

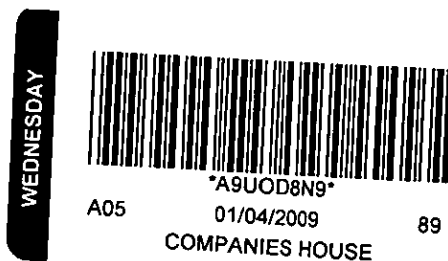
BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

Company Registration No. 3230337

**BERKSHIRE HATHAWAY
INTERNATIONAL INSURANCE LIMITED**

Report and Financial Statements

31 December 2008



REPORT AND FINANCIAL STATEMENTS
As at 31 DECEMBER 2008

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BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr T A Bolt (Managing Director) (U.S.) (resigned 26 November 2008)
Mr R Love (Chief Executive Officer) (appointed 26 November 2008)

OTHER DIRECTORS

Mr F N Krutter (U.S.)
Ms K M W Sliwinska (resigned 26 November 2008)
Mr D T Young (Non – Executive)
Mr J H Bishop (Non – Executive)
Mr T A Bolt (Non – Executive) (U.S.) (appointed 26 November 2008)
Mr A Wilson (resigned 15 April 2008) (re-appointed 26 November 2008)
Mr G Finney (appointed 15 April 2008)

SECRETARY

Ms J N Ball (resigned 26 November 2008)
Ms C Martin (appointed 26 November 2008)

REGISTERED OFFICE

Birchin Court
20 Birchin Lane
London
EC3V 9DU

BANKERS

Lloyds TSB Bank Plc
113 Leadenhall Street
London
EC3A 4AX

Citibank
Citibank House
36 Strand
London
WC2R 1HB

Barclays Bank Plc
One Churchill Place
London
EC14 5HP

AUDITORS

Deloitte LLP
London

INVESTMENT MANAGER

National Indemnity Company
3024 Harney Street
Omaha
Nebraska 68131
USA

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year to 31 December 2008.

PRINCIPAL ACTIVITIES

Berkshire Hathaway International Insurance Limited commenced trading on 1 January 1997 and its principal activity is underwriting general insurance business. The Company's operations are administered by the Company with additional administrative and claims handling services being provided by related group companies.

BUSINESS REVIEW

The Company continued to have two significant underwriting activities, being its participation on the Global Aerospace Underwriting Managers (GAUM) aviation pool and the writing of high level US Liability coverages through an in house underwriting team.

The GAUM participation allows the Company to write general insurance policies for Airline, Products, General Aviation and Space insurance to the space and aviation industries.

The Company continued to develop the writing of high level US Liability coverages though this market has remained very competitive and there has been less opportunity to write business at acceptable rates than had been anticipated.

The Company also looks at one off liability policies on an opportunistic basis. During the year the Company entered into a reinsurance contract to provide Excess of Loss coverage on a pool of Australian liability risks and we will continue to appraise opportunities that arise with adequate rating.

The Company continued the orderly run-off of its UK motor and UK property accounts.

The Company has maintained its Standard & Poor's credit rating of AAA throughout the year.

As shown in the Company's profit and loss account on page 8, the Company's gross premiums written have decreased only marginally from £80.801m to £79.409m in the year though this did not reflect underlying reductions in US Dollar premiums the Company writes which benefited on conversion to Sterling from a movement in the average exchange rate between 2007 to 2008 of 7.9%.

An improved performance on the GAUM Pool aviation business line, increases in the valuation of the Company's investments and significant exchange gains resulted in the Company reporting a profit before tax of £6.684m compared to a reported loss before tax of £0.859m last year.

The Company's investment income declined as base rates in both its key currencies of Sterling and US Dollars declined through the year and the yields on Government Bonds declined markedly.

With the volatility in the foreign exchange markets experienced in the year and the significant weakening of the sterling exchange rate against major currencies, the Company has reported exchange gains of £4.9m as the value of its US Dollar and Euro net assets have increased when reported in Sterling.

