not transferred across from EIBL to the Company. A declaration of trust was subsequently established on 30 April 2009 between EIBL and the Company whereby all rights and beneficial interests were transferred to the Company.

11. DEBTORS

	30 June 2010 £	30 June 2009 £
Amounts owed by group companies due within one year	*185,243,663	182,121,857
Loan funding in associate	-	-
Other debtors	4,000	100,866
	<hr/>	<hr/>
	185,247,663	182,222,723
	<hr/>	<hr/>

* Amounts due from group companies are not repayable within one year

12. CREDITORS: amounts falling due within one year

	30 June 2010 £	30 June 2009 £
Amounts owed to group companies	-	204,768,728
Amount owed to syndicate managed by group company	3,650,000	-
Other creditors	200,000	30,948
	<hr/>	<hr/>
	3,850,000	204,799,676
	<hr/>	<hr/>

13. CREDITORS: amounts falling due after one year

	30 June 2010 £	30 June 2009 £
Amounts owed to group companies	206,313,462	-
Other creditors	-	-
	<hr/>	<hr/>
	206,313,462	-
	<hr/>	<hr/>

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **For the year ended 30 June 2010**

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Consideration £
Balance at 1 July 2009	(742,552)
Reduction in provision in year	252,619
Payments made to vendors	489,933
	<hr/>
Balance at 30 June 2010	-
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The above provision relates to deferred consideration due to vendors of businesses previously acquired by EIBL. EIBL was sold to a third party but, under the existing indemnity terms following this sale, the original liability for settlement of this deferred consideration remained with the Company. Full provision for deferred consideration was settled during the year.

15. CALLED UP SHARE CAPITAL AND SHARE PREMIUM

	30 June 2010 £	30 June 2009 £
Authorised 10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
	<hr/>	<hr/>
Allotted, issued and fully paid 464,405,000 ordinary shares of £1 each	464,405	464,405
	<hr/>	<hr/>
Share premium arising on issuance of ordinary shares	61,900,000	61,900,000
	<hr/>	<hr/>

16. RESERVES

	Capital redemption reserve £	Profit and loss account £
Balance at 1 July 2009	769	(239,331)
Loss for the financial year	-	(20,114,692)
	<hr/>	<hr/>
Balance at 30 June 2010	769	(20,354,023)
	<hr/>	<hr/>

EQUITY INSURANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2010

16. RESERVES (continued)

The capital redemption reserve arose in 1995 as a result of an inter-group share capital restructuring

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	Year Ended 30 June 2010 £	Year Ended 30 June 2009 £
Opening shareholder's funds	62,125,843	64,728,880
Loss for the year	(20,114,692)	(2,603,037)
Closing shareholder's funds	42,011,151	62,125,843

18. ULTIMATE HOLDING UNDERTAKING

The immediate parent undertaking is Equity Insurance Group Limited

The ultimate UK parent undertaking is IAG UK Holdings Limited. Copies of IAG UK Holdings Limited financial statements can be obtained from the Company Secretary at Library House, New Road, Brentwood, Essex, CM14 4GD

The ultimate parent undertaking is Insurance Australia Group Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Insurance Australia Group Limited's registered address is 388 George Street, Sydney, NSW 2000, Australia.