Berkshire Hathaway Inc. manages its insurance operations on a divisional basis. For this reason and the materiality of the Company within the Berkshire Group, the Company's directors believe that further key performance indicators for the Company are not necessarily appropriate for an understanding of the development, performance or position of the business. The performance of the Berkshire Hathaway Reinsurance division, which includes the Company, is discussed in the group's Annual Report, which does not form part of this report.

FUTURE DEVELOPMENTS

In 2009 we anticipate premium rates will remain under pressure in our key markets of aviation and US Liability insurance. The amount of premium written will reflect these market conditions.

The Company continues to review opportunities to write continental European covers.

DIRECTORS' REPORT

GOING CONCERN

Having taken into account the risks and uncertainties and the performance of the business and after making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is exposed to potentially very large gross claims in respect of a major aviation incident occurring. The Company evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Company.

The establishment of insurance liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Company's long tail lines of business. The Company seeks to provide appropriate levels of claims provision and provision for unexpired risks taking the known facts and experience into account. The estimation of insurance liabilities involves the use of judgements and assumptions that are specific to each type of insurance risk covered.

The future return on the Company's investment portfolio is dependent on the movement of interest rates in our key currencies of Sterling and US Dollars.

DIVIDENDS

The directors do not recommend the payment of a dividend (2007:Nil).

DIRECTORS AND THEIR INTERESTS

None of the directors had any beneficial interests in the shares of the Company at any time during the financial year. The Company is a wholly owned subsidiary of an entity incorporated outside Great Britain. Accordingly, no disclosure is provided of directors' interests in other Group companies, which are incorporated outside Great Britain.

SUPPLIER PAYMENT POLICY

It is Company policy to pay suppliers within agreed terms of credit upon timely receipt of an accurate invoice.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company adopts a conservative investment and risk management policy to ensure that there is no material exposure to market, liquidity or cashflow risks. In addition, the Company has no exposure to derivatives or currency-hedging risks.

DIRECTORS' REPORT

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have expressed their willingness to continue in office as auditors. An Elective Resolution has been passed dispensing with the requirement to appoint Auditors annually. Deloitte LLP are, therefore, deemed to continue as Auditors.

Approved by the Board of Directors
and signed on behalf of the Board


C Martin
Secretary

31 March 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

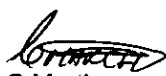
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 judgements 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 proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



C Martin
Secretary

31 March 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

We have audited the financial statements of Berkshire Hathaway International Insurance Limited for the year ended 31 December 2008, which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

Equalisation Reserves

Our evaluation of the presentation of the information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of the equalisation reserves, the amounts set aside at 31 December 2008, and the effect of the movement in these reserves during the year on the balance on the general business technical account and result before tax, are disclosed in note 12.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

31 March 2009

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2008

TECHNICAL ACCOUNT - General business

	Note	2008 £'000	2007 £'000
Earned premiums, net of reinsurance			
Gross premiums written	2	79,409	80,801
Outward reinsurance premiums		(62,153)	(64,450)
Net premiums written		17,256	16,351
Change in the provision for unearned premiums			
Gross amount	11	5,400	(1,993)
Reinsurers' share	11	(5,269)	3,378
Change in the net provision for unearned premiums		131	1,385
Earned premiums, net of reinsurance and total technical income		17,387	17,736
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(53,625)	(41,370)
Reinsurers' share		37,009	26,818
Net claims paid		(16,616)	(14,552)
Change in the provision for claims			
Gross amount	11	(27,051)	(27,115)
Reinsurers' share	11	27,477	25,138
Change in the net provision for claims		426	(1,977)
Claims incurred, net of reinsurance		(16,190)	(16,529)
Change in other technical provisions			
Gross amount	11	991	(7,344)
Reinsurers' share	11	(2,038)	5,255
Change in other technical provisions – net		(1,047)	(2,089)
Net operating expenses	4	(3,490)	(5,564)
Change in equalisation reserve	12	(860)	(801)
Total technical charges		(21,587)	(24,983)
Balance on the technical account for general business		(4,200)	(7,247)

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2008

NON-TECHNICAL ACCOUNT

	Note	2008 £'000	2007 £'000
Balance on the general business technical account		(4,200)	(7,247)
Investment income		4,334	5,571
Realised gains / (losses)		557	(467)
Unrealised gains		1,109	1,378
Foreign exchange on translation		4,884	(94)
Profit / (Loss) on ordinary activities before tax		6,684	(859)
Tax on profit / (loss) on ordinary activities	6	<u>(1,899)</u>	<u>(283)</u>
Profit / (Loss) on ordinary activities after tax retained for the financial year	10	<u>4,785</u>	<u>(1,142)</u>

There are no recognised gains or losses other than the loss for the year and, accordingly, no statement of recognised gains and losses has been prepared.

All of the operations of the Company are continuing.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Equity shareholders' funds at 1 January		42,962	44,104
Profit / (Loss) for the year		<u>4,785</u>	<u>(1,142)</u>
Equity shareholders' funds at 31 December		<u>47,747</u>	<u>42,962</u>

BERKSHIRE HATHAWAY INTERNATIONAL INSURANCE LIMITED

BALANCE SHEET

As at 31 December 2008

	Note	2008 £'000	2007 £'000
ASSETS			
Fixed Assets	7	<u>-</u>	<u>-</u>
Investments			
Other financial investments	8	<u>141,149</u>	<u>124,749</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	11	50,008	42,622
Claims outstanding	11	180,337	116,564
Other technical provisions	11	<u>8,609</u>	<u>8,811</u>
		<u>238,954</u>	<u>167,997</u>
Debtors			
Debtors arising out of direct insurance operations			
- Intermediaries		25,229	20,656
Debtors arising out of reinsurance operations		932	188
Other debtors		<u>1,416</u>	<u>1,399</u>
		<u>27,577</u>	<u>22,243</u>
Other assets			
Cash at bank and in hand		<u>5,001</u>	<u>3,548</u>
Prepayments and accrued income			
Accrued interest		627	683
Deferred acquisition costs		<u>1,610</u>	<u>1,240</u>
		<u>2,237</u>	<u>1,923</u>
TOTAL ASSETS		<u><u>414,918</u></u>	<u><u>320,460</u></u>

BALANCE SHEET continued
As at 31 December 2008

	Note	2008 £'000	2007 £'000
LIABILITIES			
Capital and reserves			
Called up share capital	9	39,716	39,716
Profit and loss account	10	8,031	3,246
Equity shareholders' funds		<u>47,747</u>	<u>42,962</u>
Technical provisions			
Provision for unearned premiums	11	69,448	58,956
Claims outstanding	11	245,392	171,566
Equalisation provision	12	5,532	4,673
Other technical provisions	11	15,241	13,892
		<u>335,613</u>	<u>249,087</u>
Creditors			
Creditors arising out of direct insurance operations		555	658
Creditors arising out of reinsurance operations		27,621	26,097
Other creditors including taxation and social Security		3,382	1,656
		<u>31,558</u>	<u>28,411</u>
TOTAL LIABILITIES		<u>414,918</u>	<u>320,460</u>

The notes on pages 13 to 24 form an integral part of these accounts.

Approved at a meeting of the Board of Directors and signed on its behalf.



R. Love
 Director

31 March 2009

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985.

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the current value accounting rules. The Company has adopted all material recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers ("the ABI SORP").

The particular accounting policies adopted are described below.

Going Concern

Having taken into account the risks and uncertainties and the performance of the business as disclosed in the Directors' Report, and after making enquires, there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Company continues to adopt the going concern basis in the preparation of the financial statements.

Cash flow

Advantage has been taken of the exemption under the revised FRS1 not to present a statement of cash flow as the Company is 90% or more controlled within the Berkshire Hathaway group of companies, and the consolidated financial statements in which the subsidiary undertaking is included are publicly available.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Premiums

Under the annual basis of accounting, written premiums comprise the premiums on contracts incepting in the financial year.

Estimates are included of pipeline premiums due but not yet notified to the Company.

Written premiums are stated gross of commissions payable to intermediaries and exclusive of taxes and duties levied on premiums.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards reinsurance business.

Unearned premiums

A provision for unearned premiums is made which represents that part of gross, and reinsurers' share of, premiums written which is estimated will be earned in the following or subsequent financial years. It is calculated separately for each insurance contract usually on the 24ths or 365ths basis depending on the estimated incidence of risk throughout the period of the contract.

Deferred acquisition costs

Acquisition costs represent the expenses, both direct and indirect, of acquiring insurance policies written during the financial year. Acquisition costs are accrued over an equivalent period to that over which the underlying business is written and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

1. ACCOUNTING POLICIES continued

Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported, net of salvage and subrogation recoveries.

Outwards reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inwards reinsurance business being reinsured.

Claims outstanding

Provision is made for outstanding claims and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims incurred but not reported at that date. Included in the provision is an estimate of the internal and external costs of handling the outstanding claims. Material salvage and other recoveries are deducted from outstanding claims.

Provisions for claims outstanding are based on information available to the directors and the eventual outcome may vary from the original assessment.

Other technical provisions - unexpired risks

Provision is made for unexpired risks when, after taking account of investment income, it is anticipated, on the basis of information available at the year end, that unearned premiums will be insufficient to meet future claims and related expenses of business in force at the end of the year. The provision for unexpired risks is included within "Other technical provisions" in the balance sheet.

Equalisation provision

Amounts are set aside as equalisation provisions in accordance with the Integrated Prudential Sourcebook for the purpose of mitigating exceptionally high loss ratios in future years. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, under Schedule 9A of the Companies Act 1985, they are included within technical provisions.

Premium levies

Provision is made for the potential liability payable to the Financial Services Compensation Scheme and the Financial Services Authority in respect of premiums recognised in these accounts. The charge is included within administrative expenses.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the time of the transaction. Monetary assets and liabilities are translated into sterling at the rates of exchange prevailing at the balance sheet date. All translation differences are dealt with in the non-technical account.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

1. ACCOUNTING POLICIES continued

Investment income, expenses and charges

Interest income is recognised on an accruals basis, as are investment expenses. All investment income, excluding the tax credit, is recognised in the non-technical account.

Realised gains or losses represent the difference between the net sales proceeds and purchase price.

Interest payable and expenses incurred in the management of investments are accounted for on an accruals basis.

Unrealised gains and losses

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised investment gains and losses therefore comprises the increase or decrease in the year in the value of investments held at the balance sheet date together with the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

Allocation of investment return

All the investment return is recognised in the non-technical account.

Investments

Investments, consisting of listed investments and deposits with credit institutions, are stated at their current values at the end of the year. Deposits with credit institutions are included at cost.

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred taxation is provided for using the liability method on all timing differences, arising from the different treatment of items for accounting and taxation purposes, calculated at the rates at which it is expected that tax will arise. Deferred tax balances are not discounted.

Pension Costs

The amount charged to the profit and loss account for the Company's defined contribution scheme in respect of pension costs and other post-retirement benefits are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

2. SEGMENTAL INFORMATION

Analysis of gross premiums written and gross premiums earned by class of business:

	Gross premiums written		Gross premiums earned	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Direct insurance				
Aviation	65,238	64,294	64,502	68,608
Motor				
- Third-party liability	(2)	(10)	(2)	544
- Other	-	(10)	-	567
Property	1	192	82	170
Third-party liability	14,129	16,204	19,997	8,913
	<u>79,366</u>	<u>80,670</u>	<u>84,579</u>	<u>78,802</u>
Reinsurance acceptances				
Liability	43	131	230	6
Marine	-	-	-	-
	<u>79,409</u>	<u>80,801</u>	<u>84,809</u>	<u>78,808</u>

Analysis of gross premiums written:

	2008	2007
	£'000	£'000
Contracts written by the Company in:		
United Kingdom	<u>79,409</u>	<u>80,801</u>

Geographical analysis of gross premiums written, profit before tax and net assets has not been included as all risks either originate or are procured in the United Kingdom in both 2007 and 2008.

Class of business analysis for net assets and profit before taxation have not been disclosed as a meaningful split of the business cannot be obtained.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

2. SEGMENTAL INFORMATION continued

Analysis of gross claims incurred, gross operating expenses and the reinsurance balance by class of business:

	Gross claims incurred	Gross operating expenses	Reinsurance Balance
	2008	2008	2008
	£'000	£'000	£'000
Direct insurance			
Aviation	57,806	2,178	5,042
Motor			
- Third-party liability	(440)	893	746
- Other	-	-	-
Property	(125)	23	135
Third-party liability	23,223	393	(3,067)
	<u>80,464</u>	<u>3,487</u>	<u>2,856</u>
Reinsurance acceptances			
Motor	46	-	-
Liability	166	3	80
Marine	-	-	-
	<u>80,676</u>	<u>3,490</u>	<u>2,936</u>

	Gross claims incurred	Gross operating expenses	Reinsurance Balance
	2007	2007	2007
	£'000	£'000	£'000
Direct insurance			
Aviation	59,564	2,963	(8,484)
Motor			
- Third-party liability	735	1,053	193
- Other	765	1,097	200
Property	30	179	(131)
Third-party liability	7,310	270	(894)
	<u>68,404</u>	<u>5,562</u>	<u>(9,116)</u>
Reinsurance acceptances			
Motor	34	-	-
Liability	47	2	-
Marine	-	-	-
	<u>68,485</u>	<u>5,564</u>	<u>(9,116)</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

3. PRIOR-YEARS' CLAIMS PROVISIONS

Material over/(under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior-years' claims are as follows:

	2008 £'000	2007 £'000
Aviation	(1,263)	1,751
Motor	(365)	(465)
Property	53	120
	<u>(1,575)</u>	<u>1,406</u>

4. NET OPERATING EXPENSES

	2008 £'000	2007 £'000
Acquisition costs –		
Commission on Direct business	10,977	12,427
Other acquisition costs	1,140	1,594
Total Acquisition Costs	<u>12,117</u>	<u>14,021</u>
Change in gross deferred acquisition costs	<u>(1,970)</u>	<u>(614)</u>
	10,147	13,407
Administrative expenses	<u>4,076</u>	<u>4,231</u>
Gross operating expenses	14,223	17,638
Reinsurance commissions and profit participation	<u>(10,733)</u>	<u>(12,074)</u>
Net operating expenses	<u>3,490</u>	<u>5,564</u>

Administrative expenses include:

	2008 £'000	2007 £'000
Auditors' remuneration		
Audit fees for the Company's annual accounts	<u>93</u>	<u>94</u>

The Company's auditors did not provide any other services to the Company in 2008 and 2007.

NOTES TO THE ACCOUNTS**For the year ended 31 December 2008****5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES****Directors' remuneration**

	2008 £'000	2007 £'000
Emoluments	<u>25</u>	<u>32</u>

The emoluments stated above are in respect of the services of the non-executive directors employed by the Company up to the end of October. In November they transferred to a fellow subsidiary, Resolute Management Limited, following a reorganisation of the Group's structure.

Subsequent to the reorganisation, £128,365 has been charged for the remainder of the period for the services of these non-executive directors along with the services of those executive directors appointed during the year. The other directors do not receive any remuneration specifically for activity as directors of this Company. Their costs are borne by another Group Company and not recharged. The Company did not make any contribution to any pension scheme and no director is entitled to any other benefits.

The emoluments of the highest paid director charged into the Company were £44,132 (2007: £16,000).

Employees

As at December 2008 the Company has no full time employees, staff were employed by the Company until October 2008 and the average number of persons employed by the Company up to that point was 3 (2007: 5). Subsequent to the reorganisation in November, staff are employed and remunerated by Resolute Management Limited, a fellow subsidiary which charges fees for management and technical services.

In addition to the employed personnel, a total of £2,252,115 (2007: £2,471,000) was recharged from other group companies, including Resolute Management Limited, in respect of salaries and related costs for the provision of management and technical services.

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The standard rate of current tax for the year was 30% up to March 31, and 28% thereafter (2007 - 30%). The current tax charge for the year is not 30% and then 28% of the profit before tax for the reasons set out below:

	2008 £'000	2007 £'000
Profit / (Loss) on ordinary activities before tax	6,684	(859)
Tax on profit / (loss) on ordinary activities at standard rate	1,905	(258)
Factors affecting tax charge:		
Expenses disallowable for tax purposes	1	1
Capital allowances in excess of depreciation	(7)	-
Movement in short-term timing differences	-	(37)
Current year losses to be surrendered as group relief	-	294
Underprovision on previous years' corporation tax liability	-	283
	<u>1,899</u>	<u>283</u>

No provision is made for potential deferred tax assets (2007: nil), as this is dependent upon the availability of future profits within this Company or the rest of the UK group.

The estimated amount of the deferred tax asset not provided:

	2008 £'000	2007 £'000
Depreciation in excess of capital allowances	<u>20</u>	<u>35</u>
	<u>20</u>	<u>35</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

7. TANGIBLE FIXED ASSETS

	Computer and office equipment £'000	Total £'000
Cost		
At 1 January 2008	210	210
Additions	-	-
At 31 December 2008	<u>210</u>	<u>210</u>
Accumulated depreciation		
At 1 January 2008	210	210
Charge for year	-	-
At 31 December 2008	<u>210</u>	<u>210</u>
Net book value		
At 31 December 2008	<u>-</u>	<u>-</u>
At 31 December 2007	<u>-</u>	<u>-</u>

8. INVESTMENTS IN OTHER FINANCIAL INVESTMENTS

	2008 £'000	2007 £'000
Market Value		
Debt securities and other fixed income securities – listed	105,216	96,976
Deposits with credit institutions	<u>35,933</u>	<u>27,773</u>
	<u>141,149</u>	<u>124,749</u>
	2008 £'000	2007 £'000
Historical Cost		
Debt securities and other fixed income securities – listed	103,408	95,933
Deposits with credit institutions	<u>35,933</u>	<u>27,773</u>
	<u>139,341</u>	<u>123,706</u>

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

9. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised:		
39,716,169 ordinary shares of £1 each	<u>39,716</u>	<u>39,716</u>
Called up, allotted and fully paid:		
39,716,169 ordinary shares of £1 each	<u>39,716</u>	<u>39,716</u>

10. MOVEMENTS IN RESERVES

	2008 £'000	2007 £'000
Profit and loss account		
Balance at 1 January 2008	3,246	4,388
Profit / (Loss) for the year	4,785	(1,142)
Balance at 31 December 2008	<u>8,031</u>	<u>3,246</u>

11. TECHNICAL PROVISIONS

	Provision for unearned premiums £'000	Claims reserve £'000	Claims Handling Costs £'000	Claims outstanding £'000	Other technical provisions £'000	Total £'000
Gross						
Balance at 1 January 2008	58,956	165,152	6,414	171,566	13,892	244,414
Exchange on revaluation	15,892	46,775	-	46,775	2,340	65,007
Movement in provision	(5,400)	26,100	951	27,051	(991)	20,660
Balance at 31 December 2008	<u>69,448</u>	<u>238,027</u>	<u>7,365</u>	<u>245,392</u>	<u>15,241</u>	<u>330,081</u>
Reinsurance amount						
Balance at 1 January 2008	42,622	113,177	3,387	116,564	8,811	167,997
Exchange on revaluation	12,655	36,296	-	36,296	1,836	50,787
Movement in provision	(5,269)	26,682	795	27,477	(2,038)	20,170
Balance at 31 December 2008	<u>50,008</u>	<u>176,155</u>	<u>4,182</u>	<u>180,337</u>	<u>8,609</u>	<u>238,954</u>
Net						
At 31 December 2008	<u>19,440</u>	<u>61,872</u>	<u>3,183</u>	<u>65,055</u>	<u>6,632</u>	<u>91,127</u>
Net						
At 31 December 2007	<u>16,334</u>	<u>51,975</u>	<u>3,027</u>	<u>55,002</u>	<u>5,081</u>	<u>76,417</u>

NOTES TO THE ACCOUNTS

For the year ended 31 December 2008

11. TECHNICAL PROVISIONS continued

The ultimate cost of general business outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. Such methods extrapolate the development of paid and incurred claims, average costs per claim and ultimate claim numbers for each accident year, or underwriting year if appropriate, based upon the observed development of earlier years and expected loss ratios. The main assumption underlying these techniques is that past claims development experience can be used to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in future, for example to reflect public attitudes to claiming, economic conditions or varying levels of claims inflation. The approach adopted takes into account, inter alia, the nature and materiality of the business and the type of data available. Large claims are usually separately assessed, either by being measured at case estimate face value or separately projected in order to reflect their future development. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. Additional qualitative input, such as allowance for one-off occurrences or changes in legislation, policy conditions or portfolio mix, is also used in arriving at the estimated ultimate cost of claims, in order that it represents the most likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers' share, having regard to collectability.

12. EQUALISATION PROVISION

The equalisation reserve, established in accordance with the Integrated Prudential Sourcebook, is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions, notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. This provision has reduced shareholders' funds by £5.532m (2007 £4.673m) net of taxation, with the balance on the general technical account and the result before taxation for the year both reduced by £0.860m (2007 £0.801m).

NOTES TO THE ACCOUNTS
For the year ended 31 December 2008

13. GUARANTEES AND FINANCIAL COMMITMENTS

The Company has a co-ordinating role for a defined contribution pension plan, the Resolute Pension Plan, and has indemnified the Trustees to the extent that no Trustee shall (as a Trustee for the Plan or in the exercise of any rights or powers under the Plan Rules) incur any personal liability except in respect of fraud or wilful and knowing breach of trust actually committed by the Trustee. No provision is considered necessary in the Company's accounts for any amounts due or potentially due under this indemnity.

During the year the Company provided indemnities to the Non Executive Directors for their activities with the Company, as well as, in one case, as a Non Executive Director of a related Company. Indemnities were also provided on a similar basis to the Executive Directors of a number of related Companies based in London. These indemnities are intended to indemnify the indemnitees in the event of proceedings being brought against the individuals where the individual has reasonably believed they have acted in the best interests of the relevant related Company and have acted consistently with the related Company's rules, instructions and guidelines. These indemnities remained in place at the date of the approval of this report. No provision is considered necessary in the Company's accounts for any amounts due or potentially due under these indemnities.

In November 2007 the Company became guarantor for a group company, Resolute Management Limited, in respect of that company's banking facilities with Barclays Bank PLC. There is no limit on the Guarantee though the banking facilities provided by Barclays, in the form of intra-day and inter-day credit limits to Resolute Management Limited are limited. No provision is considered necessary in the Company's accounts for any amounts due or potentially due under this guarantee.

Except as noted above, the company has no charges, potential capital gains tax liabilities, contingent liabilities, guarantees, indemnities or other contractual commitments, or other fundamental uncertainties to report.

In order that the company can transact business in Oklahoma, one \$100,000 bond has been lodged in that State. The company has no other restricted investments.

14. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's ultimate parent company, controlling party, company which heads the largest group of undertakings for which group accounts were drawn up and of which the Company was a member of, is Berkshire Hathaway Inc., incorporated in the United States of America.

The parent undertaking which heads the smallest group of undertakings for which group accounts were drawn up and of which the Company is a member is National Indemnity Company, a company incorporated in the state of Nebraska.

The consolidated financial statements of both of these companies are available to the public and may be obtained from 1440 Kiewit Plaza, Omaha, Nebraska, USA 68131.

15. RELATED PARTY TRANSACTIONS

The Company is taking advantage of the exemption under FRS 8, Paragraph 3 Related Party Transactions. The consolidated accounts of the Parent Company are publicly available.